

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 2, 2011.

OR

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

For the transition period from _____ to _____

Commission file number: 1-7685

AVERY DENNISON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-1492269

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

**150 North Orange Grove Boulevard
Pasadena, California**

(Address of principal executive offices)

91103

(Zip Code)

Registrant's telephone number, including area code: (626) 304-2000

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of \$1 par value common stock outstanding as of May 1, 2011: 106,874,924

AVERY DENNISON CORPORATION
FISCAL FIRST QUARTER 2011 FORM 10-Q QUARTERLY REPORT
TABLE OF CONTENTS

	<u>Page</u>
<u>SAFE HARBOR STATEMENT</u>	1
<u>PART I. FINANCIAL INFORMATION (UNAUDITED)</u>	
<u>Item 1. Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheets April 2, 2011 and January 1, 2011</u>	2
<u>Consolidated Statements of Income Three Months Ended April 2, 2011 and April 3, 2010</u>	3
<u>Consolidated Statements of Cash Flows Three Months Ended April 2, 2011 and April 3, 2010</u>	4
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Non-GAAP Financial Measures</u>	15
<u>Forward-Looking Statements</u>	15
<u>Overview and Outlook</u>	15
<u>Analysis of Results of Operations for the First Quarter</u>	18
<u>Results of Operations by Segment for the First Quarter</u>	19
<u>Financial Condition</u>	21
<u>Recent Accounting Requirements</u>	24
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	25
<u>Item 4. Controls and Procedures</u>	25
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	26
<u>Item 1A. Risk Factors</u>	26
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	26
<u>Item 3. Defaults Upon Senior Securities</u>	26
<u>Item 4. (Removed and Reserved)</u>	26
<u>Item 5. Other Information</u>	26
<u>Item 6. Exhibits</u>	27
<u>Signatures</u>	28
<u>Exhibits</u>	
<u>EX-10.1</u>	
<u>EX-10.18.2</u>	
<u>EX-10.31.2</u>	
<u>EX-10.35</u>	
<u>EX-10.36</u>	
<u>EX-12</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	

SAFE HARBOR STATEMENT

The matters discussed in this Quarterly Report contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which are not statements of historical fact, contain estimates, assumptions, projections and/or expectations regarding future events, which may or may not occur. Words such as “aim,” “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “guidance,” “intend,” “may,” “might,” “objective,” “plan,” “potential,” “project,” “seek,” “shall,” “should,” “target,” “will,” “would,” or variations thereof, and other expressions that refer to future events and trends, identify forward-looking statements. These forward-looking statements, and financial or other business targets, are subject to certain risks and uncertainties, which could cause actual results to differ materially from expected results, performance or achievements of the Company expressed or implied by such forward-looking statements.

Certain risks and uncertainties are discussed in more detail in Part I, Item 1A, “Risk Factors,” of the Company’s Annual Report on Form 10-K for the year ended January 1, 2011, and include, but are not limited to, risks and uncertainties relating to: fluctuations in cost and availability of raw materials; impact of competitive products and pricing; fluctuations in demand affecting sales to customers; loss of significant contract(s) or customer(s); collection of receivables from customers; selling prices; business mix shift; worldwide and local economic conditions; changes in tax laws and regulations; fluctuations in foreign currency exchange rates and other risks associated with foreign operations; ability of the Company to generate sustained productivity improvement; successful integration of acquisitions and successful execution of divestitures; changes in customer order patterns; customer and supplier concentrations; the financial condition and inventory strategies of customers; timely development and market acceptance of new products; investment in development activities and new production facilities; ability of the Company to achieve and sustain targeted cost reductions; successful implementation of new manufacturing technologies and installation of manufacturing equipment; disruptions in information technology systems; successful installation of new or upgraded information technology systems; volatility of capital and credit markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; ability of the Company to obtain adequate financing arrangements and to maintain access to capital; fluctuations in interest and tax rates; fluctuations in pension, insurance and employee benefit costs; impact of legal proceedings and environmental, health and safety laws; changes in governmental regulations; changes in political conditions; impact of epidemiological events on the economy and the Company’s customers and suppliers; acts of war, terrorism, and natural disasters; and other factors.

The Company believes that the most significant risk factors that could affect its financial performance in the near-term include: (1) the degree to which higher costs can be offset with productivity measures and/or passed on to customers through selling price increases, without a significant loss of volume; (2) the impact of competitors’ actions, including pricing, expansion in key markets, and product offerings; (3) the impact of economic conditions on underlying demand for the Company’s products; and (4) the impact of changes in tax laws and regulations throughout the world.

The Company’s forward-looking statements represent judgments only on the dates such statements were made. By making these forward-looking statements, the Company assumes no duty to update them to reflect new, changed or unanticipated events or circumstances, other than as may be required by law.

PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Dollars in millions, except per share data)	April 2, 2011	January 1, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 120.4	\$ 127.5
Trade accounts receivable, less allowances of \$53.6 and \$51.4 at April 2, 2011 and January 1, 2011, respectively	1,072.3	996.1
Inventories, net	630.6	519.9
Current deferred and refundable income taxes	152.0	144.7
Other current assets	184.9	163.7
Total current assets	2,160.2	1,951.9
Property, plant and equipment	3,243.0	3,186.2
Accumulated depreciation	(1,988.4)	(1,923.3)
Property, plant and equipment, net	1,254.6	1,262.9
Goodwill	957.5	940.8
Other intangibles resulting from business acquisitions, net	223.3	228.9
Non-current deferred income taxes	266.1	266.0
Other assets	453.0	448.9
	\$ 5,314.7	\$ 5,099.4
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term and current portion of long-term debt	\$ 567.6	\$ 381.0
Accounts payable	816.6	748.2
Current deferred and payable income taxes	41.9	53.2
Other current liabilities	521.5	649.4
Total current liabilities	1,947.6	1,831.8
Long-term debt	955.4	956.2
Long-term retirement benefits and other liabilities	540.1	541.1
Non-current deferred and payable income taxes	134.4	124.6
Commitments and contingencies (see Note 14)		
Shareholders' equity:		
Common stock, \$1 par value, authorized — 400,000,000 shares at April 2, 2011 and January 1, 2011; issued — 124,126,624 shares at April 2, 2011 and January 1, 2011; outstanding — 105,641,929 shares and 105,391,940 shares at April 2, 2011 and January 1, 2011, respectively	124.1	124.1
Capital in excess of par value	760.9	768.0
Retained earnings	1,746.0	1,727.9
Employee stock benefit trust, 1,217,995 shares and 1,784,741 shares at April 2, 2011 and January 1, 2011, respectively	(48.8)	(73.2)
Treasury stock at cost, 17,251,700 shares and 16,934,943 shares at April 2, 2011 and January 1, 2011, respectively	(771.7)	(758.2)
Accumulated other comprehensive loss	(73.3)	(142.9)
Total shareholders' equity	1,737.2	1,645.7
	\$ 5,314.7	\$ 5,099.4

See Notes to Unaudited Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME**(Unaudited)**

(In millions, except per share amounts)	Three Months Ended	
	April 2, 2011	April 3, 2010
Net sales	\$ 1,659.3	\$ 1,554.7
Cost of products sold	1,204.9	1,113.9
Gross profit	454.4	440.8
Marketing, general and administrative expense	364.5	340.1
Interest expense	17.9	17.5
Other expense, net	4.6	6.3
Income before taxes	67.4	76.9
Provision for income taxes	22.6	22.2
Net income	\$ 44.8	\$ 54.7
Per share amounts:		
Net income per common share	\$.43	\$.52
Net income per common share, assuming dilution	\$.42	\$.51
Dividends	\$.25	\$.20
Average shares outstanding:		
Common shares	105.4	105.4
Common shares, assuming dilution	107.0	106.4

See Notes to Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	Three Months Ended	
	April 2, 2011	April 3, 2010
Operating Activities		
Net income	\$ 44.8	\$ 54.7
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	42.4	44.1
Amortization	17.9	17.7
Provision for doubtful accounts	4.8	9.0
Asset impairment and net loss on sale and disposal of assets	7.9	.7
Stock-based compensation	11.7	7.5
Other non-cash expense and loss	13.9	9.6
Other non-cash income and gain	(1.9)	—
Changes in assets and liabilities and other adjustments	(259.0)	(171.2)
Net cash used in operating activities	(117.5)	(27.9)
Investing Activities		
Purchase of property, plant and equipment, net	(28.0)	(13.7)
Purchase of software and other deferred charges	(3.7)	(5.5)
(Purchase) proceeds from sale of investments, net	(.8)	.3
Net cash used in investing activities	(32.5)	(18.9)
Financing Activities		
Net increase in borrowings (maturities of 90 days or less)	185.9	90.5
Payments of debt (maturities longer than 90 days)	(.7)	(15.1)
Dividends paid	(26.7)	(22.4)
Purchase of treasury stock	(13.5)	—
Proceeds from exercise of stock options, net	1.9	1.0
Other	(5.4)	(1.5)
Net cash provided by financing activities	141.5	52.5
Effect of foreign currency translation on cash balances	1.4	(.2)
(Decrease) increase in cash and cash equivalents	(7.1)	5.5
Cash and cash equivalents, beginning of year	127.5	138.1
Cash and cash equivalents, end of period	\$ 120.4	\$ 143.6

See Notes to Unaudited Condensed Consolidated Financial Statements

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Note 1. General

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include normal recurring adjustments necessary for a fair statement of Avery Dennison Corporation's (the "Company's") interim results. The unaudited condensed consolidated financial statements and notes in this Form 10-Q are presented as permitted by Article 10 of Regulation S-X. The unaudited condensed consolidated financial statements do not contain certain information included in the Company's 2010 audited consolidated financial statements and notes. This Form 10-Q should be read in conjunction with the Company's audited consolidated financial statements and notes included in the Company's 2010 Annual Report on Form 10-K.

During the first quarter of fiscal 2011, the Company changed the names of certain of its segments and businesses. The Company's Retail Information Services segment was changed to Retail Branding and Information Solutions. Within the Company's Pressure-sensitive Materials segment, the names of the Roll Materials business and Graphics and Reflective Products business were changed to Label and Packaging Materials and Graphics and Reflective Solutions, respectively.

The first quarters of 2011 and 2010 consisted of thirteen-week periods ending April 2, 2011 and April 3, 2010, respectively. The interim results of operations are not necessarily indicative of future financial results.

Note 2. Inventories

Inventories consisted of:

(In millions)	April 2, 2011	January 1, 2011
Raw materials	\$281.1	\$243.3
Work-in-progress	166.9	130.5
Finished goods	243.3	205.3
Inventories at lower of FIFO cost or market (approximates replacement cost)	691.3	579.1
Inventory reserves	(60.7)	(59.2)
Inventories, net	\$630.6	\$519.9

Note 3. Goodwill and Other Intangibles Resulting from Business Acquisitions
Goodwill

Changes in the net carrying amount of goodwill from operations for 2011, by reportable segment and other businesses, were as follows:

(In millions)	Pressure-sensitive Materials	Retail Branding and Information Solutions	Office and Consumer Products	Other specialty converting businesses	Total
Goodwill	\$ 346.0	\$ 1,243.2	\$ 168.1	\$ 3.5	\$ 1,760.8
Accumulated impairment losses	—	(820.0)	—	—	(820.0)
Balance as of January 1, 2011	346.0	423.2	168.1	3.5	940.8
Acquisition adjustments	—	(.4)	—	—	(.4)
Translation adjustments	9.5	2.7	4.8	.1	17.1
Balance as of April 2, 2011	355.5	425.5	172.9	3.6	957.5
Goodwill	355.5	1,245.5	172.9	3.6	1,777.5
Accumulated impairment losses	—	(820.0)	—	—	(820.0)
Balance as of April 2, 2011	\$ 355.5	\$ 425.5	\$ 172.9	\$ 3.6	\$ 957.5

Indefinite-Lived Intangible Assets

The carrying value of indefinite-lived intangible assets resulting from business acquisitions, consisting of trade names and trademarks, was \$18.1 million at April 2, 2011, which included \$.1 million of positive currency impact. At January 1, 2011, the carrying value of indefinite-lived intangible assets resulting from business acquisitions was \$18 million.

Finite-Lived Intangible Assets

The following table sets forth the Company's finite-lived intangible assets resulting from business acquisitions at April 2, 2011 and January 1, 2011, which continue to be amortized:

(In millions)	April 2, 2011			January 1, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 296.8	\$ 128.1	\$ 168.7	\$ 291.9	\$ 119.2	\$ 172.7
Patents and other acquired technology	53.6	29.3	24.3	53.6	28.1	25.5
Trade names and trademarks	46.5	39.8	6.7	44.8	38.0	6.8
Other intangibles	14.6	9.1	5.5	14.4	8.5	5.9
Total	\$ 411.5	\$ 206.3	\$ 205.2	\$ 404.7	\$ 193.8	\$ 210.9

Amortization expense on finite-lived intangible assets resulting from business acquisitions was \$8.4 million and \$8.2 million for the three months ended April 2, 2011 and April 3, 2010, respectively.

As of April 2, 2011, estimated amortization expense for finite-lived intangible assets resulting from completed business acquisitions for each of the next five fiscal years is as follows:

(In millions)	Estimated amortization expense
2011	\$ 33.6
2012	33.4
2013	31.7
2014	28.0
2015	24.5

Note 4. Debt

The fair value of the Company's debt is primarily based on the credit spread above U.S. Treasury securities on notes with similar rates, credit rating, and remaining maturities. The fair value of the Company's total debt, including short-term borrowings, was \$1.57 billion at April 2, 2011 and \$1.40 billion at January 1, 2011. Fair value amounts were primarily based on Level 2 inputs, which are defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

As of April 2, 2011, the Company was in compliance with its financial covenants.

Note 5. Pension and Other Postretirement Benefits

The following table sets forth the components of net periodic benefit cost for the periods shown:

(In millions)	Pension Benefits				U.S. Postretirement Health Benefits	
	Three Months Ended				Three Months Ended	
	April 2, 2011		April 3, 2010		April 2, 2011	April 3, 2010
	U.S.	Int'l	U.S.	Int'l		
Components of net periodic benefit cost:						
Service cost	\$.1	\$ 2.8	\$ 5.4	\$ 2.5	\$.4	\$.3
Interest cost	10.0	6.6	10.2	6.4	.5	.5
Expected return on plan assets	(11.3)	(6.1)	(12.3)	(6.8)	—	—
Recognized net actuarial loss	1.9	1.0	4.5	.6	.5	.5
Amortization of prior service cost	.1	.1	.2	.1	(.5)	(.5)
Amortization of transition asset	—	(.1)	—	(.1)	—	—
Net periodic benefit cost	\$.8	\$ 4.3	\$ 8.0	\$ 2.7	\$.9	\$.8

The Company contributed \$1 million and \$.9 million to its U.S. pension plans during the three months ended April 2, 2011 and April 3, 2010, respectively. The Company contributed \$25 million in April 2011, subsequent to the end of the first quarter of 2011, and

additionally, expects to contribute approximately \$2 million for the remainder of 2011 to its U.S. pension plans. The Company contributed \$4 million and \$8 million to its U.S. postretirement health benefit plan during the three months ended April 2, 2011 and April 3, 2010, respectively. The Company expects to contribute approximately \$3 million to its U.S. postretirement health benefit plan for the remainder of 2011.

The Company contributed approximately \$8 million to its international pension plans during each of the three months ended April 2, 2011 and April 3, 2010. The Company expects to contribute approximately \$13 million to its international pension plans for the remainder of 2011.

During the three months ended April 2, 2011 and April 3, 2010, the Company recognized \$9.2 million and \$3.5 million, respectively, related to its match of participant contributions to its U.S. defined contribution plan. This expense was funded through the issuance of shares of the Company's common stock from the Employee Stock Benefit Trust.

Note 6. Research and Development

Research and development expense for the three months ended April 2, 2011 and April 3, 2010 was \$25.1 million and \$22.8 million, respectively, was included in "Marketing, general and administrative expense" in the unaudited Consolidated Statements of Income.

Note 7. Stock-Based Compensation

Net income included stock-based compensation expense related to stock options, performance units ("PUs"), restricted stock units ("RSUs") and restricted stock of \$11.7 million and \$7.5 million for the three months ended April 2, 2011 and April 3, 2010, respectively. Total stock-based compensation expense was included in "Marketing, general and administrative expense" in the unaudited Consolidated Statements of Income and was recorded in corporate expense and the Company's operating segments, as appropriate.

In February 2011, the Company granted its annual stock-based compensation awards to eligible employees. Awards granted to retirement-eligible employees vest in full upon retirement; as such, awards to these employees are treated at grant as though the awards were fully vested. As a result, compensation expense related to these awards of \$4.5 million and \$6 million was recognized during the three months ended April 2, 2011 and April 3, 2010, respectively, and included in the stock-based compensation expense noted above.

As of April 2, 2011, the Company had approximately \$80 million of unrecognized compensation cost related to unvested stock options, PUs, RSUs and restricted stock under the Company's plans. The total unrecognized compensation expense is expected to be recognized over the remaining weighted-average requisite service period of approximately three years for stock options and RSU's, respectively, two years for PU's, and one year for restricted stock.

Note 8. Cost Reduction Actions

Severance charges under the restructuring actions below were recorded to "Other current liabilities" in the unaudited Condensed Consolidated Balance Sheets. Severance and related costs represented cash paid or to be paid to employees terminated under these actions. Asset impairments were based on the estimated market value of the assets. Charges below were included in "Other expense, net" in the unaudited Consolidated Statements of Income.

2011

During the first three months of 2011, the Company implemented additional restructuring actions and recorded charges of \$6.2 million, which consisted of \$2.5 million of severance and related costs, \$3.1 million of asset impairment charges, and \$6 million in lease cancellation charges. These actions will result in the reduction of approximately 185 positions impacting all segments and geographic regions. As of April 2, 2011, approximately 60 of these employees remained with the Company and are expected to leave in 2011.

The table below details the accruals and payments, by reportable segment and other businesses, during the periods presented:

(In millions)	Pressure-sensitive Materials	Retail Branding and Information Solutions	Office and Consumer Products	Other specialty converting businesses	Total
Total severance and related costs accrued during the period ended:					
April 2, 2011	\$ 1.9	\$.6	\$ (.3)	\$.3	\$ 2.5
2011 Settlements	(.6)	(.6)	.9	(.3)	(.6)
Balance at April 2, 2011	\$ 1.3	\$ —	\$.6	\$ —	\$ 1.9
Asset Impairments					
Machinery and equipment	\$ 1.4	\$ —	\$ —	\$.4	\$ 1.8
Buildings	.1	1.2	—	—	1.3
Other					
Lease cancellations	—	—	.6	—	.6
	\$ 1.5	\$ 1.2	\$.6	\$.4	\$ 3.7

2010

In 2010, the Company continued its cost reduction program initiated in late 2008 and implemented additional restructuring actions resulting in the reduction of approximately 1,040 positions, impairment of certain assets, and lease cancellations. At April 2, 2011, approximately 420 employees impacted by these actions remained with the Company, and are expected to leave in 2011. Pretax charges related to these actions totaled \$19 million, including severance and related costs of \$15.3 million, impairment of fixed assets, buildings, and land of \$2.6 million, and lease cancellation charges of \$1.1 million.

The table below details the accruals and payments, by reportable segment and other businesses, during the periods presented:

(In millions)	Pressure-sensitive Materials	Retail Branding and Information Solutions	Office and Consumer Products	Other specialty converting businesses	Total
Total severance and related costs accrued during the period ended:					
April 3, 2010	\$ 1.5	\$ 2.2	\$.7	\$.3	\$ 4.7
July 3, 2010	2.0	—	(.1)	—	1.9
October 2, 2010	.1	.9	4.5	.3	5.8
January 1, 2011	.9	(.4)	.2	2.2	2.9
Total expense accrued during 2010	4.5	2.7	5.3	2.8	15.3
2010 Settlements	(3.9)	(1.9)	(.5)	(.6)	(6.9)
2011 Settlements	(.5)	(.3)	(.9)	(1.8)	(3.5)
Balance at April 2, 2011	\$.1	\$.5	\$ 3.9	\$.4	\$ 4.9
Asset Impairments					
Machinery and equipment	\$.2	\$.2	\$ —	\$.1	\$.5
Buildings	.7	.9	—	—	1.6
Land	.5	—	—	—	.5
Other					
Lease cancellations	—	.2	.9	—	1.1
	\$ 1.4	\$ 1.3	\$.9	\$.1	\$ 3.7

Note 9. Financial Instruments and Foreign Currency

The Company enters into certain foreign exchange hedge contracts to reduce its risk from exchange rate fluctuations associated with receivables, payables, loans and firm commitments denominated in certain foreign currencies that arise primarily as a result of its operations outside the U.S. The Company enters into certain interest rate contracts to help manage its exposure to interest rate fluctuations. The Company also enters into certain natural gas and other commodity futures contracts to hedge price fluctuations for a portion of its anticipated domestic purchases. The maximum length of time for which the Company hedges its exposure to the variability in future cash flows for forecasted transactions is 12 to 24 months.

As of April 2, 2011, the U.S. dollar equivalent notional values of the Company's outstanding commodity contracts and foreign exchange contracts were \$11.2 million and \$1.46 billion, respectively.

The Company recognizes all derivative instruments as either assets or liabilities at fair value in the unaudited Condensed Consolidated Balance Sheets. The Company designates commodity forward contracts on forecasted purchases of commodities and foreign exchange contracts on forecasted transactions as cash flow hedges and foreign exchange contracts on existing balance sheet items as fair value hedges.

The following table provides the balances and locations of derivatives as of April 2, 2011:

(In millions)	Asset		Liability	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Other current assets	\$7.8	Other current liabilities	\$8.3
Commodity contracts	Other current assets	—	Other current liabilities	1.5
		\$7.8		\$9.8

The following table provides the balances and locations of derivatives as of January 1, 2011:

(In millions)	Asset		Liability	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Other current assets	\$16.8	Other current liabilities	\$ 7.9
Commodity contracts	Other current assets	.1	Other current liabilities	2.4
		\$16.9		\$10.3

Fair Value Hedges

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings, resulting in no net material impact to income.

The following table provides the components of the gain (loss) recognized in income related to fair value hedge contracts. The corresponding gains or losses on the underlying hedged items approximated the net gain on these fair value hedge contracts.

(In millions)	Location of Gain (Loss) in Income	Three Months Ended	Three Months Ended
		April 2, 2011	April 3, 2010
Foreign exchange contracts	Cost of products sold	\$.7	\$ (.8)
Foreign exchange contracts	Marketing, general and administrative expense	4.8	15.9
		\$ 5.5	\$15.1

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of "Accumulated other comprehensive loss" and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Amounts recognized in “Accumulated other comprehensive loss” (effective portion) on derivatives related to cash flow hedge contracts were as follows:

(In millions)	Three Months Ended April 2, 2011	Three Months Ended April 3, 2010
Foreign exchange contracts	\$.2	\$(1.0)
Commodity contracts	(.2)	(2.3)
Interest rate contract	—	1.2
	\$—	\$(2.1)

Amounts reclassified from “Accumulated other comprehensive loss” (effective portion) related to cash flow hedge contracts were as follows:

(In millions)	Location of Loss in Income	Three Months Ended April 2, 2011	Three Months Ended April 3, 2010
Foreign exchange contracts	Cost of products sold	\$ (.5)	\$ (.7)
Commodity contracts	Cost of products sold	(1.0)	(1.6)
Interest rate contracts	Interest expense	(.9)	(1.0)
		\$(2.4)	\$(3.3)

The amount of gain or loss recognized in income related to the ineffective portion of, and the amounts excluded from, effectiveness testing for cash flow hedges and derivatives not designated as hedging instruments were not significant for the three months ended April 2, 2011 and April 3, 2010, respectively.

As of April 2, 2011, a net loss of approximately \$6 million is expected to be reclassified from “Accumulated other comprehensive loss” to earnings within the next 12 months. See Note 12, “Comprehensive Income,” for more information.

Foreign Currency

Transactions in foreign currencies (including receivables, payables and loans denominated in currencies other than the functional currency) decreased net income by \$1.8 million and \$1.1 million for the three months ended April 2, 2011 and April 3, 2010, respectively. These amounts exclude the effects from translation of foreign currencies on the Company’s unaudited condensed consolidated financial statements.

In the three months ended April 2, 2011 and April 3, 2010, respectively, no translation gains or losses for hyperinflationary economies were recognized in net income since the Company had no operations in hyperinflationary economies.

Note 10. Taxes Based on Income

The effective tax rate for the three months ended April 2, 2011 was approximately 34%. The effective tax rate for the three months ended April 3, 2010 was approximately 29%. The effective tax rate for the first three months of 2011 included an expense of approximately \$3 million from discrete events, primarily for a tax return true-up. The Company’s effective tax rate is lower than the U.S. federal statutory rate of 35% due to the Company’s operations in jurisdictions outside the U.S. where statutory tax rates are generally lower. Additional deferred taxes are not provided for most foreign earnings because the Company currently plans to indefinitely reinvest these amounts.

The following table summarizes the Company’s income before taxes, provision for income taxes, and effective tax rate:

(In millions)	Three Months Ended	
	April 2, 2011	April 3, 2010
Income before taxes	\$67.4	\$76.9
Provision for income taxes	22.6	22.2
Effective tax rate	34%	29%

The amount of income taxes the Company pays is subject to ongoing audits by taxing jurisdictions around the world. The Company’s estimate of the potential outcome of any uncertain tax issue is subject to management’s assessment of relevant risks, facts, and circumstances existing at that time. The Company believes that it has adequately provided for reasonably foreseeable outcomes related

to these matters. However, the Company's future results may include favorable or unfavorable adjustments to its estimated tax liabilities in the period the assessments are made or resolved, which may impact the Company's effective tax rate. With some exceptions, the Company and its subsidiaries are no longer subject to income tax examinations by tax authorities for years prior to 2006.

It is reasonably possible that during the next 12 months the Company may realize a decrease in its gross uncertain tax positions by approximately \$32 million, primarily as the result of cash payments and closing tax years. The Company anticipates that it is reasonably possible that cash payments of up to \$10 million relating to gross uncertain tax positions could be paid within the next 12 months.

Note 11. Net Income Per Share

Net income per common share amounts were computed as follows:

(In millions, except per share amounts)	Three Months Ended	
	April 2, 2011	April 3, 2010
(A) Net income available to common shareholders	\$ 44.8	\$ 54.7
(B) Weighted-average number of common shares outstanding	105.4	105.4
Dilutive shares (additional common shares issuable under employee stock-based awards)	1.6	1.0
(C) Weighted-average number of common shares outstanding, assuming dilution	107.0	106.4
Net income per common share (A) ÷ (B)	\$.43	\$.52
Net income per common share, assuming dilution (A) ÷ (C)	\$.42	\$.51

Certain employee stock-based awards were not included in the computation of net income per common share, assuming dilution, because they would not have had a dilutive effect. Employee stock-based awards excluded from the computation totaled approximately 8 million shares and 9 million shares for the three months ended April 2, 2011 and April 3, 2010, respectively.

Note 12. Comprehensive Income

Comprehensive income includes net income foreign currency translation adjustment, net actuarial loss, prior service cost and net transition assets, net of tax, and the gains or losses on the effective portion of cash flow and firm commitment hedges, net of tax, that are currently presented as a component of shareholders' equity. The Company's total comprehensive income was \$114.4 million and \$28.5 million for the three months ended April 2, 2011 and April 3, 2010, respectively.

The components of "Accumulated other comprehensive loss" (net of tax, with the exception of the foreign currency translation adjustment) in the unaudited Condensed Consolidated Balance Sheets were as follows:

(In millions)	April 2, 2011	January 1, 2011
Foreign currency translation adjustment	\$ 251.4	\$ 187.3
Net actuarial loss, prior service cost and net transition assets, less amortization	(318.2)	(321.2)
Net loss on derivative instruments designated as cash flow and firm commitment hedges	(6.5)	(9.0)
Accumulated other comprehensive loss	\$ (73.3)	\$ (142.9)

Cash flow and firm commitment hedging instrument activities in other comprehensive loss, net of tax, for the three months ended April 2, 2011, were as follows:

(In millions)	
Beginning accumulated derivative loss	\$ (9.0)
Net loss reclassified to earnings	2.4
Net change in the revaluation of hedging transactions	.1
Ending accumulated derivative loss	\$ (6.5)

Note 13. Fair Value Measurements

Recurring Fair Value Measurements

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of April 2, 2011:

(In millions)	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Available for sale securities	\$12.2	\$12.2	\$ —	\$ —
Derivative assets	7.8	—	7.8	—
Liabilities:				
Derivative liabilities	\$ 9.8	\$ 1.5	\$8.3	\$ —

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of January 1, 2011:

(In millions)	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Available for sale securities	\$12.2	\$12.2	\$ —	\$ —
Derivative assets	16.9	.1	16.8	—
Liabilities:				
Derivative liabilities	\$10.3	\$ 2.4	\$ 7.9	\$ —

Available for sale securities are measured at fair value using quoted prices and classified within Level 1 of the valuation hierarchy. Derivatives that are exchange-traded are measured at fair value using quoted market prices and are classified within Level 1 of the valuation hierarchy. Derivatives measured based on inputs that are readily available in public markets are classified within Level 2 of the valuation hierarchy. Available for sale securities were included in “Other current assets” in the unaudited Condensed Consolidated Balance Sheets.

Non-recurring Fair Value Measurements

The following table summarizes the fair value measurements of assets on a non-recurring basis during the three months ended April 2, 2011:

(In millions)	Total	Fair Value Measurements Using			Total Losses
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
Long-lived assets	\$1.3	\$ —	\$1.1	\$.2	\$(3.1)

Long-lived assets with carrying amounts totaling \$4.4 million were written down to their fair values of \$1.3 million, resulting in an impairment charge of \$3.1 million for the three months ended April 2, 2011, which was included in “Other expense, net” in the unaudited Consolidated Statements of Income.

Fair value measurements of assets on a non-recurring basis during the three months ended April 3, 2010 were not significant.

Note 14. Commitments and Contingencies**Legal Proceedings**

The Company and its subsidiaries are involved in various lawsuits, claims, inquiries, and other regulatory and compliance matters, most of which are routine to the nature of the Company's business. Based upon current information, management believes that the impact of the resolution of these other matters is not material to the Company's financial position, or is not estimable.

Environmental

As of April 2, 2011, the Company has been designated by the U.S. Environmental Protection Agency ("EPA") and/or other responsible state agencies as a potentially responsible party ("PRP") at fourteen waste disposal or waste recycling sites, which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination and for which no settlement of the Company's liability has been agreed. The Company is participating with other PRPs at such sites, and anticipates that its share of cleanup costs will be determined pursuant to remedial agreements entered into in the normal course of negotiations with the EPA or other governmental authorities.

The Company has accrued liabilities for sites where it is probable that a loss will be incurred and the cost or amount of loss can be reasonably estimated. Because of the uncertainties associated with environmental assessment and remediation activities, future expense to remediate these sites could be higher than the liabilities accrued by the Company; however, the Company is unable to reasonably estimate a range of potential expenses. If information becomes available that allows the Company to reasonably estimate the range of potential expenses or an amount higher or lower than what it has accrued, the Company will adjust its environmental liabilities accordingly. In addition, the Company could identify additional sites for cleanup in the future. The range of expense for remediation of any future-identified sites will be addressed at the time of identification; consequently, until such sites are identified, the range of expense for remediation cannot be determined.

The activity for the three months ended April 2, 2011 related to environmental liabilities was as follows:

(In millions)	
Balance at January 1, 2011	\$46.3
Accruals	.3
Payments	(1.0)
Balance at April 2, 2011	\$45.6

As of April 2, 2011, approximately \$11 million of the total balance was classified as short-term.

These estimates could change as a result of modifications of currently planned remedial actions, changes in remediation technologies, changes in site conditions, changes in the estimated time to complete remediation, changes in laws and regulations affecting remediation requirements, and other factors.

Other

On September 9, 2005, the Company completed the lease financing for a commercial facility located in Mentor, Ohio, used primarily for the headquarters and research center for its Label and Packaging Materials division. The facility consists generally of land, buildings, equipment and office furnishings. The Company leases the facility under an operating lease arrangement, which contains a residual value guarantee of \$33.4 million.

The Company participates in international receivable financing programs with several financial institutions whereby advances may be requested from these financial institutions. These advances are guaranteed by the Company. At April 2, 2011, the Company had guaranteed approximately \$14 million.

As of April 2, 2011, the Company guaranteed up to approximately \$17 million of certain foreign subsidiaries' obligations to their suppliers, as well as approximately \$416 million of certain subsidiaries' lines of credit with various financial institutions.

Note 15. Segment Information

Financial information, by reportable segment and other businesses, is set forth below.

(In millions)	Three Months Ended	
	April 2, 2011	April 3, 2010
Net sales to unaffiliated customers:		
Pressure-sensitive Materials	\$ 987.0	\$ 897.2
Retail Branding and Information Solutions	375.1	344.8
Office and Consumer Products	156.4	179.9
Other specialty converting businesses	140.8	132.8
Net sales to unaffiliated customers	\$1,659.3	\$1,554.7
Intersegment sales:		
Pressure-sensitive Materials	\$ 44.5	\$ 41.4
Retail Branding and Information Solutions	.4	.7
Office and Consumer Products	.2	.2
Other specialty converting businesses	12.2	5.8
Eliminations	(57.3)	(48.1)
Intersegment sales	\$ —	\$ —
Income before taxes:		
Pressure-sensitive Materials	\$ 86.2	\$ 87.8
Retail Branding and Information Solutions	12.1	(.5)
Office and Consumer Products	1.2	19.4
Other specialty converting businesses	(.8)	2.8
Corporate expense	(13.4)	(15.1)
Interest expense	(17.9)	(17.5)
Income before taxes	\$ 67.4 ⁽¹⁾	\$ 76.9 ⁽²⁾

- (1) Operating income for the first three months of 2011 included “Other expense, net” totaling \$4.6, consisting of restructuring costs of \$2.5, asset impairment and lease cancellation charges of \$3.7, partially offset by legal settlements of \$(1.6). Of the total \$4.6, the Pressure-sensitive Materials segment recorded \$3.4, the Retail Branding and Information Solutions segment recorded \$.2, the Office and Consumer Products segment recorded \$.4, and the other specialty converting businesses recorded \$.6.
- (2) Operating income for the first three months of 2010 included “Other expense, net” totaling \$6.3, consisting of restructuring costs of \$4.7, asset impairment charges of \$.2, and an accrual for legal settlements of \$1.4. Of the total \$6.3, the Pressure-sensitive Materials segment recorded \$1.9, the Retail Branding and Information Solutions segment recorded \$3.4, the Office and Consumer Products segment recorded \$.7, and the other specialty converting businesses recorded \$.3.

Note 16. Recent Accounting Requirements

In January 2010, the Financial Accounting Standards Board (“FASB”) updated accounting guidance regarding fair value measurement disclosure. This guidance requires companies to disclose the amount of significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for these transfers and for any transfers in or out of Level 3 of the fair value hierarchy. In addition, the guidance clarifies certain existing disclosure requirements. This updated guidance was effective at the beginning of 2010 and did not have a material impact on the Company’s disclosures.

In October 2009, the FASB issued guidance on revenue arrangements with multiple deliverables. The guidance revises the criteria for separating, measuring, and allocating arrangement consideration to each deliverable in a multiple element arrangement. The guidance requires companies to allocate revenue using the relative selling price of each deliverable, which must be estimated if the Company does not have a history of selling the deliverable on a stand-alone basis or third-party evidence of selling price. The Company adopted this guidance at the beginning of 2011. Adoption of this guidance did not have a material impact on the Company’s financial condition, results of operations, cash flows, or disclosures.

In June 2009, the FASB issued changes to consolidation accounting. Among other items, these changes respond to concerns about the application of certain key provisions of previous accounting standards, including those regarding the transparency of the involvement with variable interest entities. The Company adopted these changes at the beginning of 2010. These changes did not have a material impact on the Company’s financial condition, results of operations, cash flows, or disclosures.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**ORGANIZATION OF INFORMATION**

“Management’s Discussion and Analysis of Financial Condition and Results of Operations” provides a narrative concerning our financial performance and condition that should be read in conjunction with the accompanying unaudited condensed consolidated financial statements. It includes the following sections:

Non-GAAP Financial Measures	15
Forward-Looking Statements	15
Overview and Outlook	15
Analysis of Results of Operations for the First Quarter	18
Results of Operations by Segment for the First Quarter	19
Financial Condition	21
Recent Accounting Requirements	24

NON-GAAP FINANCIAL MEASURES

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, or GAAP. Our discussion of financial results includes several non-GAAP financial measures to provide additional information concerning our operating performance and liquidity measures. These non-GAAP financial measures are not in accordance with, nor are they a substitute for, the comparable GAAP financial measures. These non-GAAP financial measures are intended to supplement our presentation of our financial results that are prepared in accordance with GAAP. Based upon feedback from investors and financial analysts, we believe that supplemental non-GAAP financial measures provide information that is useful to the assessment of our performance and operating trends, as well as liquidity.

Non-GAAP financial measures exclude the impact of certain events, activities or strategic decisions. The accounting effects of these events, activities or decisions, which are included in the GAAP financial measures, may make it difficult to assess our underlying performance in a single period. By excluding certain accounting effects, both positive and negative, from certain of our GAAP financial measures, we believe that we are providing meaningful supplemental information to facilitate an understanding of our core or underlying operating results and liquidity measures. These non-GAAP financial measures are used internally to evaluate trends in our underlying business, as well as to facilitate comparison to the results of competitors for a single period. While some of the items we exclude from GAAP financial measures recur, these items tend to be disparate in amount and timing.

We use the following non-GAAP financial measures:

- *Organic sales growth* refers to the change in sales excluding the estimated impact of currency translation and the extra week in fiscal year 2009.
- *Free cash flow* refers to cash flow from operations, less net payments for capital expenditures, software and other deferred charges, plus net proceeds from sale (purchase) of investments. Free cash flow excludes mandatory debt service requirements and other uses of cash that do not directly or immediately support the underlying business (such as discretionary debt reductions, dividends, share repurchases and acquisitions).
- *Operational working capital* refers to trade accounts receivable and inventories, net of accounts payable. This non-GAAP financial measure excludes cash and cash equivalents, short-term debt, deferred taxes, other current assets and other current liabilities, as well as current assets and current liabilities of held-for-sale businesses.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this discussion are “forward-looking statements” and are subject to certain risks and uncertainties. Refer to our “Safe Harbor Statement” at the beginning of this report.

OVERVIEW AND OUTLOOK**Overview***Fiscal Year*

Normally, each fiscal year consists of 52 weeks, but every fifth or sixth year consists of 53 weeks. Our 2009 fiscal year consisted of a 53-week period, with the extra week reflected in the first quarter.

Segment and Business Name Changes

Refer to Note 1, “General,” to the unaudited Condensed Consolidated Financial Statements for information regarding the name changes of certain of our segments and businesses.

Sales

Our sales increased 7% in the first three months of 2011 compared to the same period in 2010.

Estimated change in sales due to:	Three Months Ended	
	April 2, 2011	April 3, 2010
Organic sales growth	7%	7%
Extra week in fiscal year 2009	—	(3)
Foreign currency translation	—	5
Reported sales growth	7%	9%

Net Income

Net income decreased approximately \$10 million in the first three months of 2011 compared to the same period in 2010.

Factors affecting changes in net income in the first three months of 2011 compared to the same period last year included:

Positive factors:

- Pricing actions
- Cost savings from productivity initiatives, including savings from restructuring actions
- Higher volume

Negative factors:

- Raw material inflation
- Higher employee-related costs
- Higher investments in growth and infrastructure
- Impact of the uninsured portion of a warehouse fire in Brazil

Cost Reduction Actions

2011 Actions

In the first three months of 2011, we recorded approximately \$6 million in pretax charges, consisting of severance and related costs for the reduction of approximately 185 positions, asset impairment charges, and lease cancellation costs. We anticipate approximately \$8 million in annualized savings from these restructuring actions to be realized by the end of 2012.

Q3 2010 — Q4 2010 Actions

In the second half of 2010, we recorded approximately \$10 million in pretax charges, consisting of severance and related costs for the reduction of approximately 725 positions, asset impairment charges, and lease cancellation costs. We anticipate approximately \$12 million in annualized savings from these restructuring actions to be realized by the end of 2012.

Q4 2008 — Q2 2010 Program

In the fourth quarter of 2008, we initiated a restructuring program that generated approximately \$180 million in annualized savings. We realized actual savings, net of transition costs, of approximately \$75 million in 2009 and an incremental \$72 million in 2010. We expect the remainder of the savings to be realized in 2011.

We recorded approximately \$150 million in pretax charges (of which \$105 million represents cash charges) related to this restructuring program, consisting of severance and related costs, asset impairment charges, and lease cancellation costs. Of the total charges, approximately \$12 million was recorded in 2008, \$129 million was recorded in 2009, and \$9 million was recorded in 2010. Severance and related costs were related to approximately 4,350 positions. We do not expect to incur any further charges related to this program.

Refer to Note 8, “Cost Reduction Actions,” to the unaudited Condensed Consolidated Financial Statements for further detail.

Effective Rate of Taxes on Income

The effective tax rate was approximately 34% for the three months ended April 2, 2011 and approximately 29% for the three months ended April 3, 2010. The effective tax rate for the first three months of 2011 included an expense of approximately \$3 million from

discrete events, primarily for a tax return true-up. Refer to Note 10, "Taxes Based on Income," to the unaudited Condensed Consolidated Financial Statements for further information.

Free Cash Flow

We use free cash flow as a measure of funds available for other corporate purposes, such as dividends, debt reduction, acquisitions, and repurchases of common stock. We believe that this non-GAAP financial measure provides meaningful supplemental information to our investors to assist them in their financial analysis of the Company.

(In millions)	Three Months Ended	
	April 2, 2011	April 3, 2010
Net cash used in operating activities	\$(117.5)	\$(27.9)
Purchase of property, plant and equipment, net	(28.0)	(13.7)
Purchase of software and other deferred charges	(3.7)	(5.5)
(Purchase) proceeds from sale of investments, net ⁽¹⁾	(.8)	.3
Free cash flow	\$(150.0)	\$(46.8)

(1) Net (purchase) proceeds from sales of investment relate to net purchases/sales of securities held by our captive insurance company.

Free cash flow in the first three months of 2011 included inventory purchases to support higher sales and inventory stocking; payments of 2010 employee bonuses and customer trade rebates; the timing of collections of accounts receivable; as well as net spending on property, plant, and equipment. These factors were partially offset by the amount and timing of payments for inventory purchases. See "Analysis of Results of Operations" and "Liquidity" below for more information.

2011 Outlook

Certain factors that we believe may contribute to results for 2011 compared to results for 2010 are listed below.

We expect revenue and earnings to increase in 2011, the extent to which is subject, but not limited, to the amount of higher costs, principally due to expected raw material inflation, that can be offset with productivity measures and/or price increases, and changes in global economic conditions.

We expect aggregate contributions to our pension plans (both domestic and international) of approximately \$50 million in 2011.

We anticipate restructuring cash charges to be approximately \$20 million.

We anticipate 2011 interest expense to be comparable to 2010. Our assumptions on interest expense are subject to changes in market rates through the remainder of the year.

We expect our annual effective tax rate to be higher in 2011. Our annual effective tax rate may be impacted by future events including changes in tax laws, geographic income mix, repatriation of cash, tax audits, closure of tax years, legal entity restructuring, and changes in valuation allowances on deferred tax assets. Our effective tax rate can potentially have wide variances from quarter to quarter, resulting from interim reporting requirements and the recognition of discrete events.

We anticipate increased investments in marketing, research and development, and infrastructure.

We anticipate our capital and software expenditures to be approximately \$175 million.

ANALYSIS OF RESULTS OF OPERATIONS FOR THE FIRST QUARTER
Income Before Taxes

(In millions)	2011	2010
Net sales	\$1,659.3	\$1,554.7
Cost of products sold	1,204.9	1,113.9
Gross profit	454.4	440.8
Marketing, general and administrative expense	364.5	340.1
Interest expense	17.9	17.5
Other expense	4.6	6.3
Income before taxes	\$ 67.4	\$ 76.9

As a Percent of Net Sales:

Gross profit margin	27.4%	28.4%
Marketing, general and administrative expense	22.0	21.9
Income before taxes	4.1	4.9

Net Sales

Sales increased 7% on both a reported and organic basis in the first three months of 2011 compared to the same period last year. This sales growth reflected higher volume, driven primarily by increased demand and pricing actions in the Pressure-sensitive Materials and Retail Branding and Information Solutions segments, partially offset by volume decline in the Office and Consumer Products segment.

Refer to “Results of Operations by Segment for the First Quarter” for information by reportable segment and other businesses.

Gross Profit Margin

Gross profit margin for the first three months of 2011 declined compared to the same period last year, as raw material inflation, increased employee-related costs, and negative segment mix more than offset the benefits of pricing actions, restructuring and productivity initiatives, and higher volume.

Marketing, General and Administrative Expense

The increase in marketing, general and administrative expense in the first three months of 2011 compared to the same period last year primarily reflected higher investments in growth and infrastructure, expenses related to the uninsured portion of a warehouse fire in Brazil, and higher employee-related costs. These employee-related costs included higher stock-based compensation expense recognized for grants awarded to employees who are retirement-eligible. Refer to Note 7, “Stock-Based Compensation,” to the unaudited Condensed Consolidated Financial Statements for more information.

Other Expense, net

(In millions)	2011	2010
Restructuring costs	\$ 2.5	\$4.7
Asset impairment charges and lease cancellation costs	3.7	.2
Other	(1.6)	1.4
Other expense, net	\$ 4.6	\$6.3

In the first three months of 2011, “Other expense, net” consisted of charges for severance and related costs resulting in the reduction in headcount of approximately 185 positions across all segments and geographic regions, asset impairment charges in the Pressure-sensitive Materials segment, the Retail Branding and Information Solutions segment, and other specialty converting businesses, as well as lease cancellation costs in the Office and Consumer Products segment. Other items included a gain on legal settlement of \$1.6 million.

In the first three months of 2010, “Other expense, net” consisted of charges for severance and other employee-related costs resulting in the reduction in headcount of approximately 230 positions across all segments and geographic regions and asset impairment charges in the Pressure-sensitive Materials segment, as well as accruals for legal settlements.

Refer to Note 8, “Cost Reduction Actions,” to the unaudited Condensed Consolidated Financial Statements for more information.

Net Income and Earnings per Share

(In millions, except per share amounts)	2011	2010
Income before taxes	\$ 67.4	\$ 76.9
Provision for income taxes	22.6	22.2
Net income	\$ 44.8	\$ 54.7
Net income per common share	\$.43	\$.52
Net income per common share, assuming dilution	\$.42	\$.51
Net income as a percent of sales	2.7%	3.5%
Percent change in:		
Net income	(18.1)%	106.1%
Net income per common share	(17.3)	105.8
Net income per common share, assuming dilution	(17.6)	105.7

Provision for Income Taxes

The effective tax rate was approximately 34% for the three months ended April 2, 2011 and approximately 29% for the three months ended April 3, 2010. The effective tax rate for the first three months of 2011 included an expense of approximately \$3 million from discrete events, primarily for a tax return true-up. Refer to Note 10, "Taxes Based on Income," to the unaudited Condensed Consolidated Financial Statements for further information.

RESULTS OF OPERATIONS BY SEGMENT FOR THE FIRST QUARTER

Pressure-sensitive Materials Segment

(In millions)	2011	2010
Net sales including intersegment sales	\$1,031.5	\$938.6
Less intersegment sales	(44.5)	(41.4)
Net sales	\$ 987.0	\$897.2
Operating income ⁽¹⁾	86.2	87.8

(1) Included an accrual for legal settlement in 2010, and restructuring and asset impairment charges in both years

Net Sales

Sales in our Pressure-sensitive Materials segment increased 10% on both a reported and organic basis in the first three months of 2011 compared to the same period last year. The sales growth reflected higher volume driven by increased demand and the benefit from pricing actions.

On an organic basis, sales in our Label and Packaging Materials business in the first three months of 2011 increased at a low double-digit rate compared to the same period last year, reflecting volume growth in emerging markets and Europe, and pricing actions.

On an organic basis, sales in our Graphics and Reflective Solutions business in the first three months of 2011 increased at a high single-digit rate compared to the same period last year.

Operating Income

Decreased operating income in the first three months of 2011 reflected continued raw material inflation, which outpaced pricing actions, higher employee-related costs, higher investments in growth and infrastructure, and higher restructuring and asset impairment charges. These factors more than offset the benefits from higher volume and productivity initiatives.

Retail Branding and Information Solutions Segment

(In millions)	2011	2010
Net sales including intersegment sales	\$375.5	\$345.5
Less intersegment sales	(.4)	(.7)
Net sales	\$375.1	\$344.8
Operating income (loss) ⁽¹⁾	12.1	(.5)

(1) Included asset impairment charges and a gain on legal settlement in 2011, an accrual for legal settlement in 2010, and restructuring costs in both years

Net Sales

Sales in our Retail Branding and Information Solutions segment increased 9% on both a reported and organic basis in the first three months of 2011 compared to the same period last year. The sales growth reflected increased demand from retailers and brands in the U.S. and Europe.

Operating Income (Loss)

Operating income in the first three months of 2011 reflected higher volume, benefits from restructuring and productivity initiatives, and a gain on a legal settlement (compared to expense in the same period last year), partially offset by higher employee-related costs.

Office and Consumer Products Segment

(In millions)	2011	2010
Net sales including intersegment sales	\$156.6	\$180.1
Less intersegment sales	(.2)	(.2)
Net sales	\$156.4	\$179.9
Operating income (1)	1.2	19.4
(1) Included lease cancellation costs in 2011 and restructuring costs in 2010	\$.4	\$.7

Net Sales

Sales in our Office and Consumer Products segment decreased 13% on both a reported and organic basis in the first three months of 2011 compared to the same period last year. The sales decline was due primarily to anticipated customer inventory reductions following the increased inventory stocking by customers in the fourth quarter of 2010, continued weak end-market demand, and last year's distribution losses with one customer.

Operating Income

Decreased operating income in the first three months of 2011 reflected lower volume, raw material inflation, and increased investment in new products and demand creation, partially offset by benefits from restructuring and productivity initiatives.

Other specialty converting businesses

(In millions)	2011	2010
Net sales including intersegment sales	\$153.0	\$138.6
Less intersegment sales	(12.2)	(5.8)
Net sales	\$140.8	\$132.8
Operating (loss) income (1)	(.8)	2.8
(1) Included asset impairment charges in 2011 and restructuring costs in both years	\$.6	\$.3

Net Sales

Sales in our other specialty converting businesses increased 6% in the first three months of 2011 compared to the same period last year, reflecting higher sales on an organic basis, partially offset by the unfavorable impact of foreign currency translation. On an organic basis, sales grew 7% due primarily to increased demand for products for automotive and other specialty applications.

Operating (Loss) Income

Operating loss in the first three months of 2011 was due largely to the impact of the uninsured portion of a warehouse fire in Brazil. The benefits from increased volume, pricing actions, and restructuring and productivity initiatives more than offset the impact of raw material inflation.

FINANCIAL CONDITION
Liquidity
Cash Flow from Operating Activities for the First Three Months:

(In millions)	2011	2010
Net income	\$ 44.8	\$ 54.7
Depreciation and amortization	60.3	61.8
Provision for doubtful accounts	4.8	9.0
Asset impairment and net loss on sale and disposal of assets	7.9	.7
Stock-based compensation	11.7	7.5
Other non-cash items, net	12.0	9.6
Changes in assets and liabilities and other adjustments	(259.0)	(171.2)
Net cash used in operating activities	\$(117.5)	\$ (27.9)

For cash flow purposes, changes in assets and liabilities and other adjustments exclude the impact of foreign currency translation (discussed below in “Analysis of Selected Balance Sheet Accounts”).

During the first three months of 2011, cash flow from operating activities included inventory purchases to support higher sales and inventory stocking; payments of 2010 employee bonuses and customer trade rebates; and the timing of collections of accounts receivable. These negative factors were partially offset by the amount and timing of payments for inventory purchases and income from operations.

During the first three months of 2010, cash flow from operating activities included payments of 2009 customer trade rebates and employee bonuses; payments for severance and other accrued costs related to various restructuring programs; the timing of collections of accounts receivable; and higher inventory purchases to support an increase in sales. These negative factors were partially offset by higher income from operations and the timing of payments of accounts payable.

Cash Flow from Investing Activities for the First Three Months:

(In millions)	2011	2010
Purchase of property, plant and equipment, net	\$(28.0)	\$(13.7)
Purchase of software and other deferred charges	(3.7)	(5.5)
(Purchase) proceeds from sale of investments, net	(.8)	.3
Net cash used in investing activities	\$(32.5)	\$(18.9)

Capital and Software Spending

During the first three months of 2011 and 2010, we invested in various small capital projects company wide. Information technology projects during the first three months of 2011 and 2010 included customer service and standardization initiatives.

Cash Flow from Financing Activities for the First Three Months:

(In millions)	2011	2010
Net change in borrowings and payments of debt	\$185.2	\$ 75.4
Dividends paid	(26.7)	(22.4)
Purchase of treasury stock	(13.5)	-
Proceeds from exercise of stock options, net	1.9	1.0
Other	(5.4)	(1.5)
Net cash provided by financing activities	\$141.5	\$ 52.5

Borrowings and Repayment of Debt

During the first three months of 2011, we increased our commercial paper and foreign short-term borrowings to support operational requirements.

Dividend Payments

On February 2, 2011, we announced a first quarter 2011 dividend of \$.25 per share, which represented a 25% increase from our previous dividend of \$.20 per share for the same period last year.

Share Repurchases

In December 2010, we executed the repurchase of approximately .3 million shares for \$13.5 million, which settled in January 2011.

On January 27, 2011, the Board of Directors authorized us to repurchase an additional five million shares of our stock. As of April 2, 2011, approximately 6 million shares were available for repurchase under that and prior Board of Directors' authorizations.

Analysis of Selected Balance Sheet Accounts

Long-lived Assets

In the first three months of 2011, goodwill increased approximately \$17 million to \$957.5 million, which primarily reflected the impact of foreign currency translation.

In the first three months of 2011, other intangibles resulting from business acquisitions, net, decreased approximately \$6 million to \$223.3 million, which reflected amortization expense (\$8 million), partially offset by the impact of foreign currency translation (\$2 million).

Refer to Note 3, "Goodwill and Other Intangibles Resulting from Business Acquisitions," to the unaudited Condensed Consolidated Financial Statements for more information.

In the first three months of 2011, other assets increased approximately \$4 million to \$453 million, which primarily reflected an increase in the cash surrender value of corporate-owned life insurance (\$8 million), purchase of software and other deferred charges (\$4 million), and the impact of foreign currency translation (\$1 million). These increases were partially offset by amortization expense of software and other deferred charges (\$9 million).

Other Shareholders' Equity Accounts

Our shareholders' equity was \$1.74 billion at April 2, 2011 compared to \$1.65 billion at January 1, 2011. The increase in our shareholders' equity was primarily due to the impact of foreign currency translation, increase from net income and a decrease in the value of our employee stock benefit trust, partially offset by dividend payments and an increase of our treasury stock from share repurchase activity. See "Share Repurchases" above for more information.

In the first three months of 2011, the value of our employee stock benefit trust decreased \$24 million to \$48.8 million, which reflected the issuance of shares under our stock option and incentive plan and defined contribution plan (\$23 million) and a decrease in the market value of shares held in the trust (\$1 million).

Impact of Foreign Currency Translation for the First Three Months:

<u>(In millions)</u>	<u>2011</u>	<u>2010</u>
Change in net sales	\$3	\$67
Change in net income	–	2

International operations generated approximately 70% of our net sales during the first three months of 2011. Our future results are subject to changes in political and economic conditions in the regions in which we conduct business and the impact of fluctuations in foreign currency exchange and interest rates.

The effect of currency translation on sales in the first three months of 2011, compared to the first three months of 2010, primarily reflected a positive impact from sales in the currencies of Australia, China and Brazil, partially offset by a negative impact from sales denominated in euros.

Effect of Foreign Currency Transactions

The impact on net income from transactions denominated in foreign currencies may be mitigated because the costs of our products are generally denominated in the same currencies in which they are sold. In addition, to reduce our income and cash flow exposure to transactions in foreign currencies, we may enter into foreign exchange forward, option and swap contracts, where available and appropriate.

Analysis of Selected Financial Ratios

We utilize certain financial ratios to assess our financial condition and operating performance, as discussed below.

Operational Working Capital Ratio

Working capital (deficit) (current assets minus current liabilities), as a percent of annualized net sales, increased in the first three months of 2011 primarily due to increases in inventories and net trade accounts receivable, partially offset by increases in accounts payable and annualized net sales.

Operational working capital, as a percent of annualized net sales, is a non-GAAP financial measure and is reconciled with working capital below. We use this non-GAAP financial measure as a tool to assess our working capital requirements because it excludes the impact of fluctuations attributable to our financing and other activities (that affect cash and cash equivalents, deferred taxes, other current assets, and other current liabilities) that tend to be disparate in amount and timing, and therefore, may increase the volatility of the working capital ratio from period to period. Additionally, the items excluded from this measure are not necessarily indicative of the underlying trends of our operations and are not significantly influenced by the day-to-day activities that are managed at the operating level. Refer to “Non-GAAP Financial Measures.” Our objective is to minimize our investment in operational working capital, as a percentage of sales, by reducing this ratio to maximize cash flow and return on investment.

Operational Working Capital for the First Three Months:

(In millions)	2011	2010
(A) Working capital (deficit) (current assets minus current liabilities)	\$ 212.6	\$ (34.9)
Reconciling items:		
Cash and cash equivalents	(120.4)	(143.6)
Current deferred and refundable income taxes and other current assets	(336.9)	(201.0)
Short-term and current portion of long-term debt	567.6	628.3
Current deferred and payable income taxes and other current liabilities	563.4	537.4
(B) Operational working capital	\$ 886.3	\$ 786.2
(C) Annualized net sales (quarterly sales, multiplied by 4)	\$6,637.2	\$6,218.8
Working capital (deficit), as a percent of annualized net sales (A) , (C)	3.2%	(.6)%
Operational working capital, as a percent of annualized net sales (B) , (C)	13.4%	12.6%

As a percent of annualized sales, operational working capital for the first three months of 2011 increased compared to the same period in the prior year. The primary factors contributing to this change, which includes the impact of foreign currency translation, are discussed below.

Accounts Receivable Ratio

The average number of days sales outstanding was 59 days in the first three months of 2011 compared to 56 days in the first three months of 2010, calculated using the trade accounts receivable balance at quarter end divided by the average daily sales for the quarter. The increase from prior year in the average number of days sales outstanding primarily reflected higher accounts receivable balances in businesses whose customers have longer payment terms, as well as the timing of collections during the quarter.

Inventory Ratio

Average inventory turnover was 7.6 in the first three months of 2011 compared to 8.6 in the first three months of 2010, calculated using the annualized cost of sales (quarterly cost of sales, multiplied by 4) divided by the inventory balance at quarter end. The decrease from prior year in the average inventory turnover reflected higher average inventory levels to support higher sales and inventory stocking in advance of a system implementation in Europe.

Accounts Payable Ratio

The average number of days payable outstanding was 62 days in the first three months of 2011 compared to 57 days in the first three months of 2010, calculated using the accounts payable balance at quarter end divided by the average daily cost of products sold for the quarter. The increase from prior year in the average number of days payable outstanding reflected the amount and timing of inventory purchases and timing of payments to vendors.

Capital Resources

Capital resources include cash flows from operations, cash and cash equivalents and debt financing. At April 2, 2011, we had cash and cash equivalents of approximately \$120 million held in accounts at third-party financial institutions.

Our \$1 billion revolving credit facility, which supports our commercial paper programs, matures in 2012. No balances were outstanding under this facility as of April 2, 2011. Based upon our current outlook for our business and market conditions, we believe that this facility, in addition to the uncommitted bank lines of credit maintained in the countries in which we operate, will provide the liquidity to fund our operations during the year.

We are exposed to financial market risk resulting from changes in interest and foreign currency rates, and to possible liquidity and credit risks of our counterparties.

Capital from Debt

Our total debt increased by approximately \$.2 billion in the first three months of 2011 to \$1.52 billion compared to \$1.34 billion at year end 2010, reflecting an increase in commercial paper and foreign short-term borrowings to support operational requirements. Refer to "Borrowings and Repayment of Debt" above for further information.

Credit ratings are a significant factor in our ability to raise short-term and long-term financing. The credit ratings assigned to us also impact the interest rates paid and our access to commercial paper, credit facilities, and other borrowings. A downgrade of our short-term credit ratings below our current levels could impact our ability to access the commercial paper markets. If our access to commercial paper markets was to become limited, our revolving credit facility and other credit facilities are available to meet our short-term funding requirements, if necessary. When determining a credit rating, the rating agencies place significant weight on our competitive position, business outlook, consistency of cash flows, debt level and liquidity, geographic dispersion and management team. We remain committed to retaining an investment grade rating.

Off-Balance Sheet Arrangements, Contractual Obligations, and Other Matters

Refer to Note 14, "Commitments and Contingencies," to the unaudited Condensed Consolidated Financial Statements in Part 1, Item 1 for information regarding legal proceedings, environmental matters, and other commitments.

RECENT ACCOUNTING REQUIREMENTS

Refer to Note 16, "Recent Accounting Requirements," to the unaudited Condensed Consolidated Financial Statements in Part 1, Item 1 for more information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to the information provided in Part II, Item 7A of the Company's Form 10-K for the fiscal year ended January 1, 2011.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(f)) that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures.

The Company's disclosure controls system is based upon a global chain of financial and general business reporting lines that converge in the Company's headquarters in Pasadena, California. As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the quarter covered by this report.

Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure.

The Company periodically assesses its overall control environment, including the control environment of acquired businesses.

There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

Refer to Note 14, "Commitments and Contingencies," to the unaudited Condensed Consolidated Financial Statements in Part 1, Item 1 for information.

ITEM 1A. RISK FACTORS

Our ability to attain our goals and objectives is materially dependent on numerous factors and risks, including but not limited to matters described in Part I, Item 1A, of the Company's Form 10-K for the fiscal year ended January 1, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

- (a) Not Applicable
- (b) Not Applicable
- (c) Purchases of Equity Securities by Issuer

On February 2, 2011, the Company announced that the Board of Directors authorized the repurchase of up to 5 million additional shares of the Company's outstanding common stock on January 27, 2011. Additionally, approximately 1 million remaining shares are available for repurchase under an authorization by the Board of Directors on October 26, 2006, which was announced by the Company on that date. The balance of shares available for repurchase under these authorizations as of April 2, 2011 was approximately 6 million.

Repurchased shares may be reissued under the Company's stock option and incentive plan or used for other corporate purposes.

Repurchases by the Company or "affiliated purchasers" (as defined in Rule 10b-18(a)(3) of the Securities Exchange Act of 1934) of registered equity securities during the first three months of 2011 are listed in the following table.

(Shares in thousands, except per share amounts)	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans	Maximum number of shares that may yet be purchased under the plans
January 2, 2011 – January 29, 2011 ⁽¹⁾	316.8	\$42.61	316.8	
January 30, 2011 – February 26, 2011	—	\$ —	—	
February 27, 2011 – April 2, 2011	—	\$ —	—	
Quarterly total	316.8	\$42.61	316.8	5,952.0

(1) Shares repurchased in December 2010 but settled in January 2011.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. (REMOVED AND RESERVED)**ITEM 5. OTHER INFORMATION**

Not Applicable

ITEM 6. EXHIBITS

Exhibit 3.1	Amended and Restated Certification of Incorporation is incorporated by reference to the current report on Form 8-K, filed April 29, 2011
Exhibit 3.2	Amended and Restated By-laws are incorporated by reference to the current report on Form 8-K, filed April 29, 2011
Exhibit 10.1	Credit Agreement, dated as of February 8, 2008, among Avery Dennison Office Products Company, Avery Dennison Corporation, Bank of America, N.A. and Banc of America Securities LLC and JP Morgan Securities Inc
Exhibit 10.18.2	Amended and Restated 2005 Directors Variable Deferred Compensation Plan**
Exhibit 10.31.2	Amended and Restated 2005 Executive Variable Deferred Retirement Plan**
Exhibit 10.35	Key Executive Change of Control Severance Plan**
Exhibit 10.36	Executive Severance Plan**
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	XBRL Instance Document*
Exhibit 101.SCH	XBRL Extension Schema Document*
Exhibit 101.CAL	XBRL Extension Calculation Linkbase Document*
Exhibit 101.LAB	XBRL Extension Label Linkbase Document*
Exhibit 101.PRE	XBRL Extension Presentation Linkbase Document*

* Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as may be expressly set forth by specific reference in such filings.

** Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Form 10-Q pursuant to Item 15.

SIGNATURES

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

AVERY DENNISON CORPORATION
(Registrant)

/s/ Mitchell R. Butier

Mitchell R. Butier
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

/s/ Lori J. Bondar

Lori J. Bondar
Vice President and Controller, and
Chief Accounting Officer
(Principal Accounting Officer)

May 10, 2011

**AMENDED AND RESTATED
CREDIT AGREEMENT**

Dated as of February 8, 2008

among

AVERY DENNISON OFFICE PRODUCTS COMPANY,
as the Borrower,

AVERY DENNISON CORPORATION,
as Holdings,

BANK OF AMERICA, N.A.,
as Administrative Agent,

The Other Lenders Party Hereto,

and

BANC OF AMERICA SECURITIES LLC,

and

J.P. MORGAN SECURITIES INC.,
as Joint Lead Arrangers.

TABLE OF CONTENTS

<u>Section</u>	<u>Pag</u>
Article I DEFINITIONS AND ACCOUNTING TERMS	1
1.01 Defined Terms	1
1.02 Other Interpretive Provisions	13
1.03 Accounting Terms	14
1.04 Rounding	14
1.05 Times of Day	14
Article II THE COMMITMENTS AND LOANS	15
2.01 The Loans	15
2.02 The Making, Conversions and Continuations of Loans	15
2.03 Optional Prepayments	16
2.04 Reduction of Commitments	17
2.05 Repayment of Loans	17
2.06 Interest	17
2.07 Fees	17
2.08 Computation of Interest and Fees	18
2.09 Evidence of Debt	18
2.10 Payments Generally; Administrative Agent's Clawback	18
2.11 Sharing of Payments by Lenders	20
2.12 Payments by Holdings	21
Article III TAXES, YIELD PROTECTION AND ILLEGALITY	21
3.01 Taxes	21
3.02 Illegality	23
3.03 Inability to Determine Rates	23
3.04 Increased Costs	24
3.05 Compensation for Losses	25
3.06 Mitigation Obligations; Replacement of Lenders	26
3.07 Survival	26
Article IV CONDITIONS PRECEDENT TO THE LOANS	26
4.01 Conditions to the Loans	26
Article V REPRESENTATIONS AND WARRANTIES	28

<u>Section</u>	<u>Pag</u>
5.01 Existence and Qualification; Power; Compliance with Law	28
5.02 Authority; Compliance with Other Instruments and Government Regulations	29
5.03 No Governmental Approvals Required	29
5.04 Subsidiaries	29
5.05 Financial Statements	30
5.06 No Material Adverse Change or Other Liabilities	30
5.07 Title to Assets	30
5.08 Regulated Industries	30
5.09 Litigation	30
5.10 Binding Obligations	31
5.11 No Default	31
5.12 ERISA	31
5.13 Regulation U	31
5.14 Tax Liability	31
5.15 Copyrights, Patents, Trademarks and Licenses, etc.	32
5.16 Environmental Matters	32
5.17 Insurance	32
5.18 Disclosure	32
Article VI AFFIRMATIVE COVENANTS	32
6.01 Financial and Business Information	32
6.02 Certificates; Other Information	33
6.03 Notices	33
6.04 Payment of Taxes and Other Potential Liens	34
6.05 Preservation of Existence	35
6.06 Maintenance of Properties	35
6.07 Maintenance of Insurance	35
6.08 Compliance with Laws	35
6.09 Inspection Rights	35
6.10 Keeping of Records and Books of Account	36
6.11 ERISA Compliance	36
6.12 Environmental Laws	36
6.13 Use of Proceeds	36

<u>Section</u>	<u>Pag</u>
6.14 Termination of the Existing Credit Agreement	36
6.15 Assumption of the Obligations by Holdings	36
Article VII NEGATIVE COVENANTS	37
7.01 Type of Business	37
7.02 Liens	37
7.03 Investments	38
7.04 Contingent Obligations	38
7.05 Subordinated Debt	38
7.06 Sale of Assets or Merger	38
7.07 Financial Covenants	38
7.08 Use of Proceeds	38
Article VIII EVENTS OF DEFAULT AND REMEDIES	39
8.01 Events of Default	39
8.02 Remedies upon Event of Default	40
Article IX ADMINISTRATIVE AGENT	41
9.01 Appointment and Authority	41
9.02 Rights as a Lender	41
9.03 Exculpatory Provisions	41
9.04 Reliance by Administrative Agent	42
9.05 Delegation of Duties	42
9.06 Resignation of Administrative Agent	43
9.07 Non-Reliance on Administrative Agent and Other Lenders	43
9.08 No Other Duties, Etc	43
9.09 Administrative Agent May File Proofs of Claim	44
Article X CONTINUING GUARANTY	44
10.01 Guaranty	44
10.02 Rights of Lenders	45
10.03 Certain Waivers	45
10.04 Obligations Independent	45
10.05 Subrogation	45
10.06 Termination; Reinstatement	46
10.07 Subordination	46
10.08 Stay of Acceleration	46

<u>Section</u>	<u>Pag</u>
10.09 Condition of the Borrower	46
Article XI MISCELLANEOUS	47
11.01 Amendments, etc.	47
11.02 Notices; Effectiveness; Electronic Communications	47
11.03 No Waiver; Cumulative Remedies	49
11.04 Expenses; Indemnity; Damage Waiver	49
11.05 Payments Set Aside	51
11.06 Successors and Assigns	51
11.07 Treatment of Certain Information; Confidentiality	54
11.08 Right of Setoff	55
11.09 Interest Rate Limitation	55
11.10 Counterparts; Integration; Effectiveness	55
11.11 Survival of Representations and Warranties	55
11.12 Severability	56
11.13 Replacement of Lenders	56
11.14 Governing Law; Jurisdiction; etc.	57
11.15 Waiver of Jury Trial	57
11.16 California Judicial Reference	58
11.17 No Advisory or Fiduciary Responsibility	58
11.18 USA PATRIOT Act Notice	59
SIGNATURES	S-1

Schedules

- 2.01 Commitments and Applicable Percentages
- 5.04 Subsidiaries
- 5.09 Litigation
- 11.02 Administrative Agent's Office, Certain Addresses for Notices

Exhibits

Form of

- A Committed Loan Notice
- B Note
- C Compliance Certificate
- D Assignment and Assumption
- E-1 Opinion Matters – Counsel to Loan Parties
- E-2 Opinion Matters – Local Counsel to Loan Parties

CREDIT AGREEMENT

This CREDIT AGREEMENT ("Agreement") is entered into as of February 8, 2008, among AVERY DENNISON OFFICE PRODUCTS COMPANY, a Nevada corporation (the "Borrower"), AVERY DENNISON CORPORATION, a Delaware corporation ("Holdings"), each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender"), and BANK OF AMERICA, N.A., as Administrative Agent (the "Administrative Agent").

PRELIMINARY STATEMENTS:

The Borrower has requested that the Lenders provide a term loan facility and the Lenders have indicated their willingness to lend on the terms and subject to the conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Acquisition" means any transaction, or any series of related transactions, consummated after the Closing Date, by which Holdings and/or any of its Subsidiaries directly or indirectly (a) acquires any going business or all or substantially all of the assets of any firm, corporation, or division thereof, whether through purchase of assets, merger or otherwise or (b) acquires (in one transaction or as the most recent transaction in a series of transactions) control of at least a majority in ordinary voting power of the securities of a corporation which have ordinary voting power for the election of directors or (c) acquires control of at least a majority ownership interest in any partnership or joint venture.

"Administrative Agent" has the meaning specified in the introductory paragraph hereto and also means any successor administrative agent appointed pursuant to Section 9.06.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 11.02, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Commitments" means the Commitments of all the Lenders.

“Agreement” means this Credit Agreement.

“Applicable Percentage” means with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of the Loans represented by (i) on or prior to the Closing Date, such Lender’s Commitment at such time and (ii) thereafter, the principal amount of such Lender’s Loans at such time. The initial Applicable Percentage of each Lender in respect of the Loans is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

“Applicable Rate” means, in respect of the Loans, from time to time, the following percentages per annum, based upon the Debt Rating as set forth below:

Applicable Rate

<u>Pricing Level</u>	<u>Debt Ratings S&P/Moody’s</u>	<u>Applicable Margin for LIBOR Loans</u>	<u>Applicable Margin for Base Rate Loans</u>
1	A+/A1 or better	0.300%	0.000%
2	A/A2	0.350%	0.000%
3	A-/A3	0.450%	0.000%
4	BBB+/Baa1	0.550%	0.000%
5	BBB/Baa2 or lower	0.850%	0.000%

“Debt Rating” means, as of any date of determination, the rating as determined by either S&P or Moody’s (collectively, the “Debt Ratings”) of Holdings’ non-credit-enhanced, senior unsecured long-term debt; provided that (a) if the respective Debt Ratings issued by the foregoing rating agencies differ by one level, then the Pricing Level for the higher of such Debt Ratings shall apply (with the Debt Rating for Pricing Level 1 being the highest and the Debt Rating for Pricing Level 5 being the lowest); (b) if there is a split in Debt Ratings of more than one level, then the Pricing Level that is one level lower than the Pricing Level of the higher Debt Rating shall apply; (c) if Holdings has only one Debt Rating, the Pricing Level that is one level lower than that of such Debt Rating shall apply; and (d) if Holdings does not have any Debt Rating, Pricing Level 5 shall apply.

Initially, the Applicable Rate shall be based upon the Debt Rating in effect as of the Closing Date. Thereafter, each change in the Applicable Rate resulting from a publicly announced change in the Debt Rating shall be effective during the period commencing on the date of the public announcement thereof and ending on the date immediately preceding the effective date of the next such change.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 11.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit D or any other form approved by the Administrative Agent.

“Audited Financial Statements” means the audited consolidated balance sheet of Holdings and its Subsidiaries for the fiscal year ended December 30, 2006, and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such fiscal year of Holdings and its Subsidiaries, including the notes thereto.

“Bank of America” means Bank of America, N.A. and its successors.

“Base Rate” means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate.” The “prime rate” is a rate set by Bank of America based upon various factors including Bank of America’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

“Borrower” has the meaning specified in the introductory paragraph hereto.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent’s Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“Cash Equivalents” means, when used in connection with any Person, such Person’s Investments in:

(a) Government Securities due within one year after the date of the making of the Investment;

(b) certificates of deposit issued by, bank deposits in, bankers’ acceptances of, and repurchase agreements covering Government Securities executed by, any Lender or any bank doing business in and incorporated under the laws of the United States or any state thereof or Canada and having on the date of such Investment combined capital, surplus, and undivided profits of at least \$500,000,000 in each case due within one year after the date of the making of the Investment; and

(c) readily marketable commercial paper of corporations doing business in and incorporated under the laws of the United States or any state thereof or Canada or any province thereof given on the date of such Investment the highest credit rating by

NCO/Moody's Commercial Paper Division of Moody's or S&P, in each case due within six months after the date of the making of the Investment.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"Closing Date" means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 11.01.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitment" means, as to each Lender, its obligation to make Loans to the Borrower pursuant to Section 2.01 in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 2.01 under the caption "Commitment" or opposite such caption in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement. The aggregate amount of the Commitments hereunder is \$400,000,000.

"Committed Loan Notice" means a notice requesting (a) the Loans to be made on the Closing Date, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A.

"Compliance Certificate" means a certificate substantially in the form of Exhibit C.

"Consolidated Debt" means, as of any date of determination, the Debt of Holdings and the Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated Earnings Before Interest and Taxes" means, as of any date of determination, the earnings of Holdings and the Consolidated Subsidiaries for the twelve month fiscal period most recently ended on or prior to such date before deducting interest expense and taxes on or measured by income charged against earnings for such period plus non-cash expenses of Holdings and the Consolidated Subsidiaries reducing such earnings, which do not represent usage of cash in such period or any future period.

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent deducted in the determination of such Consolidated Net Income, (a) Consolidated Interest for such period, (b) the provision for income taxes for such period, (c) depreciation and amortization expense for such period and (d) non-cash expenses of Holdings and the Consolidated Subsidiaries reducing such Consolidated Net Income, which do not represent usage of cash in such period or any future period.

“Consolidated Interest” means, as of any date of determination, the interest expense of Holdings and the Consolidated Subsidiaries for the twelve month fiscal period most recently ended on or prior to such date.

“Consolidated Net Income” means, for any period, the consolidated net income of Holdings and the Consolidated Subsidiaries for such period.

“Consolidated Net Worth” means, as of any date of determination, the consolidated net worth of Holdings and the Consolidated Subsidiaries, plus Subordinated Debt in an amount up to but not exceeding 20% of the consolidated net worth of Holdings and the Consolidated Subsidiaries (minus any Subordinated Debt carried in the treasury of Holdings and any of its Subsidiaries); provided that, for purposes of this definition only, any guaranty by Holdings or any of its Subsidiaries of any Subordinated Debt shall be excluded from the calculation of Subordinated Debt.

“Consolidated Subsidiary” means any Subsidiary of Holdings whose financial statements are consolidated with the financial statements of Holdings in conformity with GAAP.

“Consolidated Total Tangible Assets” means, as of any date of determination, all assets of Holdings and the Consolidated Subsidiaries that should be reflected in the asset side of a consolidated balance sheet of Holdings and the Consolidated Subsidiaries as of such date of determination, excluding any Intangible Assets.

“Contingent Obligation” means any guarantee of any obligation of another Person, or any agreement to become directly or indirectly responsible for an obligation of another Person, (including, without limitation, any agreement to maintain the net worth or liquidity of another Person or to purchase any obligation, goods or services of another Person, or otherwise to provide credit assurances to the holder of an obligation of another Person), or any agreement in the nature of a guarantee or having the effect of creating responsibility for the obligation of another Person, except the guarantee or agreement in the nature of a guarantee by Holdings or a Consolidated Subsidiary of the obligations of a Consolidated Subsidiary.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Debt” of any Person means at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable and deferred employee compensation obligations arising in the ordinary course of business, (d) all obligations of such Person as lessee which are capitalized in accordance with GAAP, (e) all unpaid reimbursement obligations of such Person in respect of letters of credit or similar instruments but only to the extent that either (i) the issuer has honored a drawing thereunder or (ii) payment of such obligation is otherwise due under the terms thereof, (f) all Debt secured by a Lien on real

property which is otherwise an obligation of such Person, and (g) all Debt of others in excess of \$1,000,000 guaranteed by such Person.

“Debt Rating” has the meaning specified in the definition of “Applicable Rate.”

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans plus (iii) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum.

“Defaulting Lender” means any Lender that (a) has failed to fund any portion of the Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

“Designated Officer” means the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller of a Loan Party and any other officer of the applicable Loan Party so designated by any of the foregoing officers in a notice to the Administrative Agent. Any document delivered hereunder that is signed by a Designated Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Designated Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

“Dollar” and “\$” mean lawful money of the United States.

“Domestic Subsidiary” means any Subsidiary of Holdings that is organized under the laws of any political subdivision of the United States.

“Eligible Assignee” means, (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent (such approval not to be unreasonably withheld or delayed), and (ii) unless (A) such Person is taking delivery of an assignment in connection with physical settlement of a credit derivative transaction or (B) an Event of Default has occurred and is continuing, the Borrower (each such consent to be within the discretion of the consenting party); provided that notwithstanding the foregoing, “Eligible Assignee” shall not include the Borrower or any of the Borrower’s Affiliates or Subsidiaries.

“Environmental Claims” means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

“Environmental Laws” means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use matters.

“ERISA” means, at any date, the Employee Retirement Income Security Act of 1974 and the regulations thereunder.

“Eurodollar Rate” means, for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the British Bankers Association LIBOR Rate (“BBA LIBOR”), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the “Eurodollar Rate” for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America’s London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

“Eurodollar Rate Loan” means a Loan that bears interest at a rate based on the Eurodollar Rate.

“Event of Default” has the meaning specified in Section 8.01.

“Excluded Taxes” means, with respect to the Administrative Agent, any Lender, or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 11.13), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender’s failure or inability (other than as a result of a Change in Law) to comply with Section 3.01(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office

(or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.01(a).

“Existing Credit Agreement” means that certain bridge credit agreement dated as of June 13, 2007 by and among Holdings, the lenders party thereto, and J.P. Morgan Securities Inc., as arranger.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

“Fee Letters” means, collectively, (i) the letter agreement, dated January 4, 2008, among the Borrower, the Administrative Agent and Banc of America Securities LLC, and (ii) the letter agreement, dated January 8, 2008, among the Borrower, JPMorgan Chase Bank, N.A. and J.P. Morgan Securities Inc., as either letter agreement may be amended, modified, replaced or restated from time to time.

“Foreign Lender” means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“FRB” means the Board of Governors of the Federal Reserve System of the United States.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or

pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Government Securities” means readily marketable direct obligations of the United States or obligations fully guaranteed by the United States.

“Guarantied Parties” means, collectively, the Administrative Agent, the Lenders, and each co-agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 9.05.

“Guaranty” means the Guaranty made by Holdings under Article X in favor of the Guarantied Parties.

“Holdings” has the meaning specified in the introductory paragraph hereto.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Indemnitees” has the meaning specified in Section 11.04(b).

“Information” has the meaning specified in Section 11.07.

“Intangible Assets” means assets having no physical existence and that, in conformity with GAAP, should be classified as intangible assets, including without limitation such intangible assets as patents, trademarks, copyrights, franchises, licenses and goodwill.

“Interest Payment Date” means, (a) as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan, the first Business Day of each April, July, October and January and the Maturity Date.

“Interest Period” means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Borrower in its Committed Loan Notice; provided that:

- (a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;
- (b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and
- (c) no Interest Period shall extend beyond the Maturity Date.

“IRS” means the United States Internal Revenue Service.

“Investment” means, when used in connection with any Person, any investment by such Person, whether by means of purchase or other acquisition of stock or other securities or by means of loan, advance, capital contribution, guarantee, or other debt or equity participation or interest in any other Person.

“Joint Lead Arrangers” means, collectively, Banc of America Securities LLC and J.P. Morgan Securities Inc. in their capacities as joint lead arrangers.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable executive orders, administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Lender” has the meaning specified in the introductory paragraph hereto.

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such in such Lender’s Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

“Leverage Ratio” means, at any date, the ratio of Consolidated Debt at such date to Consolidated EBITDA for the period of four consecutive fiscal quarters most recently ended on or prior to such date.

“Lien” means any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any financing statement filed under the Uniform Commercial Code of any jurisdiction).

“Loan” means an extension of credit by a Lender to the Borrower under Article II.

“Loan Documents” means, collectively, (a) this Agreement, (b) the Notes, (c) the Guaranty, and (d) the Fee Letters.

“Loan Parties” means, collectively, the Borrower and Holdings.

“Loan Party Materials” has the meaning specified in Section 6.03.

“Majority Lenders” means, as of any date of determination, a Lender or Lenders holding more than 50% of the Outstanding Amount on such date; provided that the portion of the Outstanding Amount held or deemed held by any Defaulting Lender shall be excluded for purposes of making a determination of Majority Lenders.

“Margin Stock” means “margin stock” as such term is defined in Regulation U of the FRB.

“Material Adverse Effect” means a material adverse change in, or a material adverse effect upon, the operations, business, assets or condition (financial or otherwise) of Holdings or Holdings and its Subsidiaries taken as a whole.

“Maturity Date” means February 8, 2011; provided, however, that if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto.

“Note” means a promissory note made by the Borrower in favor of a Lender evidencing Loans made or held by such Lender, substantially in the form of Exhibit B.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate of any Loan Party of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Taxes” means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Outstanding Amount” means, on any date, the aggregate outstanding principal amount of Loans after giving effect to any borrowings and prepayments or repayments of Loans occurring on such date.

“Participant” has the meaning specified in Section 11.06(d).

“Pension Plan” means any “employee pension benefit plan” (as such term is defined in ERISA) which is subject to ERISA and which is from time to time maintained by Holdings or any of its Subsidiaries.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Platform” has the meaning specified in Section 6.03.

“Public Lender” means any Lender that may have personnel who do not wish to receive material non-public information with respect to Holdings or its Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to any such Person’s securities.

“Register” has the meaning specified in Section 11.06(c).

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Restricted Margin Stock” means, as of any date of determination, all of the Margin Stock owned by Holdings and its Subsidiaries to the extent that the fair market value thereof is not more than 25% of the aggregate fair market value of the assets of Holdings and its Subsidiaries, determined on a consolidated basis.

“Rights of Others” means, as to any property in which a Person has an interest, any legal or equitable claim or other interest (other than a Lien) in or with respect to that property held by any other Person, and any option or right held by any other Person to acquire any such claim or other interest, including a Lien.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“Significant Subsidiary” means any Subsidiary of Holdings with assets in excess of 3% of Consolidated Total Tangible Assets.

“Subordinated Debt” means, as of any date of determination, the aggregate principal amount then outstanding of Debt of Holdings and its Subsidiaries that is subordinated to the Obligations, on terms that (a) prohibit any payment on that Debt (whether principal, premium, if any, interest, or otherwise) if: (i) any event not waived hereunder has occurred and is continuing that is a Default or an Event of Default, or (ii) the payment would cause the occurrence of a Default or an Event of Default; and (b) require that, upon acceleration of that Debt or upon dissolution, liquidation, or reorganization of Holdings or any such Subsidiary, the Obligations must be paid in full before any payment (whether of principal, premium, if any, interest, or otherwise) may be made on that Debt.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of Holdings.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“to the best knowledge of” means, when modifying a representation, warranty, or other statement of any Person, that the fact or situation described therein is known by such Person (or, in the case of a Person other than a natural person, known by a responsible officer, director or partner of such Person) making the representation, warranty, or other statement, or with the exercise of reasonable due diligence under the circumstances (in accordance with the standard of what a reasonable person in similar circumstances would have done) should have been known by the Person (or, in the case of a Person other than a natural person, should have been known by a responsible officer, director or partner of such Person).

“Type” means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

“United States” and “U.S.” mean the United States of America.

“Unrestricted Margin Stock” means, as of any date of determination, all of the Margin Stock owned by Holdings and its Subsidiaries that is not Restricted Margin Stock.

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “herein,” “hereof” and “hereunder,” and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof,

(iv) all references in a Loan Document to Articles, Sections, Preliminary Statements, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Preliminary Statements, Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) except where the context provides otherwise, the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.”

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms. (a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) **Changes in GAAP.** If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Majority Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Majority Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Pacific time (daylight or standard, as applicable).

ARTICLE II
THE COMMITMENTS AND LOANS

2.01 The Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make a single loan to the Borrower on the Closing Date in an amount not to exceed such Lender's Commitment. The Loans shall be made simultaneously by the Lenders in accordance with their respective Applicable Percentages. Amounts borrowed under this Section 2.01 and repaid or prepaid may not be reborrowed. Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

2.02 The Making, Conversions and Continuations of Loans. (a) The Loans, each conversion of Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than 9:00 a.m. (i) in the case of any Eurodollar Rate Loans to be made on the Closing Date, three Business Days prior to the Closing Date, and, in the case of any conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Loans, three Business Days prior to the requested date of such continuation or conversion, and (ii) in the case of Base Rate Loans to be made on the Closing Date, on the Closing Date. Each telephonic notice by the Borrower pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Committed Loan Notice, appropriately completed and signed by a Designated Officer of the Borrower. Each Eurodollar Rate Loan made on the Closing Date, and each conversion to or continuation of Eurodollar Rate Loans, shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof. Each conversion to Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof. Each Committed Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting the Loans be made, a conversion of Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the Closing Date or the requested date of the conversion or continuation, as the case may be (which shall be a Business Day in any event), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Loan in a Committed Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrower requests Eurodollar Rate Loans to be made on the Closing Date or requests conversion to, or continuation of Eurodollar Rate Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Committed Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in Section 2.02(a). Each Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not

later than 11:00 a.m. on the Closing Date. Upon satisfaction of the applicable conditions set forth in Section 4.01, the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower.

(c) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan. During the existence of a Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Majority Lenders.

(d) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After making the Loans on the Closing Date, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than eight Interest Periods in effect in respect of the Loans.

2.03 Optional Prepayments. The Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay Loans in whole or in part without premium or penalty; provided that (A) such notice must be received by the Administrative Agent not later than 9:00 a.m. (1) three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (2) on the date of prepayment of Base Rate Loans; (B) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof; and (C) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Loans. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's ratable portion of such prepayment (based on such Lender's Applicable Percentage). If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each prepayment of the outstanding Loans pursuant to this Section 2.03 shall be paid to the Lenders in accordance with their respective Applicable Percentages.

2.04 Reduction of Commitments. The aggregate Commitments shall be automatically and permanently reduced to zero upon the funding of the Loans on the Closing Date.

2.05 Repayment of Loans. The Borrower shall repay to the Lenders the aggregate principal amount of all outstanding Loans on the Maturity Date.

2.06 Interest. (a) Subject to the provisions of Section 2.06(b), (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate; and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the Closing Date or the date on which such Loan was converted to a Base Rate Loan, as the case may be, at a rate per annum equal to the Base Rate plus the Applicable Rate.

(b) (i) If any amount of principal of any Loan is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) If any amount (other than principal of any Loan) payable by the Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Majority Lenders such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iii) While any other Event of Default exists, whether at stated maturity, by acceleration or otherwise, then, upon the request of the Majority Lenders, the Borrower shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iv) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.07 Fees. (a) The Borrower shall pay to the Joint Lead Arrangers and the Administrative Agent for their own respective accounts fees in the amounts and at the times specified in the Fee Letters. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

(a) The Borrower shall pay to the Lenders such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.08 Computation of Interest and Fees. All computations of interest for Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.10(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.09 Evidence of Debt. The Loans made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Loans made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

2.10 Payments Generally; Administrative Agent's Clawback. (a) General. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 11:00 a.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 11:00 a.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected on computing interest or fees, as the case may be.

(b) (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the Closing Date in the case of Eurodollar Rate Loans (or, in the case of any Base Rate Loans, prior to 12:00 noon on the Closing Date) that such Lender will not make available to the Administrative Agent such Lender's share of such Loans, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 (or, in the case of any Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the Loans available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to the Loans made available to the Borrower by the Administrative Agent on such Lender's behalf. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the Loans to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by the Borrower; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the time at which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the Loans set forth in Article IV are not

satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) **Obligations of Lenders Several.** The obligations of the Lenders hereunder to make Loans and to make payments pursuant to Section 11.04(c) are several and not joint. The failure of any Lender to make any Loan or to make any payment under Section 11.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or to make its payment under Section 11.04(c).

(e) **Funding Source.** Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(f) **Insufficient Funds.** If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, toward payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

2.11 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of (a) Obligations due and payable to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations due and payable to such Lender at such time to (ii) the aggregate amount of the Obligations due and payable to all Lenders hereunder and under the other Loan Documents at such time) of payments on account of the Obligations due and payable to all Lenders hereunder and under the other Loan Documents at such time obtained by all the Lenders at such time or (b) Obligations owing (but not due and payable) to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations owing (but not due and payable) to such Lender at such time to (ii) the aggregate amount of the Obligations owing (but not due and payable) to all Lenders hereunder and under the other Loan Parties at such time) of payment on account of the Obligations owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time obtained by all of the Lenders at such time then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of Obligations then due and payable to the Lenders or owing (but not due and payable) to the Lenders, as the case may be, provided that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (B) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary of the Borrower (as to which the provisions of this Section shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation.

2.12 Payments by Holdings. Any payment made hereunder by Holdings on the Borrower's behalf shall be deemed to be a payment by the Borrower for purposes of this Agreement.

ARTICLE III TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes. (a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower or Holdings hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes, provided that if the Borrower shall be required by applicable law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or any Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower or Holdings, as the case may be, shall make such deductions and (iii) the Borrower or Holdings, as the case may be, shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Borrower and Holdings. Without limiting the provisions of subsection (a) above, the Borrower and Holdings shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Borrower and Holdings. The Borrower and Holdings shall, jointly and severally, indemnify the Administrative Agent and each Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent),

or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower or Holdings, as the case may be, to a Governmental Authority, the Borrower or Holdings, as the case may be, shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower or Holdings, as the case may be, is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower and Holdings (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, Holdings or the Administrative Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower, Holdings or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower, Holdings or the Administrative Agent as will enable the Borrower, Holdings or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

Without limiting the generality of the foregoing, if the Borrower or Holdings, as the case may be, is resident for tax purposes in the United States, any Foreign Lender shall deliver to the Borrower, Holdings and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower, Holdings or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(ii) duly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (A) a certificate to the effect that such Foreign Lender is not (1) a “bank” within the meaning of section 881(c)(3)(A) of the Code, (2) a “10 percent shareholder” of the Borrower or Holdings within the meaning of section 881(c)(3)(B) of the Code, or (3) a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code and (B) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower to determine the withholding or deduction required to be made.

(f) **Treatment of Certain Refunds.** If the Administrative Agent or any Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or Holdings, as the case may be, or with respect to which the Borrower or Holdings, as the case may be, has paid additional amounts pursuant to this Section, it shall pay to the Borrower or Holdings, as the case may be, an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower or Holdings under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of the Administrative Agent or such Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower or Holdings, as the case may be, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender if the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower, Holdings or any other Person.

3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

3.03 Inability to Determine Rates. If the Majority Lenders determine that for any reason in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or (c) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan

does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Majority Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for the making of, conversion to or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have, in the case of any such request for the making of or continuation of Eurodollar Rate Loans, converted such request into a request for the making of or conversion to Base Rate Loans in the amount specified therein, and, in the case of any such request for the conversion to Eurodollar Rate Loans, revoked such request.

3.04 Increased Costs. (a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by [Section 3.04\(e\)](#));

(ii) subject any Lender to any tax of any kind whatsoever with respect to this Agreement or any Eurodollar Rate Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Indemnified Taxes or Other Taxes covered by [Section 3.01](#) and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender); or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Rate Loans made by such Lender or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Rate Loan (or of maintaining its obligation to make any such Loan) or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender or such Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on Eurodollar Rate Loans. The Borrower shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided the Borrower shall have received at least 10 days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 10 days prior to the relevant Interest Payment Date, such additional interest shall be due and payable 10 days from receipt of such notice.

3.05 Compensation for Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower; or

(c) any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 11.13;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary and reasonable administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

3.06 Mitigation Obligations; Replacement of Lenders. (a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.04, or the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, the Borrower may replace such Lender in accordance with Section 11.13.

3.07 Survival. All of the Borrower's obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder.

ARTICLE IV CONDITIONS PRECEDENT TO THE LOANS

4.01 Conditions to the Loans. The obligation of each Lender to make its Loans hereunder on the Closing Date is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Designated Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and each of the Lenders:

- (i) executed counterparts of this Agreement sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower;

(ii) a Note executed by the Borrower in favor of each Lender requesting a Note;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Designated Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Designated Officer thereof authorized to act as a Designated Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party or is to be a party;

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and that the Borrower is validly existing, in good standing and qualified to engage in business in the State of Nevada and Holdings is validly existing, in good standing and qualified to engage in business in the State of Delaware and the State of California;

(v) a favorable opinion of Richard P. Randall, counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, as to the matters set forth in Exhibit E-1 and such other matters concerning the Loan Parties and the Loan Documents as the Majority Lenders may reasonably request;

(vi) a favorable opinion of Brownstein Hyatt Farber Schreck, LLP, local counsel to the Borrower in Nevada, addressed to the Administrative Agent and each Lender, as to the matters set forth in Exhibit E-2 and such other matters concerning the Borrower and the Loan Documents to which it is party as the Majority Lenders may reasonably request;

(vii) a certificate signed by a Designated Officer of Holdings certifying that the Existing Credit Agreement has been terminated as of the Closing Date or will be terminated no later than three Business Days after the Closing Date; and

(viii) such other assurances, certificates, documents, consents or opinions as the Administrative Agent or any Lender reasonably may require.

(b) (i) All fees required to be paid to the Administrative Agent and the Joint Lead Arrangers on or before the Closing Date shall have been paid and (ii) all fees required to be paid to the Lenders on or before the Closing Date shall have been paid.

(c) Unless waived by the Administrative Agent, the Borrower shall have paid all reasonable fees, charges and disbursements of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) to the extent invoiced prior to or on the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent).

(d) The Closing Date shall have occurred on or before February 8, 2008.

(e) The representations and warranties of the Borrower and each other Loan Party contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the Closing Date.

(f) No Default shall exist, or would result from the making of the Loans or from the application of the proceeds thereof.

(g) The Administrative Agent shall have received a Committed Loan Notice in accordance with the requirements hereof, and such Committed Loan Notice shall be deemed to be a representation and warranty that the conditions specified in Sections 4.01(e) and (f) have been satisfied on and as of the Closing Date.

Without limiting the generality of the provisions of the last paragraph of Section 9.03, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

ARTICLE V REPRESENTATIONS AND WARRANTIES

Each of Holdings and the Borrower, as applicable, represents and warrants to the Administrative Agent and the Lenders that:

5.01 Existence and Qualification; Power; Compliance with Law. (a) The Borrower is a corporation duly formed, validly existing and in good standing under the laws of the State of Nevada, and Holdings is a corporation duly formed, validly existing and in good standing under the laws of the State of Delaware. The chief executive offices of Holdings are in Pasadena, California. Holdings is duly qualified or registered to transact business in the State of California and each other jurisdiction in which the conduct of its business or the ownership of its properties make such qualification or registration necessary, except where the failure so to qualify or register would not have a Material Adverse Effect. Each Loan Party has all requisite corporate power and authority to conduct its business, to own and lease its properties and to execute, deliver and perform all of its obligations under the Loan Documents.

(b) All outstanding shares of capital stock of each Loan Party are duly authorized, validly issued, fully paid, nonassessable, and issued in compliance with all applicable state and federal securities and other laws.

(c) Each Loan Party is in compliance with all Laws and other legal requirements applicable to its business, has obtained all authorizations, consents, approvals, orders, licenses and permits from, and has accomplished all filings, registrations and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Authority

that are necessary for the transaction of its business, except where the failure so to comply, file, register, qualify or obtain exemptions would not have a Material Adverse Effect.

5.02 Authority; Compliance with Other Instruments and Government Regulations. The execution, delivery, and performance by each Loan Party of the Loan Documents to which it is party have been duly authorized by all necessary action and do not and will not (a) require any consent or approval not heretofore obtained of any stockholder, security holder or creditor; (b) violate or conflict with any provision of such Loan Party's charter, certificate, articles of incorporation or bylaws, or amendments thereof; (c) result in or require the creation or imposition of any Lien or Rights of Others upon or with respect to any property now owned or leased or hereafter acquired by such Loan Party; (d) violate any provision of any Laws (including without limitation Regulation U of the FRB), order, writ, judgment, injunction, decree, determination, or award presently in effect having applicability to such Loan Party; or (e) result in a breach of or constitute a default under, or cause or permit the acceleration of any obligation owed under, any indenture or loan or credit agreement or any other material agreement, lease, or instrument to which such Loan Party is a party or by which such Loan Party or any of its property, is bound or affected; and such Loan Party is not in default under any Laws, order, writ, judgment, injunction, decree, determination, award, indenture, agreement, lease, or instrument described in Section 5.02(e) in any respect that would have a Material Adverse Effect.

5.03 No Governmental Approvals Required. No authorization, consent, approval, order, license or permit from, or filing, registration, or qualification with, or exemption from any of the foregoing from, any Governmental Authority is or will be required to authorize or permit under applicable Laws the execution, delivery, and performance by any Loan Party of the Loan Documents to which it is a party.

5.04 Subsidiaries. (a) Schedule 5.04 hereto correctly sets forth as of December 30, 2006 the names, forms of legal entity and jurisdictions of formation of all Subsidiaries and states whether each is or is not a Consolidated Subsidiary. Except for shares of capital stock or partnership interests in a Subsidiary required by applicable Laws to be held by a director or comparable official of that Subsidiary and unless otherwise indicated in Schedule 5.04 or where the failure to own all of the shares of capital stock or partnership interests in such Subsidiary would not have a Material Adverse Effect, all of the outstanding shares of capital stock or partnership interests of each Subsidiary are owned beneficially by Holdings, and, to the best knowledge of Holdings, all securities and interests so owned are duly authorized, validly issued, fully paid, non-assessable, and issued in compliance with all applicable state and federal securities and other laws, and are free and clear of all Liens and Rights of Others.

(b) Each Subsidiary is a corporation or other legal entity duly formed, validly existing, and in good standing under the laws of its jurisdiction of formation, is duly qualified to do business and is in good standing in each jurisdiction in which the conduct of its business or the ownership or leasing of its properties makes such qualification necessary, except where the failure to be so duly qualified and in good standing does not have a Material Adverse Effect, and has all requisite legal power and authority to conduct its business and to own and lease its properties.

(c) Each Subsidiary is in compliance with all Laws and other requirements applicable to its business and has obtained all authorizations, consents, approvals, orders, licenses, and permits from, and has accomplished all filings, registrations, and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Authority that are necessary for the transaction of its business, except where the failure to be in such compliance, obtain such authorizations, consents, approvals, orders, licenses, and permits, accomplish such filings, registrations, and qualifications, or obtain such exemptions, does not have a Material Adverse Effect.

5.05 Financial Statements. The Borrower has furnished to each Lender the following financial statements: (i) the consolidated balance sheet of Holdings and the Consolidated Subsidiaries as at December 30, 2006, and the related consolidated statements of income, shareholders' equity and changes in financial position for the year then ended, together with the report of PricewaterhouseCoopers on such financial statements and (ii) the consolidated balance sheet of Holdings and the Consolidated Subsidiaries as at September 29, 2007, and the related consolidated statements of income, shareholder's equity and changes in financial position for the three months then ended. The foregoing financial statements are in accordance with the books and records of Holdings and the Consolidated Subsidiaries, were prepared in accordance with GAAP and fairly present the consolidated financial condition and results of operations of Holdings and the Consolidated Subsidiaries as at the dates and for the periods covered thereby.

5.06 No Material Adverse Change or Other Liabilities. Except as set forth in Section 5.09, since December 30, 2006, there has been no event or circumstance that has had a Material Adverse Effect. Holdings and the Consolidated Subsidiaries do not have any material liability or material contingent liability required to be reflected or disclosed in the financial statements or notes thereto described in Section 5.05 which is not so reflected or disclosed.

5.07 Title to Assets. Holdings and its Subsidiaries have good and valid title to all of the assets reflected in the financial statements described in Section 5.05 (except for assets that are sold in transactions that are not prohibited by the terms of this Agreement) free and clear of all Liens and Rights of Others other than (a) those reflected or disclosed in such financial statements or notes thereto, (b) immaterial Liens or Rights of Others not required under GAAP to be so reflected or disclosed, and (c) Liens or Rights of Others permitted pursuant to Section 7.02.

5.08 Regulated Industries. Neither Holdings nor any of its Subsidiaries is or is required to be registered under the Investment Company Act of 1940.

5.09 Litigation. There are no actions, suits, proceedings or investigations pending or, to the best of Holdings' knowledge, threatened against or affecting Holdings or any of its Subsidiaries or any property of any of them in any court of law or before any Governmental Authority which, if determined adversely to any of them, would have a Material Adverse Effect, except as set forth in Schedule 5.09 annexed hereto or as referred to in Holdings' news releases and filings with the SEC made or filed on or prior to the Closing Date (including the Australian Competition and Consumer Commission investigation into industry competitive practices, and any related or threatened inquiries, claims, proceedings or lawsuits pertaining to this investigation or to the subject matter thereof or of the concluded investigations by the U.S. Department of Justice, the European Commission and the Canadian Department of Justice

(including purported class actions seeking treble damages for alleged unlawful competitive practices, and purported class actions related to alleged disclosure and fiduciary duty violations pertaining to alleged unlawful competitive practices, which were filed after the announcement of the U.S. Department of Justice investigation), as well as the impact of potential violations of the U.S. Foreign Corrupt Practices Act based on issues in China).

5.10 Binding Obligations. This Agreement constitutes the legal, valid, and binding obligation of each Loan Party, enforceable against such Loan Party in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting creditors' rights generally or by equitable principles relating to the granting of specific performance and other equitable remedies as a matter of judicial discretion.

5.11 No Default. No Default or Event of Default exists or has resulted from the incurring of any Obligations by any Loan Party. As of the Closing Date, neither Holdings nor any of its Subsidiaries is in default under or with respect to any material contractual obligation in any respect which, individually or together with all such defaults, has had a Material Adverse Effect.

5.12 ERISA. (a) The actuarial present value of all vested accrued benefits under all Pension Plans does not exceed the current fair market value of the assets determined on an ongoing basis of the Pension Plans by an amount which would materially affect the financial condition of any Loan Party or any Loan Party's ability to pay or perform its obligations under the Loan Documents; (b) no Pension Plan or trust created thereunder has incurred any "accumulated funding deficiency" (as such term is defined in Section 302 of ERISA) whether or not waived, since the effective date of ERISA; and (c) based on information received from the respective administrators of "multiemployer plans" (as defined in ERISA) to which Holdings or any of its Subsidiaries contributes, the aggregate present value of the unfunded vested benefits allocable to Holdings and its Subsidiaries under all such multiemployer plans is not an amount which would materially affect the financial condition of any Loan Party or any Loan Party's ability to pay or perform its obligations under the Loan Documents.

5.13 Regulation U. Neither Holdings nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for purpose of "buying" or "carrying" any Margin Stock within the meanings of Regulation U of the FRB. No part of any Loan will be used to buy or carry any Margin Stock, or to extend credit to others for that purpose, or for any purpose, if to do so would violate the provisions of Regulation U of the FRB.

5.14 Tax Liability. Holdings and its Subsidiaries have filed all income tax returns which are required to be filed, and have paid, or made provision for the payment of, all taxes which have become due pursuant to said returns or pursuant to any assessment received by Holdings or any of its Subsidiaries, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided, and except such taxes the failure of which to pay will not have a Material Adverse Effect.

5.15 Copyrights, Patents, Trademarks and Licenses, etc. Holdings and its Subsidiaries own or are licensed or otherwise have the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights that are reasonably necessary for the operation of their respective businesses, where the failure to have such rights would have a Material Adverse Effect. To the best knowledge of Holdings, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by Holdings or any of its Subsidiaries infringes upon any rights held by any other Person, where such infringement would create a Material Adverse Effect.

5.16 Environmental Matters. Holdings conducts in the ordinary course of business a review of the effect of existing Environmental Laws applicable to, and existing Environmental Claims of, its business, operations and properties, and as a result thereof Holdings has reasonably concluded that such Environmental Laws and Environmental Claims would not, individually or in the aggregate, have a Material Adverse Effect.

5.17 Insurance. The properties of Holdings and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of Holdings, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where Holdings and each of its Subsidiaries operates.

5.18 Disclosure. No written statement made by any Loan Party to the Lenders in connection with the Loan Documents or any Loan contains or will contain any untrue statement of a material fact or omits or will omit a material fact necessary to make the statements contained or made therein not misleading. There is no fact which any Loan Party has not disclosed to the Lenders in writing which materially and adversely affects nor, so far as any Loan Party can now foresee, is reasonably likely to prove to affect materially and adversely the business, operations, properties, prospects, profits or condition (financial or otherwise) of Holdings and its Subsidiaries, taken as a whole, or the ability of any Loan Party to pay or perform the Obligations.

ARTICLE VI AFFIRMATIVE COVENANTS

As long as any Loan remains unpaid, or any other Obligation remains unpaid or unperformed, or any commitment to make Loans remains in effect, Holdings shall, and shall cause each of its Subsidiaries to, unless the Majority Lenders otherwise consent in writing:

6.01 Financial and Business Information. As long as any Loan remains unpaid or any other Obligation remains unpaid or unperformed, or any Commitment remains in effect, Holdings shall, unless the Majority Lenders otherwise consent in writing, deliver to the Lenders at its own expense:

(a) As soon as reasonably possible, and in any event within 60 days after the close of each of the first three fiscal quarters of Holdings, (i) the consolidated balance sheet of Holdings and the Consolidated Subsidiaries as of the end of such quarter, setting forth in

comparative form the corresponding figures for the corresponding quarter of the preceding fiscal year, if available, and (ii) the consolidated statements of profit and loss and changes in financial position of Holdings and the Consolidated Subsidiaries for such quarter and for the portion of the fiscal year ended with such quarter, setting forth in comparative form the corresponding periods of the preceding fiscal year, all in reasonable detail, prepared in accordance with GAAP and certified by the principal financial officer of Holdings, subject to normal year-end audit adjustments;

(b) As soon as reasonably possible, and in any event within 120 days after the close of each fiscal year of Holdings, (i) the consolidated balance sheets of Holdings and the Consolidated Subsidiaries as at the end of such fiscal year, setting forth in comparative form the corresponding figures at the end of the preceding fiscal year and (ii) the consolidated statements of profit and loss and changes in financial position of Holdings and the Consolidated Subsidiaries for such fiscal year, setting forth in comparative form the corresponding figures for the previous fiscal year. Such consolidated balance sheet and statements shall be prepared in reasonable detail, in accordance with GAAP, and shall be accompanied by a report and opinion of PricewaterhouseCoopers or other independent public accountants selected by Holdings and reasonably satisfactory to the Majority Lenders, which report and opinion shall be prepared in accordance with GAAP and shall be subject only to such qualifications and exceptions as are acceptable to the Majority Lenders.

6.02 Certificates; Other Information. As long as any Loan remains unpaid or any other Obligation remains unpaid or unperformed, or any Commitment remains in effect, Holdings shall deliver or make available to the Lenders via Holdings' website, averydennison.com or at its own expense:

(a) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b), a Compliance Certificate executed by a Designated Officer;

(b) promptly after request by any Lender, copies of any material report filed by Holdings or any of its Subsidiaries with any Governmental Authority unless to do so would violate applicable Laws or would waive attorney-client privilege held by Holdings or any of its Subsidiaries; and

(c) promptly after the same are available, at any Lender's request, copies of each annual report, proxy or financial statement or other material report or communication sent to all stockholders of Holdings, and copies of all annual, regular, periodic and special reports and registration statements which Holdings files with the SEC or any similar or corresponding Governmental Authority or with any securities exchange.

6.03 Notices. Holdings and the Borrower, as applicable, shall promptly notify the Administrative Agent and each Lender:

(a) promptly upon becoming aware of the occurrence of any (i) "reportable event" (as such term is defined in Section 4043 of ERISA) or (ii) "prohibited transaction" (as such term is defined in Section 406 or Section 2003(a) of ERISA) with respect to which Holdings may be liable for excise tax under Section 4975 of the Code in connection with any

Pension Plan or any trust created thereunder, in either case which may result in a Material Adverse Effect, a written notice specifying the nature thereof, what action Holdings and/or any of its Subsidiaries is taking or proposes to take with respect thereto, and, when known, any action taken by the IRS with respect thereto; it being understood that for purposes of this provision, “aware” means that such event or transaction must be actually known to the chief financial officer or the treasurer of Holdings;

(b) promptly upon, and in any event within five Business Days after, becoming aware of the existence of any condition or event which constitutes a Default or an Event of Default a written notice specifying the nature and period of existence thereof and what action such Loan Party is taking or proposes to take with respect thereto; it being understood that for purposes of this provision, “aware” means that such condition or event must be actually known to the chief financial officer or the treasurer of such Loan Party;

(c) promptly upon becoming aware that the holder of any evidence of Debt or other security of Holdings or any of its Subsidiaries that is material to Holdings and the Consolidated Subsidiaries, considered as a whole, has given notice or taken any other action with respect to a claimed default or event of default, a written notice specifying the notice given or action taken by such holder and the nature of the claimed default or event of default and what action such Loan Party is taking or proposes to take with respect thereto; it being understood that for purposes of this provision, “aware” means that such notice or action must be actually known to the chief financial officer or the treasurer of such Loan Party;

(d) of any change in accounting policies or financial reporting practices by Holdings or any of the Consolidated Subsidiaries that is material to Holdings and the Consolidated Subsidiaries considered as a whole; and

(e) such other data and information as from time to time may be reasonably requested by any Lender.

Each of Holdings and the Borrower hereby acknowledges that (a) the Administrative Agent and/or the Joint Lead Arrangers will make available to the Lenders materials and/or information provided by or on behalf of Holdings and the Borrower hereunder (collectively, “Loan Party Materials”) by posting the Loan Party Materials on IntraLinks or another similar electronic system (the “Platform”) and (b) no Lender shall be a Public Lender.

6.04 Payment of Taxes and Other Potential Liens. Pay and discharge promptly, all taxes (including any withholding taxes required by law to be paid by any Loan Party), assessments, and governmental charges or levies imposed upon it, upon its property or any part thereof, upon its income or profits or any part thereof, in each case that, individually or in the aggregate, are material to Holdings and its Subsidiaries, considered as a whole, or upon any right or interest of the Lenders under any Loan Document; except that Holdings and its Subsidiaries shall not be required to pay or cause to be paid (a) any income or gross receipts tax generally applicable to banks or (b) any tax, assessment, charge, or levy that is not yet past due, or is being contested in good faith by appropriate proceedings, as long as the relevant entity has established and maintains adequate reserves for the payment of the same and by reason of such nonpayment no material property of any Loan Party is in danger of being lost or forfeited.

6.05 Preservation of Existence. Preserve and maintain their respective existence, licenses, rights, franchises, and privileges in the jurisdiction of their formation and all authorizations, consents, approvals, orders, licenses, permits, or exemptions from, or registrations with, any Governmental Authority that are necessary for the transaction of their respective businesses, and qualify and remain qualified to transact business in each jurisdiction in which such qualification is necessary in view of their respective business or the ownership or leasing of their respective properties, except that the failure to preserve and maintain any particular license, right, franchise, privilege, authorization, consent, approval, order, permit, exemption, or registration, or to qualify or remain qualified in any jurisdiction, that would not have a Material Adverse Effect will not constitute a violation of this covenant, and except that nothing in this Section 6.05 shall prevent the termination of the business or existence (corporate or otherwise) of any Subsidiary which in the reasonable judgment of the Board of Directors of Holdings is no longer necessary or desirable.

6.06 Maintenance of Properties. Maintain, preserve, and protect all of their respective properties and equipment in good order and condition, subject to wear and tear in the ordinary course of business and, in the case of unimproved properties, damage caused by the natural elements, and not permit any waste of their respective properties, except where a failure to maintain, preserve, and protect a particular item of property or equipment would not result in a Material Adverse Effect.

6.07 Maintenance of Insurance. Maintain insurance with responsible insurance companies in such amounts and against such risks as is usually carried by responsible companies engaged in similar businesses and owning similar assets in the general areas in which Holdings and its Subsidiaries operate except to the extent that Holdings or any of its Subsidiaries is, in the reasonable opinion of a Designated Officer, adequately self-insured in a manner comparable to responsible companies engaged in similar businesses and owning similar assets in the general areas in which Holdings or any such Subsidiary operates.

6.08 Compliance with Laws. Comply with the requirements of all applicable Laws and orders of any Governmental Authority, noncompliance with which would result in a Material Adverse Effect, except that Holdings and its Subsidiaries need not comply with a requirement then being contested by any of them in good faith by appropriate proceedings so long as no interest of the Lenders would be materially impaired thereby.

6.09 Inspection Rights. At any time during regular business hours and as often as reasonably requested, permit any Lender or any employee, agent, or representative thereof to examine, audit and make copies and abstracts from the records and books of account of, and to visit and inspect the properties of Holdings and its Subsidiaries and to discuss the affairs, finances, and accounts of Holdings and its Subsidiaries with any of their officials, customers or vendors, and, upon request, to furnish promptly to each Lender true copies of all material financial information formally made available to the senior management of Holdings and reasonably identifiable by Holdings. Nothing herein shall obligate Holdings to disclose any information to the Lenders respecting trade secrets or similar proprietary information constituting products or processes relating to the business of Holdings or its Subsidiaries or in violation of applicable Laws.

6.10 Keeping of Records and Books of Account. Keep in conformity with GAAP adequate records and books of account reflecting financial transactions and all applicable requirements of any Governmental Authority having jurisdiction over Holdings or any of its Subsidiaries, except where the failure to comply with GAAP or such applicable requirements would not make the records and books of accounts of Holdings and its Subsidiaries, taken as a whole, materially misleading.

6.11 ERISA Compliance. Comply with the minimum funding requirements of ERISA with respect to all Pension Plans.

6.12 Environmental Laws. Conduct its operations and keep and maintain its property in compliance with all Environmental Laws where failure to do so will have a Material Adverse Effect.

6.13 Use of Proceeds. Use the proceeds of the Loans for working capital, commercial paper backup and other general corporate purposes not in contravention of any Law or of any Loan Document, including acquiring other Persons so long as the acquisition is approved by the board of directors, requisite general partners, requisite managers or other governing board or body of the Person being acquired.

6.14 Termination of the Existing Credit Agreement. No later than three Business Days after the Closing Date, terminate the Existing Credit Agreement and, concurrently therewith, deliver evidence of such termination to the Administrative Agent (which evidence shall be reasonably satisfactory to the Administrative Agent).

6.15 Assumption of the Obligations by Holdings. (a) If at any time (i) more than 50% of the assets, property or shares of the Borrower are sold, transferred or otherwise disposed of to a Person that is not an Affiliate of Holdings or (ii) the Borrower is dissolved or the existence (corporate or otherwise) of the Borrower is terminated (other than as a result of a merger, acquisition or consolidation with or into an Affiliate of Holdings), Holdings shall assume the Loans and all other Obligations hereunder; provided that (A) the Administrative Agent shall have received an agreement duly executed by Holdings evidencing such assumption, and a favorable legal opinion of counsel to Holdings with regard to corporate power and authority to enter into such assumption agreement and the due execution, due delivery, due authorization and enforceability thereof, such assumption agreement and legal opinion to be in form and substance satisfactory to the Administrative Agent, (B) the execution, delivery and performance by Holdings of such assumption agreement shall have been duly authorized by all necessary action and (C) such assumption would not materially impair the Administrative Agent's or any Lender's rights and remedies under the Loan Documents.

(b) If at any time (i) more than 50% of the assets, property or shares of the Borrower are sold, transferred or otherwise disposed of to a Person that is an Affiliate of Holdings or (ii) the existence (corporate or otherwise) of the Borrower is terminated as a result of a merger, acquisition or consolidation with or into an Affiliate of Holdings, either of Holdings or such Affiliate shall assume the Loans and all other Obligations hereunder; provided that (A) the Administrative Agent shall have received an assumption agreement duly executed by Holdings or such Affiliate, as the case may be, evidencing such assumption, and a favorable legal opinion

of counsel to Holdings or such Affiliate, as the case may be, with regard to corporate power and authority to enter into such assumption agreement and the due execution, due delivery, due authorization and enforceability thereof, such assumption agreement and legal opinion to be in form and substance satisfactory to the Administrative Agent, (B) the execution, delivery and performance by Holdings or such Affiliate, as the case may be, of such assumption agreement shall have been duly authorized by all necessary action, (C) in the case of an assumption by such Affiliate, such assumption agreement shall have been consented to by Holdings in writing and Holdings shall have agreed in writing that the Guaranty hereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of such assumption and (D) such assumption would not materially impair the Administrative Agent's or any Lender's rights and remedies under the Loan Documents.

ARTICLE VII NEGATIVE COVENANTS

As long as any Loan remains unpaid or any other Obligation remains unpaid or unperformed, or any commitment to make Loans remains in effect, Holdings shall not, and shall cause each of its Subsidiaries to not, unless the Majority Lenders otherwise consent in writing:

7.01 Type of Business. Make any substantial change in the present character of the business of Holdings and its Subsidiaries, taken as a whole.

7.02 Liens. Create, incur, assume or permit to exist any Lien upon any of its property or assets (other than Unrestricted Margin Stock) now owned or hereafter acquired if the aggregate obligations secured by all such Liens exceeds, or would exceed (giving effect to any proposed new Lien) an amount equal to 10% of Consolidated Net Worth, except:

(a) Liens for taxes not delinquent or being contested in good faith by appropriate proceedings in accordance with Section 6.04;

(b) Liens arising in connection with workers' compensation, unemployment insurance or social security obligations;

(c) mechanics', workmen's, materialmen's, landlords', carriers', or other like Liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith by appropriate proceedings;

(d) minor Liens which do not in the aggregate materially detract from the value of its property or assets or materially impair their use in the operation of the business of Holdings or any of its Subsidiaries;

(e) Liens in existence on property at the time of its acquisition by Holdings or any of its Subsidiaries;

(f) Liens under the Loan Documents; and

(g) purchase money Liens in connection with nonrecourse tax sale and leaseback transactions.

7.03 Investments. Make or permit to exist any Investment in any Person, except:

(a) credit extended in connection with the sale of goods or rendering of services in the ordinary course of business;

(b) Investments in a Consolidated Subsidiary;

(c) Acquisitions;

(d) Investments consisting of Cash Equivalents;

(e) Investments that individually or in the aggregate would not result in a Material Adverse Effect; and

(f) Investments in corporations, joint ventures, partnerships and other Persons not majority-owned by Holdings and its Subsidiaries in an aggregate amount not exceeding 5% of Consolidated Net Worth in the aggregate.

7.04 Contingent Obligations. Incur or permit to exist any Contingent Obligation if the aggregate of all Contingent Obligations exceeds, or would exceed (giving effect to any proposed new Contingent Obligation) an amount equal to 5% of Consolidated Net Worth, except the endorsement of negotiable instruments in the ordinary course of collection.

7.05 Subordinated Debt. Make any principal prepayment on any Subordinated Debt or, if and so long as a Default or an Event of Default exists, any payment of principal or interest on any Subordinated Debt.

7.06 Sale of Assets or Merger. Sell or otherwise dispose of all or substantially all of its assets (other than Unrestricted Margin Stock), or merge with any other corporation unless Holdings or one of its Subsidiaries is the surviving corporation except that the sale of all or substantially all of the assets of any Subsidiary, or the merger of any Subsidiary when it is not the surviving corporation shall not violate this Section 7.06 if the assets of such Subsidiary are not material in relation to the assets of Holdings and its Subsidiaries, taken as a whole.

7.07 Financial Covenants.

(a) Not permit the Leverage Ratio to exceed 3.50 to 1.00 at any time; and

(b) Not permit the ratio of Consolidated Earnings Before Interest and Taxes to Consolidated Interest to be less than 3.50 to 1.00 at any time.

7.08 Use of Proceeds. Use any portion of the Loan proceeds, in any manner that might cause the Loan or the application of such proceeds to violate Regulation U, Regulation T or Regulation X of the FRB or any other regulation of the FRB or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such Loan and such use of proceeds.

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default. There will be a default hereunder if any one or more of the following events ("Events of Default ") occurs and is continuing, whatever the reason therefor:

(a) failure of the Borrower to pay any installment of principal when due or to pay interest hereunder or any fee or other amounts due to any Lender hereunder within three Business Days after the date when due; or

(b) any Loan Party fails to perform or observe any other term, covenant, or agreement contained in any Loan Document to which it is a party within 30 days after the date performance is due; or

(c) any representation or warranty in any Loan Document or in any certificate, agreement, instrument, or other document made or delivered pursuant to or in connection with any Loan Document proves to have been incorrect when made in any material respect; or

(d) (i) Holdings or any of its Subsidiaries (1) fails to pay the principal, or any principal installment, or any present or future Debt for borrowed money, or any guaranty of present or future Debt for borrowed money, within 10 days of the date when due (or within any longer stated grace period), whether at the stated maturity, upon acceleration, by reason of required prepayment or otherwise in excess of \$50,000,000, or (2) fails to perform or observe any other term, covenant, or agreement on its part to be performed or observed in connection with any present or future Debt for borrowed money, or any guaranty of present or future Debt for borrowed money, in excess of \$50,000,000, if as a result of such failure any holder or holders thereof (or an agent or trustee on its or their behalf) has the right to declare it due before the date on which it otherwise would become due, or (ii) any default or event of default pursuant to that certain First Amended and Restated Revolving Credit Agreement, dated as of August 10, 2007, by and among Holdings, the lenders party thereto, Citicorp USA, Inc., as administrative agent, Bank of America, as syndication agent, and Citigroup Global Markets Inc. and Banc of America Securities LLC, as joint lead arrangers; or

(e) any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of the Lenders or satisfaction in full of all the Obligations, ceases to be in full force and effect or is declared by a court of competent jurisdiction to be null and void, invalid, or unenforceable in any respect which is, in the reasonable opinion of the Majority Lenders, materially adverse to the interest of the Lenders; or any Loan Party denies that it has any or further liability or obligation under any Loan Document; or

(f) a final judgment against Holdings or any of its Subsidiaries is entered for the payment of money in excess of \$50,000,000, and remains unsatisfied without procurement of a stay of execution for 45 days after the date of entry of judgment or in any event later than five days prior to the date of any proposed sale under such judgment; or

(g) Holdings, any Domestic Subsidiary or any Significant Subsidiary is the subject of an order for relief by a bankruptcy court, or is unable or admits in writing its inability

to pay its debts as they mature, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator, or similar officer for it or for all or any part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator, or similar officer is appointed without the application or consent of that entity and the appointment continues undischarged or unstayed for 60 days; or institutes or consents to any bankruptcy, proposal in bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, custodianship, conservatorship, liquidation, rehabilitation, or similar proceeding relating to it or to all or any part of its property under the laws of any jurisdiction; or any similar proceeding is instituted without the consent of that entity and continues undischarged or unstayed for 60 days; or any judgment, writ, warrant of attachment or execution, or similar process is issued or levied against all or any part of the property of any such entity in an amount in excess of 10% of the total assets of such entity, and is not released, vacated, or fully bonded within sixty (60) days after its issue or levy, or Holdings, any Domestic Subsidiary or any Significant Subsidiary shall take any corporate action to authorize any of the actions set forth above in this subsection (g).

8.02 Remedies upon Event of Default. (a) Upon the occurrence of any Event of Default (other than an Event of Default described in Section 8.01(g)): (i) all commitments to make Loans may be terminated by the Majority Lenders without notice to or demand upon the Borrower, which are expressly waived by the Borrower and (ii) the Majority Lenders may declare the unpaid principal of or unperformed balance of all Obligations due to the Lenders hereunder, all interest accrued and unpaid thereon, and all other amounts payable under the Loan Documents to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without protest, presentment, notice of dishonor, demand, or further notice of any kind, all of which are expressly waived by the Borrower.

(b) Upon the occurrence of any Event of Default described in Section 8.01(g): (i) all commitments to make Loans shall terminate without notice to or demand upon the Borrower, which are expressly waived by the Borrower; and (ii) the unpaid principal of or unperformed balance of all Obligations due to the Lenders hereunder, and all interest accrued and unpaid on such Obligations shall be forthwith due and payable, without protest, presentment, notice of dishonor, demand, or further notice of any kind, all of which are expressly waived by the Borrower.

(c) Upon the occurrence of an Event of Default and acceleration of the unpaid principal of or unperformed balance of all Obligations due to the Lenders hereunder, as provided in Sections 8.02(a) or (b), the Administrative Agent and the Lenders, or any of them, without notice to or demand upon the Borrower, which are expressly waived by the Borrower, may proceed to protect, exercise, and enforce their rights and remedies under the Loan Documents against the Borrower and such other rights and remedies as are provided by law or equity. The order and manner in which the rights and remedies of the Administrative Agent and the Lenders under the Loan Documents and otherwise may be protected, exercised, or enforced shall be determined by the Majority Lenders.

(d) All payments received by the Administrative Agent and the Lenders, or any of them, shall be applied: first to the costs and expenses (including attorneys fees and disbursements) of the Administrative Agent, acting as Administrative Agent, and of the Lenders;

and thereafter to the Lenders pro rata according to the unpaid principal amount of the Loans held by each Lender. Regardless of how any Lender may treat the payments for the purpose of its own accounting, for the purpose of computing the Borrower's Obligations hereunder, the payments shall be applied: first, to the payment of accrued and unpaid fees provided for hereunder and interest on all Obligations to and including the date of such application; second, to the ratable payment of the unpaid principal of all Loans; and third, to the payment of all other amounts then owing to the Lenders under the Loan Documents. No application of the payments will cure any Event of Default or prevent acceleration, or continued acceleration, of amounts payable under the Loan Documents or prevent the exercise, or continued exercise, of rights or remedies of the Administrative Agent or Lenders hereunder or under applicable Laws.

ARTICLE IX ADMINISTRATIVE AGENT

9.01 Appointment and Authority. (a) Each of the Lenders hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and neither the Borrower nor any other Loan Party shall have rights as a third party beneficiary of any of such provisions.

9.02 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Loan Party or any of its Subsidiaries or other Affiliates as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

9.03 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any

action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Majority Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 11.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower or a Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

9.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent.

The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facility provided for herein as well as activities as Administrative Agent.

9.06 Resignation of Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Majority Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (a) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (b) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Majority Lenders appoint a successor Administrative Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 11.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

9.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

9.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the Joint Lead Arrangers listed on the cover page hereof shall have any powers, duties or

responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

9.09 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.07 and 11.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, if the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.07 and 11.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender or in any such proceeding.

ARTICLE X CONTINUING GUARANTY

10.01 Guaranty. Holdings hereby absolutely and unconditionally guarantees, as a guaranty of payment and performance and not merely as a guaranty of collection, prompt payment when due, whether at stated maturity, by required prepayment, upon acceleration, demand or otherwise, and at all times thereafter, of any and all of the Obligations, whether for principal, interest, premiums, fees, indemnities, damages, costs, expenses or otherwise, of the Borrower to the Guarantied Parties, arising hereunder and under the other Loan Documents (including all renewals, extensions, amendments, refinancings and other modifications thereof and all costs, attorneys' fees and expenses incurred by the Guarantied Parties in connection with

the collection or enforcement thereof). The Administrative Agent's books and records showing the amount of the Obligations shall be admissible in evidence in any action or proceeding, and shall be binding upon Holdings, and conclusive for the purpose of establishing the amount of the Obligations. This Guaranty shall not be affected by the validity, regularity or enforceability of the Obligations or any instrument or agreement evidencing any Obligations, or by any fact or circumstance relating to the Obligations which might otherwise constitute a defense to the obligations of Holdings under this Guaranty, and Holdings hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to any or all of the foregoing.

10.02 Rights of Lenders. Holdings consents and agrees that the Guarantied Parties may, at any time and from time to time, without notice or demand, and without affecting the enforceability or continuing effectiveness hereof: (a) amend, extend, renew, compromise, discharge, accelerate or otherwise change the time for payment or the terms of the Obligations or any part thereof; (b) take, hold, exchange, enforce, waive, release, fail to perfect, sell, or otherwise dispose of any security for the payment of this Guaranty or any Obligations; and (c) release or substitute one or more of any endorsers or other guarantors of any of the Obligations. Without limiting the generality of the foregoing, Holdings consents to the taking of, or failure to take, any action which might in any manner or to any extent vary the risks of Holdings under this Guaranty or which, but for this provision, might operate as a discharge of Holdings.

10.03 Certain Waivers. Holdings waives (a) any defense arising by reason of any disability or other defense of the Borrower or any other guarantor, or the cessation from any cause whatsoever (including any act or omission of any Guarantied Party) of the liability of the Borrower; (b) any defense based on any claim that Holdings' obligations exceed or are more burdensome than those of the Borrower; (c) the benefit of any statute of limitations affecting Holdings' liability hereunder; (d) any right to proceed against the Borrower, proceed against or exhaust any security for the Obligations, or pursue any other remedy in the power of any Guarantied Party whatsoever; (e) any benefit of and any right to participate in any security now or hereafter held by any Guarantied Party; and (f) to the fullest extent permitted by law, any and all other defenses or benefits that may be derived from or afforded by applicable law limiting the liability of or exonerating guarantors or sureties. Holdings expressly waives all setoffs and counterclaims and all presentments, demands for payment or performance, notices of nonpayment or nonperformance, protests, notices of protest, notices of dishonor and all other notices or demands of any kind or nature whatsoever with respect to the Obligations, and all notices of acceptance of this Guaranty or of the existence, creation or incurrence of new or additional Obligations. Holdings waives any rights and defenses that are or may become available to Holdings by reason of §§ 2787 to 2855, inclusive, and §§ 2899 and 3433 of the California Civil Code.

10.04 Obligations Independent. The obligations of Holdings hereunder are those of primary obligor, and not merely as surety, and are independent of the Obligations and the obligations of any other guarantor, and a separate action may be brought against Holdings to enforce this Guaranty whether or not the Borrower or any other person or entity is joined as a party.

10.05 Subrogation. Holdings shall not exercise any right of subrogation, contribution, indemnity, reimbursement or similar rights with respect to any payments it makes

under this Guaranty until all of the Obligations and any amounts payable under this Guaranty have been indefeasibly paid and performed in full and the Commitments and the Loans are terminated. If any amounts are paid to Holdings in violation of the foregoing limitation, then such amounts shall be held in trust for the benefit of the Guarantied Parties and shall forthwith be paid to the Guarantied Parties to reduce the amount of the Obligations, whether matured or unmatured.

10.06 Termination; Reinstatement. This Guaranty is a continuing and irrevocable guaranty of all Obligations now or hereafter existing and shall remain in full force and effect until all Obligations and any other amounts payable under this Guaranty are indefeasibly paid in full in cash and the Commitments and the Loans are terminated. Notwithstanding the foregoing, this Guaranty shall continue in full force and effect or be revived, as the case may be, if any payment by or on behalf of the Borrower or Holdings is made, or any of the Guarantied Parties exercises its right of setoff, in respect of the Obligations and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by any of the Guarantied Parties in their discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Laws or otherwise, all as if such payment had not been made or such setoff had not occurred and whether or not the Guarantied Parties are in possession of or have released this Guaranty and regardless of any prior revocation, rescission, termination or reduction. The obligations of Holdings under this paragraph shall survive termination of this Guaranty.

10.07 Subordination. Until the Commitments have been terminated and the Obligations indefeasibly repaid, satisfied or discharged in full, Holdings hereby subordinates the payment of all obligations and Debt of the Borrower owing to Holdings, whether now existing or hereafter arising, including but not limited to any obligation of the Borrower to Holdings as subrogee of the Guarantied Parties or resulting from Holdings' performance under this Guaranty, to the indefeasible payment in full in cash of all Obligations. If the Guarantied Parties so request, any such obligation or Debt of the Borrower to Holdings shall be enforced and performance received by Holdings as trustee for the Guarantied Parties and the proceeds thereof shall be paid over to the Guarantied Parties on account of the Obligations, but without reducing or affecting in any manner the liability of Holdings under this Guaranty.

10.08 Stay of Acceleration. If acceleration of the time for payment of any of the Obligations is stayed, in connection with any case commenced by or against Holdings or the Borrower under any Debtor Relief Laws, or otherwise, all such amounts shall nonetheless be payable by Holdings immediately upon demand by the Guarantied Parties.

10.09 Condition of the Borrower. Holdings acknowledges and agrees that it has the sole responsibility for, and has adequate means of, obtaining from the Borrower and any other guarantor such information concerning the financial condition, business and operations of the Borrower and any such other guarantor as Holdings requires, and that none of the Guarantied Parties has any duty, and Holdings is not relying on the Guarantied Parties at any time, to disclose to Holdings any information relating to the business, operations or financial condition of the Borrower or any other guarantor (Holdings waiving any duty on the part of the Guarantied Parties to disclose such information and any defense relating to the failure to provide the same).

**ARTICLE XI
MISCELLANENOUS**

11.01 Amendments, Etc. No amendment, modification, supplement, termination, or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Loan Party therefrom, may in any event be effective unless in writing signed by the Administrative Agent with the written approval of the Majority Lenders, and then only in the specific instance and for the specific purpose given; and without the approval in writing of all the Lenders, no amendment, modification, supplement, termination, waiver, or consent may be effective:

(a) to reduce the principal of, or the amount of principal, principal prepayments, or the rate of interest payable on, any Obligation or increase the amount of any Commitment or decrease the amount of any fee payable to any Lender;

(b) to postpone any date fixed for any payment of principal of, prepayment of principal of, or any installment of interest on, any Obligation or any installment of any fee or to extend the term of any Commitment;

(c) to amend or modify the provisions of (i) the definitions of "Commitment" or "Majority Lenders" in Section 1.01, or (ii) this Section 11.01, Sections 2.11, 11.08 or 11.17 or Article VIII;

(d) to amend or modify any provision of this Agreement that expressly requires the consent or approval of all the Lenders; or

(e) to release the Guaranty;

and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Majority Lenders or all the Lenders, as the case may be, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document. Any amendment, modification, supplement, termination, waiver or consent pursuant to this Section 11.01 shall apply equally to and be binding upon, all of the Lenders. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

11.02 Notices; Effectiveness; Electronic Communications. (a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by e-mail or telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to Holdings, the Borrower or the Administrative Agent, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 11.02; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to Holdings, the Borrower, any Lender or any other Person for losses, claims, damages, liabilities

or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Loan Party Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to Holdings, the Borrower, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of Holdings, the Borrower, and the Administrative Agent may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower and the Administrative Agent. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(e) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Committed Loan Notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

11.03 No Waiver; Cumulative Remedies. No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

11.04 Expenses; Indemnity; Damage Waiver. (a) Costs and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facility provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be

consummated), and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof) each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnitee”) from and against: (i) any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than the Administrative Agent or any Lender) relating directly or indirectly to a claim, demand, action or cause of action that such Person asserts or may assert against the Borrower, any Affiliate of the Borrower or any of their respective officers or directors which arises out of or in connection with the Loan Documents, the use of Loan proceeds or the transactions contemplated thereby; (ii) any and all claims, demands, actions or causes of action that may at any time (including at any time following repayment of the Obligations and the resignation or removal of the Administrative Agent or the replacement of any Lender) be asserted or imposed against any Indemnitee, arising out of or relating to, the Loan Documents, any predecessor loan documents, the Commitments, the use or contemplated use of the proceeds of any Loan, or the relationship of the Borrower, the Administrative Agent, and the Lenders under this Agreement or any other Loan Document; (iii) any administrative or investigative proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in subsection (i) or (ii) above; and (iv) any and all liabilities (including liabilities under indemnities), losses, damages, penalties, costs or expenses (including, without limitation, attorney’s fees and disbursements and the allocated cost of in-house counsel) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, and whether or not an Indemnitee is a party to such claim, demand, action, cause of action or proceeding; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, penalties, liabilities or related costs or expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee’s obligations hereunder or under any other Loan Document, if the Borrower or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), or such Related Party, as the case may be, such Lender’s Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is

sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.10(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in subsection (b), above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section shall be payable not later than ten Business Days after demand therefor.

(f) Survival. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

11.05 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent, or any Lender, or the Administrative Agent, or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

11.06 Successors and Assigns. (a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower

nor any other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of [Section 11.06\(b\)](#), (ii) by way of participation in accordance with the provisions of [Section 11.06\(d\)](#), or (iii) by way of pledge or assignment of a security interest subject to the restrictions of [Section 11.06\(f\)](#) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in [subsection \(d\)](#) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) [Assignments by Lenders](#). Any Lender may at any time assign, with, so long as no Event of Default has occurred and is continuing, the consent of the Borrower (which consent may be given or withheld in the Borrower's sole discretion) to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); [provided](#) that (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000, or that is in an integral multiple of \$1,000,000 in excess thereof, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent to be within the discretion of the consenting party), (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, (iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500 (which fee shall not be payable by the Borrower) and (iv) no consent of the Borrower shall be required if the proposed assignment is to another Lender, an Affiliate of a Lender or an Approved Fund with respect to a Lender unless as a result of such assignment, the Borrower would incur an additional cost pursuant to [Section 3.04](#), but the assigning Lender shall give the Administrative Agent and the Borrower written notice thereof. Subject to acceptance and recording thereof by the Administrative Agent pursuant to [subsection \(c\)](#) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of [Sections 3.01, 3.04, 3.05 and 11.04](#) with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note

to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 11.06(d).

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of its Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification that would (x) postpone any date upon which any payment of money is to be paid to such Participant or (y) reduce the principal, interest, fees or other amounts payable to such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 11.06(b). To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.11 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.01(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words “execution,” “signed,” “signature,” and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

11.07 Treatment of Certain Information; Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates, legal counsel, accountants, and other professional advisors provided that such advisors and Affiliates are obliged to hold such Information in confidence, (b) to regulatory officials having jurisdiction over it or its Affiliates, (c) as required by law or legal process or in connection with any legal proceeding to which it is a party provided that the Borrower is notified prior to or concurrently with any such disclosure to the extent legally permissible, (d) to the Administrative Agent or another Lender, and (e) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower. This Agreement, and other confidential information as approved by the Borrower at the time, may be disclosed, subject to an agreement containing provisions substantially the same as those of this Section 11.07, to any Participants, Eligible Assignees, potential Participants or potential Eligible Assignees.

For purposes of this Section, “Information” means all confidential information received from any Loan Party or any of its Subsidiaries relating to any Loan Party or any of its Subsidiaries or their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by any Loan Party or any of its Subsidiaries. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent and the Lenders acknowledges that (a) the Information may include material non-public information concerning any Loan Party or any of its Subsidiaries, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including United States Federal and state securities Laws.

11.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of the Borrower or Holdings against any and all of the obligations of the Borrower or Holdings now or hereafter existing under this Agreement or any other Loan Document to such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower or Holdings may be contingent or unmatured or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender or their respective Affiliates may have. Each Lender agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

11.09 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

11.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in [Section 4.01](#), this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

11.11 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the

Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any extension of credit, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

11.12 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11.13 Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender is a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 11.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 11.06(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

11.14 Governing Law; Jurisdiction; Etc. (a) **GOVERNING LAW.** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA.

(b) **SUBMISSION TO JURISDICTION.** THE BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF CALIFORNIA SITTING IN LOS ANGELES COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF CALIFORNIA, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH CALIFORNIA STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ANY OTHER LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) **WAIVER OF VENUE.** THE BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) **SERVICE OF PROCESS.** EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 11.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW

11.15 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS

AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

11.16 California Judicial Reference. If any action or proceeding is filed in a court of the State of California by or against any party hereto in connection with any of the transactions contemplated by this Agreement or any other Loan Document, (a) the court shall, and is hereby directed to, make a general reference pursuant to California Code of Civil Procedure Section 638 to a referee (who shall be a single active or retired judge) to hear and determine all of the issues in such action or proceeding (whether of fact or of law) and to report a statement of decision, provided that at the option of any party to such proceeding, any such issues pertaining to a “provisional remedy” as defined in California Code of Civil Procedure Section 1281.8 shall be heard and determined by the court, and (b) without limiting the generality of Section 11.04, the Borrower shall be solely responsible to pay all fees and expenses of any referee appointed in such action or proceeding.

11.17 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), each of the Borrower and Holdings acknowledges and agrees, and acknowledges its Affiliates’ understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent and the Joint Lead Arrangers, are arm’s-length commercial transactions between the Borrower, Holdings and their respective Affiliates, on the one hand, and the Administrative Agent and the Joint Lead Arrangers, on the other hand, (B) each of the Borrower and Holdings has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) each of the Borrower and Holdings is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent and the Joint Lead Arrangers each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower, Holdings or any of their respective Affiliates, or any other Person and (B) neither the Administrative Agent nor the Joint Lead Arrangers has any obligation to the Borrower, Holdings or any of their respective Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent and the Joint Lead Arrangers and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower, Holdings and their respective Affiliates, and neither the Administrative Agent nor the Joint Lead Arrangers has any obligation to disclose any of such interests to the Borrower, Holdings or any of their respective Affiliates. To the fullest extent permitted by law, each of the Borrower and Holdings hereby waives and releases any claims that it may have against the

Administrative Agent and the Joint Lead Arrangers with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

11.18 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Loan Party in accordance with the Act.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**AVERY DENNISON OFFICE PRODUCTS
COMPANY**, as the Borrower

By: _____

Name: _____

Title: _____

AVERY DENNISON CORPORATION, as Holdings,
as guarantor

By: _____

Name: _____

Title: _____

S-1

**BANK OF AMERICA, N.A., as
Administrative Agent**

By: _____

Name: _____

Title: _____

S-2

BANK OF AMERICA, N.A., as a Lender

By: _____

Name: _____

Title: _____

S-3

COMMITMENTS AND APPLICABLE PERCENTAGES

Bank	Commitment	Pro Rata Share of Commitment
Bank of America, N.A.	\$ 49,500,000	12.375000000%
JPMorgan Chase Bank, N.A.	\$ 49,500,000	12.375000000%
Barclays Bank PLC	\$ 47,000,000	11.750000000%
Citicorp USA, Inc.	\$ 47,000,000	11.750000000%
Wachovia Bank, N.A.	\$ 47,000,000	11.750000000%
Bank of China, New York Branch	\$ 20,000,000	5.000000000%
Bank of China, Los Angeles Branch	\$ 10,000,000	2.500000000%
ABM AMRO Bank N.V.	\$ 25,000,000	6.250000000%
Sumitomo Mitsui Banking Corporation	\$ 25,000,000	6.250000000%
First Hawaiian Bank	\$ 15,000,000	3.750000000%
HSBC Bank USA, National Association	\$ 15,000,000	3.750000000%
Standard Chartered Bank	\$ 15,000,000	3.750000000%
Wells Fargo Bank, N.A.	\$ 15,000,000	3.750000000%
E. Sun Commercial Bank, Ltd., Los Angeles Branch	\$ 10,000,000	2.500000000%
Malayan Banking Berhad	\$ 10,000,000	2.500000000%
Total	\$400,000,000	100.000000000%

Schedule 2.01-1

SUBSIDIARIES

SUBSIDIARY	JURISDICTION IN WHICH ORGANIZED
1. A.V. CHEMIE GMBH	SWITZERLAND
2. ADC PHILIPPINES, INC.	PHILIPPINES
3. ADESPAN S.R.L.	ITALY
4. ADESPAN U.K. LIMITED	UNITED KINGDOM
5. AUSTRACOTE PTY LTD.	AUSTRALIA
6. AVERY (CHINA) COMPANY LIMITED	CHINA
7. AVERY CORP.	U.S.A.
8. AVERY DE MEXICO S.A. DE C.V.	MEXICO
9. AVERY DENNISON HOLDINGS (MALTA) LIMITED	MALTA
10. AVERY DENNISON (ASIA) HOLDINGS LIMITED	MAURITIUS
11. AVERY DENNISON (BANGLADESH) LTD.	BANGLADESH
12. AVERY DENNISON (FIJI) LIMITED	FIJI
13. AVERY DENNISON (FUZHOU) CONVERTED PRODUCTS LIMITED	CHINA
14. AVERY DENNISON (GUANGZHOU) CO. LTD.	CHINA
15. AVERY DENNISON (GUANGZHOU) CONVERTED PRODUCTS LIMITED	CHINA
16. AVERY DENNISON (HONG KONG) LIMITED	HONG KONG
17. AVERY DENNISON (INDIA) PRIVATE LIMITED	INDIA
18. AVERY DENNISON (IRELAND) LIMITED	IRELAND
19. AVERY DENNISON (KUNSHAN) CO., LIMITED	CHINA
20. AVERY DENNISON (MALAYSIA) SDN. BHD.	MALAYSIA
21. AVERY DENNISON (QINGDAO) CONVERTED PRODUCTS LIMITED	CHINA
22. AVERY DENNISON (SUZHOU) CO. LIMITED	CHINA
23. AVERY DENNISON (THAILAND) LTD.	THAILAND
24. AVERY DENNISON (VIETNAM) LIMITED	VIETNAM
25. AVERY DENNISON AUSTRALIA GROUP HOLDINGS PTY LIMITED	AUSTRALIA
26. AVERY DENNISON AUSTRALIA INTERNATIONAL HOLDINGS PTY LTD.	AUSTRALIA
27. AVERY DENNISON AUSTRALIA PTY LTD.	AUSTRALIA
28. AVERY DENNISON BELGIE BVBA	BELGIUM
29. AVERY DENNISON BV	NETHERLANDS
30. AVERY DENNISON C.A.	VENEZUELA
31. AVERY DENNISON CANADA INC.	CANADA
32. AVERY DENNISON CHILE S.A.	CHILE
33. AVERY DENNISON COLOMBIA S. A.	COLOMBIA
34. AVERY DENNISON CONVERTED PRODUCTS DE MEXICO, S.A. DE C.V.	MEXICO
35. AVERY DENNISON CONVERTED PRODUCTS EL SALVADOR S. A. DE C. V.	EL SALVADOR
36. AVERY DENNISON COORDINATION CENTER BVBA	BELGIUM
37. AVERY DENNISON DE ARGENTINA S.A.	ARGENTINA
38. AVERY DENNISON DEUTSCHLAND GMBH	GERMANY
39. AVERY DENNISON DO BRASIL LTDA.	BRAZIL
40. AVERY DENNISON ETIKET TICARET LIMITED SIRKETI	TURKEY
41. AVERY DENNISON EUROPE HOLDING (DEUTSCHLAND) GMBH & CO KG	GERMANY

<u>SUBSIDIARY</u>	<u>JURISDICTION IN WHICH ORGANIZED</u>
42. AVERY DENNISON FINANCE BELGIUM BVBA	BELGIUM
43. AVERY DENNISON FINANCE FRANCE S. A. S.	FRANCE
44. AVERY DENNISON FINANCE GERMANY GMBH	GERMANY
45. AVERY DENNISON FINANCE LUXEMBOURG II SARL	LUXEMBOURG
46. AVERY DENNISON FINANCE LUXEMBOURG S. A. R. L.	LUXEMBOURG
47. AVERY DENNISON FOUNDATION	U.S.A.
48. AVERY DENNISON FRANCE S.A.S.	FRANCE
49. AVERY DENNISON G HOLDINGS I COMPANY	U.S.A.
50. AVERY DENNISON G HOLDINGS III COMPANY	U.S.A.
51. AVERY DENNISON G INVESTMENTS III LIMITED	GIBRALTAR
52. AVERY DENNISON G INVESTMENTS V LIMITED	GIBRALTAR
53. AVERY DENNISON GROUP DANMARK APS	DENMARK
54. AVERY DENNISON GROUP SINGAPORE (PTE) LIMITED	SINGAPORE
55. AVERY DENNISON HOLDING & FINANCE THE NETHERLANDS BV	NETHERLANDS
56. AVERY DENNISON HOLDING AG	SWITZERLAND
57. AVERY DENNISON HOLDING GMBH	GERMANY
58. AVERY DENNISON HOLDING LUXEMBOURG S. A. R. L.	LUXEMBOURG
59. AVERY DENNISON HOLDINGS LIMITED	AUSTRALIA
60. AVERY DENNISON HOLDINGS NEW ZEALAND LIMITED	NEW ZEALAND
61. AVERY DENNISON HONG KONG BV	NETHERLANDS
62. AVERY DENNISON HUNGARY LIMITED	HUNGARY
63. AVERY DENNISON IBERICA, S.A.	SPAIN
64. AVERY DENNISON INVESTMENTS LUXEMBOURG S.A.R.L.	LUXEMBOURG
65. AVERY DENNISON INVESTMENTS THE NETHERLANDS BV	NETHERLANDS
66. AVERY DENNISON ITALIA S.R.L.	ITALY
67. AVERY DENNISON KOREA LIMITED	KOREA
68. AVERY DENNISON LUXEMBOURG S.A.R.L.	LUXEMBOURG
69. AVERY DENNISON MANAGEMENT GMBH	GERMANY
70. AVERY DENNISON MANAGEMENT KGAA	LUXEMBOURG
71. AVERY DENNISON MANAGEMENT LUXEMBOURG S.A.R.L.	LUXEMBOURG
72. AVERY DENNISON MATERIALS FRANCE S.A.R.L.	FRANCE
73. AVERY DENNISON MATERIALS GMBH	GERMANY
74. AVERY DENNISON MATERIALS IRELAND LIMITED	IRELAND
75. AVERY DENNISON MATERIALS NEDERLAND BV	NETHERLANDS
76. AVERY DENNISON MATERIALS NEW ZEALAND LIMITED	NEW ZEALAND
77. AVERY DENNISON MATERIALS PTY LIMITED	AUSTRALIA
78. AVERY DENNISON MATERIALS SDN BHD	MALAYSIA
79. AVERY DENNISON MATERIALS U.K. LIMITED	UNITED KINGDOM
80. AVERY DENNISON MOROCCO SARL	MOROCCO
81. AVERY DENNISON NETHERLANDS INVESTMENT II B. V.	NETHERLANDS
82. AVERY DENNISON NETHERLANDS INVESTMENT III BV	NETHERLANDS
83. AVERY DENNISON NETHERLANDS INVESTMENT VI BV	NETHERLANDS
84. AVERY DENNISON NORDIC APS	DENMARK
85. AVERY DENNISON NORGE A/S	NORWAY
86. AVERY DENNISON OFFICE ACCESSORIES U.K. LIMITED	UNITED KINGDOM
87. AVERY DENNISON OFFICE PRODUCTS (NZ) LIMITED	NEW ZEALAND
88. AVERY DENNISON OFFICE PRODUCTS (PTY.) LTD.	SOUTH AFRICA
89. AVERY DENNISON OFFICE PRODUCTS COMPANY	U.S.A.
90. AVERY DENNISON OFFICE PRODUCTS DE MEXICO, S.A. DE C.V.	MEXICO
91. AVERY DENNISON OFFICE PRODUCTS EUROPE GMBH	SWITZERLAND
92. AVERY DENNISON OFFICE PRODUCTS FRANCE S. A. S.	FRANCE
93. AVERY DENNISON OFFICE PRODUCTS ITALIA S.R.L.	ITALY
94. AVERY DENNISON OFFICE PRODUCTS MANUFACTURING U.K. LTD.	UNITED KINGDOM

<u>SUBSIDIARY</u>	<u>JURISDICTION IN WHICH ORGANIZED</u>
95. AVERY DENNISON OFFICE PRODUCTS PTY LIMITED	AUSTRALIA
96. AVERY DENNISON OFFICE PRODUCTS U.K. LTD.	UNITED KINGDOM
97. AVERY DENNISON OSTERREICH GMBH	AUSTRIA
98. AVERY DENNISON OVERSEAS CORPORATION	U.S.A.
99. AVERY DENNISON OVERSEAS CORPORATION (JAPAN BRANCH)	JAPAN
100. AVERY DENNISON PENSION TRUSTEE LIMITED	UNITED KINGDOM
101. AVERY DENNISON PERU S. R. L.	PERU
102. AVERY DENNISON POLSKA SP. Z O.O.	POLAND
103. AVERY DENNISON PRAHA SPOL. R. O.	CZECH REPUBLIC
104. AVERY DENNISON REFLECTIVES DO BRAZIL LTDA.	BRAZIL
105. AVERY DENNISON RETAIL INFORMATION SERVICES DE MEXICO, S. A. DE C.V.	MEXICO
106. AVERY DENNISON RETAIL INFORMATION SERVICES DOMINICAN REPUBLIC, S. A.	DOMINICAN REPUBLIC
107. AVERY DENNISON RETAIL INFORMATION SERVICES GUATEMALA, S. A.	GUATEMALA
108. AVERY DENNISON RFID COMPANY	U.S.A.
109. AVERY DENNISON RINKE GMBH	GERMANY
110. AVERY DENNISON RIS KOREA LTD.	KOREA
111. AVERY DENNISON RIS LANKA (PRIVATE) LIMITED	SRI LANKA
112. AVERY DENNISON SCANDINAVIA APS	DENMARK
113. AVERY DENNISON SCHWEIZ AG	SWITZERLAND
114. AVERY DENNISON SECURITY PRINTING EUROPE APS	DENMARK
115. AVERY DENNISON SHARED SERVICES, INC.	U.S.A.
116. AVERY DENNISON SINGAPORE (PTE) LTD	SINGAPORE
117. AVERY DENNISON SOUTH AFRICA (PROPRIETARY) LIMITED	SOUTH AFRICA
118. AVERY DENNISON SUOMI OY	FINLAND
119. AVERY DENNISON SVERIGE AB	SWEDEN
120. AVERY DENNISON SYSTEMES D'ETIQUETAGE FRANCE S.A.S.	FRANCE
121. AVERY DENNISON TAIWAN LIMITED	TAIWAN
122. AVERY DENNISON U.K. LIMITED	UNITED KINGDOM
123. AVERY DENNISON VERMOGENSVERWALTUNGS GMBH & CO K.G.	GERMANY
124. AVERY DENNISON ZWECKFORM AUSTRIA GMBH	AUSTRIA
125. AVERY DENNISON ZWECKFORM OFFICE PRODUCTS EUROPE GMBH	GERMANY
126. AVERY DENNISON ZWECKFORM OFFICE PRODUCTS MANUFACTURING GMBH	GERMANY
127. AVERY DENNISON ZWECKFORM UNTERSTUTZUNGSKASSE GMBH	GERMANY
128. AVERY DENNISON, S.A. DE C.V.	MEXICO
129. AVERY DENNISON-MAXELL K. K.	JAPAN
130. AVERY GRAPHIC SYSTEMS, INC.	U.S.A.
131. AVERY GUIDEX LIMITED	UNITED KINGDOM
132. AVERY HOLDING LIMITED	UNITED KINGDOM
133. AVERY HOLDING S.A.S.	FRANCE
134. AVERY OFFICE PRODUCTS PUERTO RICO LLC	PUERTO RICO
135. AVERY PACIFIC LLC	U.S.A.
136. AVERY PROPERTIES PTY. LIMITED	AUSTRALIA
137. AVERY, INC.	U.S.A.
138. DENNISON COMERCIO, IMPORTACAS E EXPORTACAO LTDA.	BRAZIL
139. DENNISON DEVELOPMENT ASSOCIATES	U.S.A.
140. DENNISON INTERNATIONAL COMPANY	U.S.A.
141. DENNISON MANUFACTURING COMPANY	U.S.A.
142. INDUSTRIAL DE MARCAS LTDA	COLOMBIA
143. JAC (U.K.) LIMITED	UNITED KINGDOM

<u>SUBSIDIARY</u>	<u>JURISDICTION IN WHICH ORGANIZED</u>
144. JAC ASIA PACIFIC PTY LTD.	AUSTRALIA
145. JAC ASIA PACIFIC SDN BHD	MALAYSIA
146. JAC AUSTRALIA PTY LTD.	AUSTRALIA
147. JAC CARIBE C.S.Z.	DOMINICAN REPUBLIC
148. JAC DO BRASIL LTDA.	BRAZIL
149. JAC NEW ZEALAND LIMITED	NEW ZEALAND
150. JACKSTADT FRANCE S.N.C.	FRANCE
151. JACKSTADT FRANCE SARL	FRANCE
152. JACKSTADT GMBH	GERMANY
153. JACKSTADT SOUTH AFRICA (PTY) LTD.	SOUTH AFRICA
154. JACKSTADT VERMOGENSVERWALTUNGS GMBH	GERMANY
155. L&E AMERICAS SERVICIOS, S. A. DE C.V.	MEXICO
156. L&E PACKAGING FAR EAST LIMITED	HONG KONG
157. MODERN MARK INTERNATIONAL LIMITED	HONG KONG
158. MONARCH INDUSTRIES, INC.	U.S.A.
159. PT AVERY DENNISON INDONESIA	INDONESIA
160. PT AVERY DENNISON PACKAGING INDONESIA	INDONESIA
161. RF IDENTICS, INC.	U.S.A.
162. RINKE DIS TISCARET LTD (SIRKETI)	TURKEY
163. RINKE ETIKET SERVIS SANAYI VE TICARET LTD SIRKETI	TURKEY
164. RINKE FAR EAST LTD	HONG KONG
165. RIPRO FAR EAST LTD	HONG KONG
166. RVL AMERICAS, S DE R.L. DE C.V.	MEXICO
167. RVL CENTRAL AMERICA, S. A.	GUATEMALA
168. RVL PACKAGING FAR EAST LIMITED	HONG KONG
169. RVL PACKAGING INDIA PRIVATE LIMITED	INDIA
170. RVL PACKAGING MIDDLE EAST F.Z.C.	UNITED ARAB EMIRATES
171. RVL PACKAGING SINGAPORE PTE LTD.	SINGAPORE
172. RVL PACKAGING TAIWAN LTD.	TAIWAN
173. RVL PACKAGING, INC.	U.S.A.
174. RVL PHILIPPINES, INC.	PHILIPPINES
175. RVL PRINTED LABEL FAR EAST LIMITED	HONG KONG
176. RVL PRINTED LABELS, LLC	U.S.A.
177. RVL SERVICE, S. DE R. L. DE C. V.	MEXICO
178. SECURITY PRINTING DIVISION, INC.	U.S.A.
179. STIMSONITE AUSTRALIA PTY LIMITED	AUSTRALIA
180. TIADECO PARTICIPACOES, LTDA.	BRAZIL
181. UNIVERSAL PACKAGING & DESIGN, LTD.	HONG KONG
182. WORLDWIDE RISK INSURANCE, INC.	U.S.A.

LITIGATION

Avery Dennison Corporation (the "Company") has been designated by the U.S. Environmental Protection Agency ("EPA") and/or other responsible state agencies as a potentially responsible party ("PRP") at eighteen waste disposal or waste recycling sites, including Paxar Corporation sites, which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination and for which no settlement of the Company's liability has been agreed. The Company is participating with other PRPs at such sites, and anticipates that its share of cleanup costs will be determined pursuant to remedial agreements entered into in the normal course of negotiations with the EPA or other governmental authorities.

The Company has accrued liabilities for these and certain other sites, including sites in which governmental agencies have designated the Company as a PRP, where it is probable that a loss will be incurred and the cost or amount of loss can be reasonably estimated. However, because of the uncertainties associated with environmental assessment and remediation activities, future expense to remediate the currently identified sites and any sites which could be identified in the future for cleanup could be higher than the liability currently accrued.

During the third quarter of 2006, the Company recognized additional liability of \$13 million for estimated environmental remediation costs for a former operating facility, for which \$2 million had been accrued in the second quarter of 2006. Of the amount accrued, which represented the lower end of the current estimated range of \$15 million to \$17 million for costs expected to be incurred, approximately \$9 million remained accrued as of September 29, 2007. Management considered additional information provided by outside consultants in revising its previous estimates of expected costs. This estimate could change depending on various factors such as modification of currently planned remedial actions, changes in the site conditions, a change in the estimated time to complete remediation, changes in laws and regulations affecting remediation requirements and other factors.

Other amounts currently accrued are not significant to the consolidated financial position of the Company and, based upon current information, management believes it is unlikely that the final resolution of these matters will significantly impact the Company's consolidated financial position, results of operations or cash flows.

On April 24, 2003, Sentry Business Products, Inc. filed a purported class action on behalf of direct purchasers of label stock in the United States District Court for the Northern District of Illinois against the Company, UPM, Bemis and certain of their subsidiaries seeking treble damages and other relief for alleged unlawful competitive practices. Ten similar complaints were filed in various federal district courts. In November 2003, the cases were transferred to the United States District Court for the Middle District of Pennsylvania and consolidated for pretrial purposes. Plaintiffs filed a consolidated complaint on February 16, 2004, which the Company answered on March 31, 2004. On April 14, 2004, the court separated the proceedings as to class certification and merits discovery, and limited the initial phase of discovery to the issue of the appropriateness of class certification. On January 4, 2006, plaintiffs filed an amended complaint. On January 20, 2006, the Company filed an answer to the amended complaint. On August 14, 2006,

the plaintiffs moved to certify a proposed class. The Company and other defendants opposed this motion. Following multiple rounds of briefing, the Court substantially granted plaintiffs' motion on November 19, 2007. The Company and other defendants petitioned the United States Court of Appeals for the Third Circuit for interlocutory review of the Court's decision on December 4, 2007. The petition is still pending. Merits discovery has not commenced in the District Court. The Company intends to defend these matters vigorously in the District Court and in the Third Circuit if review is granted.

On May 6, 2003, Sekuk Global Enterprises filed a purported stockholder class action in the United States District Court for the Central District of California against the Company and Messrs. Neal, O'Bryant and Skovran (then CEO, CFO and Controller, respectively) seeking damages and other relief for alleged disclosure violations pertaining to alleged unlawful competitive practices. Subsequently, another similar action was filed in the same court. On September 24, 2003, the court appointed a lead plaintiff, approved lead and liaison counsel and ordered the two actions consolidated as the "In Re Avery Dennison Corporation Securities Litigation." Pursuant to court order and the parties' stipulation, plaintiff filed a consolidated complaint in mid-February 2004. The court approved a briefing schedule for defendants' motion to dismiss the consolidated complaint, with a contemplated hearing date in June 2004. In January 2004, the parties stipulated to stay the consolidated action, including the proposed briefing schedule, pending the outcome of the government investigation of alleged anticompetitive conduct by the Company. The court approved the parties' stipulation to stay the consolidated actions. On January 17, 2007, the plaintiffs voluntarily dismissed the consolidated complaint without prejudice.

On May 21, 2003, The Harman Press filed in the Superior Court for the County of Los Angeles, California, a purported class action on behalf of indirect purchasers of label stock against the Company, UPM and UPM's subsidiary Raflatac ("Raflatac"), seeking treble damages and other relief for alleged unlawful competitive practices, essentially repeating the underlying allegations of the DOJ Merger Complaint. Three similar complaints were filed in various California courts. In November 2003, on petition from the parties, the California Judicial Council ordered the cases be coordinated for pretrial purposes. The cases were assigned to a coordination trial judge in the Superior Court for the City and County of San Francisco on March 30, 2004. On January 21, 2005, American International Distribution Corporation filed a purported class action on behalf of indirect purchasers in the Superior Court for Chittenden County, Vermont. Similar actions were filed by Richard Wrobel, on February 16, 2005, in the District Court of Johnson County, Kansas; and by Chad and Terry Muzzey, on February 16, 2005 in the District Court of Scotts Bluff County, Nebraska. On February 17, 2005, Judy Benson filed a purported multi-state class action on behalf of indirect purchasers in the Circuit Court for Cocke County, Tennessee. The Vermont, Kansas and Nebraska cases are currently stayed. The Company intends to defend these matters vigorously.

On August 18, 2005, the Australian Competition and Consumer Commission notified two of the Company's subsidiaries, Avery Dennison Material Pty Limited and Avery Dennison Australia Pty Ltd, that it was seeking information in connection with a label stock investigation. The Company is cooperating with the investigation.

The Company has contacted relevant authorities in the U.S. and reported the results of an internal investigation of potential violations of the U.S. Foreign Corrupt Practices Act. The transactions at issue were carried out by a small number of employees of the reflective business in China, and involved, among other things, impermissible payments or attempted impermissible payments. The payments or attempted payments and the contracts associated with them appear to have been relatively minor in amount and of limited duration. As a result, the Company expects that fines or other penalties may be incurred. While the Company is unable to predict the financial or operating impact of any such fines or penalties, the Company believes that its behavior in detecting, investigating, responding to and voluntarily disclosing these matters to authorities should be viewed favorably. The Company is also investigating allegations concerning payments made to customs officials in Indonesia by personnel employed by Paxar, a company recently acquired by the Company. The investigation is ongoing.

Schedule 5.09-3

**ADMINISTRATIVE AGENT'S OFFICE,
CERTAIN ADDRESSES FOR NOTICES**

THE BORROWER:

EVERY DENNISON OFFICE PRODUCTS COMPANY
c/o Avery Dennison Corporation
150 North Orange Grove Boulevard
Pasadena, California 91103
Attention: Karyn E. Rodriguez
Vice President and Treasurer
Telephone: 626-304-2210
Facsimile: 626-304-2319

HOLDINGS:

EVERY DENNISON CORPORATION
150 North Orange Grove Boulevard
Pasadena, California 91103
Attention: Karyn E. Rodriguez
Vice President and Treasurer
Telephone: 626-304-2210
Facsimile: 626-304-2319

THE ADMINISTRATIVE AGENT:

Notices (other than Requests for Extensions of Credit):

BANK OF AMERICA, N.A.
800 Fifth Avenue, Floor 32
Seattle, WA 98104
Mail Code: WA1-501-32-37
Attention: Ken Puro
Tel: 206-358-0138
Facsimile: 415-343-0559
Electronic Mail: Ken.Puro@Bankofamerica.com

For Payments and Requests for Extensions of Credit:

BANK OF AMERICA, N.A.
2001 Clayton Road, 2nd Floor
Concord, CA 94520
Mail Code: CA4-702-02-25
Attention: Jesse Phalen
Tel: 925-675-8458

Facsimile: 888-969-9228

Electronic Mail: jesse.c.phalen@bankofamerica.com

Payments:

BANK OF AMERICA

New York, NY

ABA No. 026009593

Account No: 3750836479

Account Name: Corporate FTA

Attention: Jesse Phalen

Reference: Avery Dennison

Schedule 11.02-2

EXHIBIT A
FORM OF COMMITTED LOAN NOTICE

Date:

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of February 8, 2008 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among AVERY DENNISON OFFICE PRODUCTS COMPANY, a Nevada corporation (the "Borrower"), AVERY DENNISON CORPORATION, a Delaware corporation, the Lenders from time to time party thereto, and BANK OF AMERICA, N.A., as Administrative Agent.

The undersigned hereby requests (select one):

- The Borrowing of Loans
 - A conversion or continuation of Loans
1. On _____ (a Business Day).
 2. In the amount of \$_____
 3. Comprised of _____

[Type of Loan requested]

4. For Eurodollar Rate Loans: with an Interest Period of ____ months.

[The Borrower hereby represents and warrants that the conditions specified in Sections 4.01(e) and (f) shall be satisfied on and as of the Closing Date.]¹

AVERY DENNISON OFFICE PRODUCTS COMPANY

By: _____

Name:

Title:

¹ Include only in the case of the borrowing on the Closing Date.

EXHIBIT B
FORM OF NOTE

FOR VALUE RECEIVED, the undersigned (the "Borrower"), hereby promises to pay to _____ or registered assigns (the "Lender"), in accordance with the provisions of the Agreement (as hereinafter defined), the principal amount of the Loan made by the Lender to the Borrower under that certain Credit Agreement, dated as of February 8, 2008 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among the Borrower, Avery Dennison Corporation, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent.

The Borrower promises to pay interest on the unpaid principal amount of the Loan made by the Lender from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is one of the Notes referred to in the Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Note is also entitled to the benefits of the Guaranty. Upon the occurrence and continuation of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Agreement. The Loan made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.
AVERY DENNISON OFFICE PRODUCTS COMPANY

By: _____
Name:
Title:

LOANS AND PAYMENTS WITH RESPECT THERETO

Date	Type of Loan Made	Amount of Loan Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By
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EXHIBIT C

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: _____

To: Bank of America, N.A., as Administrative Agent

Reference is made to that certain Credit Agreement, dated as of February 8, 2008 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among AVERY DENNISON OFFICE PRODUCTS COMPANY, a Nevada corporation, AVERY DENNISON CORPORATION, a Delaware corporation ("Holdings"), the Lenders from time to time party thereto, and BANK OF AMERICA, N.A., as Administrative Agent.

I, _____, hereby certify that I am a Designated Officer of Holdings holding the office set forth below my signature and that:

1. Based on the duly certified financial statements delivered concurrently with this Certificate, as of the date thereof:

A. LEVERAGE RATIO (Section 7.07(a))

1. Consolidated Debt:

2. Consolidated EBITDA

a.	Consolidated Net Income:	\$
b.	Consolidated Interest:	\$
c.	Provision for income taxes:	\$
d.	Depreciation and amortization expense:	\$
e.	Total (Lines A.2.a + b + c + d):	\$

4. Leverage Ratio (Line A.1 Line ÷ A.2.e.): _____ to 1

Maximum permitted Leverage Ratio: 3.50 to 1.00.

B. RATIO OF CONSOLIDATED EARNINGS BEFORE INTEREST AND TAXES TO CONSOLIDATED INTEREST (Section 7.07(b))

1.	Consolidated Earnings Before Interest and Taxes:	\$
2.	Consolidated Interest:	\$

3. Ratio of Consolidated Earnings Before Interest and Taxes to Consolidated Interest (Line B.1 ÷ Line B.2): _____ to 1

Required minimum: Ratio to be 3.50 to 1.00 or more.

2. The following constitutes a further explanation of the manner in which the foregoing data relate to the attached financial statements to the extent not readily apparent:

3. I have reviewed the activities of Holdings and its Subsidiaries during the fiscal period covered by the attached financial statements to the extent necessary to permit me to deliver this Certificate.

4. [Except with respect to the Defaults and Events of Default specified and explained as to their nature and status below,] Holdings and its Subsidiaries have performed and observed each covenant and condition of the Loan Documents applicable to them during the- fiscal period covered by the attached financial statements, and there exists no Default or Event of Default:

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of
AVERY DENNISON CORPORATION

By: _____
Name:
Title:

EXHIBIT D

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this “Assignment and Assumption”) is dated as of the Effective Date set forth below and is entered into by and between [the][each]¹ Assignor identified in item 1 below ([the][each, an] “Assignor”) and [the][each]² Assignee identified in item 2 below [the][each, an] “Assignee”). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees]³ hereunder are several and not joint.]⁴ Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee] [the respective Assignees], and [the] [each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor’s][the respective Assignors’] rights and obligations in [its capacity as a Lender][their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor][the respective Assignors] under the facility identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)] [the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the] [an] “Assigned Interest”). Each such sale and assignment is without recourse to

-
- 2 For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.
 - 3 For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.
 - 4 Select as appropriate.
 - 5 Include bracketed language if there are either multiple Assignors or multiple Assignees.
-

[the][any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the][any] Assignor.

1. Assignor[s]: _____

2. Assignee[s]:

[for each Assignee, indicate [Affiliate][Approved Fund] of [identify Lender]]

3. Borrower: Avery Dennison Office Products Company, a Nevada corporation

4. Administrative Agent: Bank of America, N.A., as the administrative agent under the Credit Agreement

5. Credit Agreement: Credit Agreement, dated as of February 8, 2008 among AVERY DENNISON OFFICE PRODUCTS COMPANY, a Nevada corporation, AVERY DENNISON CORPORATION, a Delaware corporation, the Lenders from time to time -party thereto, and BANK OF AMERICA, N.A., as Administrative Agent

6. Assigned Interest:

Assignors ⁶	Assignee[s] ⁷	Aggregate Amount of Commitment/Loans for all Lenders ⁸	Amount of Commitment /Loans Assigned	Percentage Assigned of Commitment/ Loans ⁹	CUSIP Number
		\$	\$	%	
		\$	\$	%	
		\$	\$	%	

[7. Trade Date: _____]¹⁰

⁶ List each Assignor, as appropriate.

⁷ List each Assignee, as appropriate.

⁸ Amounts in this column and in the column immediately to the right to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

⁹ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

¹⁰ To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By:

Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By:

Title:

[Consented to and]¹¹ Accepted:

BANK OF AMERICA, N.A., as Administrative Agent

By:

Title:

[Consented to:]¹²

EVERY DENNISON OFFICE PRODUCTS COMPANY

By:

Title:

¹¹ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

¹² To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

ANNEX I TO ASSIGNMENT AND ASSUMPTION

Credit Agreement, dated as of February 8, 2008 among AVERY DENNISON OFFICE PRODUCTS COMPANY, a Nevada corporation, AVERY DENNISON CORPORATION, a Delaware corporation, the Lenders from time to time party thereto, and BANK OF AMERICA, N.A., as Administrative Agent

STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. [The][Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the][the relevant] Assigned Interest, (ii) [the][such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an assignee under Section 11.06(b)(iii), (v) and (vi) of the Credit Agreement (subject to such consents, if any, as may be required under Section 11.06(b)(iii) of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the] [the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by [the][such] Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire [the] [such] Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 6.1 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, and (vii) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by [the] [such] Assignee; and (b) agrees that (i) it will, independently and without reliance upon the Administrative Agent, [the][any] Assignor or any other Lender, and based on

such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. **Payments.** From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to [the][the relevant] Assignor for amounts which have accrued to but excluding the Effective Date and to [the][the relevant] Assignee for amounts which have accrued from and after the Effective Date.

3. **General Provisions.** This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of California.

EXHIBIT E-1

OPINION MATTERS — COUNSEL TO LOAN PARTIES

The matters contained in the following Sections of the Credit Agreement should be covered by the legal opinion:

- Section 5.01
 - Section 5.02
 - Section 5.03
 - Section 5.08
 - Section 5.09
 - Section 5.10
 - Section 5.13
-

EXHIBIT E-2

OPINION MATTERS — LOCAL COUNSEL TO LOAN PARTIES

The matters contained in the following Sections of the Credit Agreement should be covered by the legal opinion:

- Section 5.01
- Section 5.02
- Section 5.03
- Section 5.08
- Section 5.09
- Section 5.10
- Section 5.13

**AVERY DENNISON CORPORATION
2005 DIRECTORS VARIABLE DEFERRED COMPENSATION PLAN
AMENDED AND RESTATED**

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 Participant 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 all of a Participant's Accounts under this Plan (and any other plans aggregated with this Plan for purposes of Code Section 409A) is less than the applicable dollar amount under Code Section 402(g)(1)(B) for the calendar year of payment, the Administrator shall have the discretion to pay all of the Participant's benefits under the Plan (and such other aggregated plans) in the form of a single lump-sum, at any time, subject to compliance with Treasury Regulation Section 1.409A-3(j)(4)(v), as may be further revised or amended.

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 Benefits; 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 Benefits 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 Chief Executive Officer, the Board of Directors of the Company, or the Committee (at the direction of the Chief Executive Officer or the Board of Directors) 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.

EXHIBIT A

DVDCP DECLARED RATES

Pacific Select Fund	Fund Manager
Money Market	Pacific Life
Managed Bond	Pacific Investment Management Company (PIMCO)
Equity Index	Mercury Advisors
International Equity	Brandes Investment Partners, L.P.
Growth LT	Janus Capital Corporation
Small-Cap Index	Mercury Advisors
Large-Cap Value	Salomon Brothers
Diversified Research	Capital Guardian
Emerging Markets	Oppenheimer
Fixed Account	N/A — not a managed fund
Capital Appreciation	Frontier
Core Growth	Turner Investment Partners

AVERY DENNISON CORPORATION
2005 EXECUTIVE VARIABLE DEFERRED RETIREMENT PLAN
AMENDED AND RESTATED

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 Participant 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 be 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) is less than the applicable dollar amount under Code Section 402(g)(1)(B) for the calendar year of payment, the Administrator shall have the discretion to pay all of the Participant's benefits under the Plan (and such other aggregated plans) in the form of a single lump-sum, at any time, subject to compliance with Treasury Regulation Section 1.409A-3(j)(4)(v), as may be further revised or amended.

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 Benefits; 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 Benefits 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 Chief Executive Officer, the Board of Directors of the Company, or the Committee (at the direction of the Chief Executive Officer or the Board of Directors) 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.

EXHIBIT A

EVDRP DECLARED RATES

Pacific Select Fund	Fund Manager
Money Market	Pacific Life
Managed Bond	Pacific Investment Management Company (PIMCO)
Equity Index	Mercury Advisors
International Equity	Brandes Investment Partners, L.P.
Growth LT	Janus Capital Corporation
Small-Cap Index	Mercury Advisors
Large-Cap Value	Salomon Brothers
Diversified Research	Capital Guardian
Emerging Markets	Oppenheimer
Fixed Account	N/A — not a managed fund
Capital Appreciation	Frontier
Mid-Cap Value Fund	Lazard
Core Growth	Turner Investment Partners

AVERY DENNISON CORPORATION KEY EXECUTIVE

CHANGE OF CONTROL SEVERANCE PLAN

Avery Dennison Corporation has issued this Avery Dennison Corporation Key Executive Change of Control Severance Pay Plan to provide certain designated executives of the Company and its affiliates and Subsidiaries with severance protection under covered circumstances.

ARTICLE I.

DEFINITIONS AND INTERPRETATIONS

Section 1.01 Definitions. Capitalized terms used in this Plan shall have the following meanings, except as otherwise provided or as the context of the Plan otherwise requires:

“*Annual Bonus*” shall have the meaning set forth in Section 3.01(a)(ii).

“*Annual Salary*” shall mean the highest annualized rate of base salary applicable to the Participant during the six month period ending on the Termination Date. For the avoidance of doubt, “base salary” shall include amounts earned in the applicable period the payment of which is deferred to a future year but shall not include amounts earned in prior periods the payment of which is deferred to the applicable period, and “base salary” also shall not include any bonus, commission, incentive or retention payments, stock options or other stock related rights, or other forms of employee benefits such as vacation, insurance, health or medical benefits, disability benefits, workers’ compensation, supplemental unemployment benefits, and post-employment or retirement benefits (including but not limited to compensation, pension, health, medical or life insurance).

“*Benefit Plan*” shall mean any “employee benefit plan” (including any “employee benefit plan” within the meaning of Section 3(3) of ERISA), program, arrangement or practice maintained, sponsored or provided by the Company or any of its Subsidiaries, including those relating to compensation, bonuses, profit-sharing, stock option, or other stock related rights or other forms of incentive or deferred compensation, vacation benefits, insurance coverage (including any self-insured arrangements), health or medical benefits, disability benefits, workers’ compensation, supplemental unemployment benefits, severance benefits and post-employment or retirement benefits (including compensation, pension, health, medical or life insurance or other benefits).

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

“*Cause*” shall mean: (a) Participant’s commission of a crime or other act that could materially damage the reputation of the Company; (b) Participant’s theft, misappropriation, or embezzlement of Company property; (c) Participant’s falsification of records maintained by the Company; (d) Participant’s substantial failure to comply with the written policies and procedures of the Company as they may be published or revised from time-to-time; (e) Participant’s misconduct; or (f) Participant’s substantial failure to perform the material duties of Participant’s job with the Company, which failure is not cured within 30 days after written notice from the Company specifying the act or acts of non-performance. Determination of Cause shall be made by the Compensation Committee or one or more individuals designated by the Compensation Committee, in its sole and exclusive discretion.

“*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 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 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 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.

“*Change of Control Period*” shall mean the period beginning on the date of a Change of Control and ending on the date twenty-four (24) months following such Change of Control.

“*Change of Control Severance Payment*” shall have the meaning set forth in Article III.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended in the past and the future. Reference in this Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations under such section.

“*Company*” shall mean Avery Dennison Corporation and its Successors and assigns.

“*Comparable Position*” shall mean a job position with the Company or any of its Subsidiaries, or any of their respective Successors and assigns, the principal work location of which does not satisfy the conditions of subsection (d) of the definition of “Good Reason” and which position provides pay and benefits that as a whole are substantially equivalent to, or better than, the Participant’s aggregate pay and benefits with the Company at the time of the Termination of Employment when taking into account the Participant’s base salary, target bonus opportunity, incentive pay and equity opportunities, health and welfare benefits, severance protection, and other benefits.

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

“*Disability*” shall mean, when used with reference to any Participant, long term disability as defined by the applicable long term disability plan maintained by the Company or one of its Subsidiaries under which the Participant is covered.

“*Effective Date*” shall mean the date that the Compensation Committee adopts this Plan.

“*ERISA*” shall mean the Employee Retirement Income Security Act of 1974, as amended in the past and future, and any rules and regulations promulgated thereunder.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Excise Tax” shall have the meaning set forth in Section 3.03.

“Good Reason” shall mean “a separation from service for good reason” as set forth in Section 409A, which shall mean that, without the express written consent of the Participant, one or more of the following shall have occurred without being timely remedied in the manner set forth below: (a) a material diminution in the Participant’s base compensation; (b) a material diminution in the Participant’s authority, duties, or responsibilities; (c) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Participant is required to report; (d) a material change in the geographic location at which the Participant must perform the services; or (e) any other action or inaction that constitutes a material breach by the Company of the agreement under which the Participant provides services. The Participant shall have “Good Reason” in connection with any or all of the above solely if (i) the Participant provides notice to the Company of the existence of the particular condition, action or inaction which the Participant considers to give the Participant “Good Reason” within 90 days of the initial existence of such condition, action or inaction, and (ii) the Company shall not have remedied the condition, action or inaction within 30 days of its receipt of the Participant’s notice. The effective date of any termination for “Good Reason” shall be no later than 12 months after the initial existence of such condition, action or inaction constituting “Good Reason.”

“Parachute Value” of a Payment shall mean the present value as of the date of the Change of Control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a “parachute payment” under Section 280G(b)(2) of the Code, as determined by the accounting firm referred to in Section 3.03 for purposes of determining whether and to what extent the Excise Tax (as defined in Section 3.03) will apply to such Payment.

“Participant(s)” shall mean an employee (or employees) of the Company or any of its Subsidiaries or affiliates who are from time-to-time designated as Participants in accordance with Section 2.01 of the Plan.

“Payments” shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Participant, whether paid or payable pursuant to this Plan or otherwise.

“Person” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) of the Exchange Act, except that such term shall not include (a) the Company or any of its Subsidiaries, (b) a trustee or other fiduciary holding securities under a Benefit Plan of the Company or any of its affiliates, (c) an underwriter temporarily holding securities pursuant to an offering of such securities, or (d) a corporation owned, directly or indirectly, by substantially all of the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

“Plan” shall mean this Avery Dennison Corporation Key Executive Change of Control Severance Plan, as may be amended, supplemented or modified from time to time in accordance with its terms.

“Safe Harbor Amount” shall mean three times the Participant’s “base amount,” (within the meaning of Section 280G(b)(3) of the Code, as may be amended from time to time) less \$1.

“Section 409A” shall mean Section 409A of the Code and the Department of Treasury Regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or other guidance that may be issued after the Effective Date.

“*Severance Multiplier*” shall mean the multiplier, designated pursuant to Section 2.01(c) in accordance with a Participant’s Tier, to be applied to a Participant’s Change of Control Severance Payment under Section 3.01.

“*Specified Employee*” shall mean any Participant who, as of such Participant’s Termination Date, is determined to be a “key employee” of the Company if, at such time, the Company has any stock that is publicly traded on an established securities market or otherwise. For purposes of this definition, a Participant is a “key employee” if the Participant meets the requirements of Sections 416(i)(1)(A)(i), (ii) or (iii) of the Code (applied in accordance with the Treasury Regulations thereunder and disregarding Section 416(i)(5) of the Code) at any time during the twelve (12) month period ending on the last day of the applicable calendar year (referred to as the “identification date” below). If a Participant is a “key employee” as of the identification date, such Participant shall be treated as a “key employee” for the entire twelve (12) month period beginning on the first day of the fourth month following the identification date. For purposes of this definition, a Participant’s compensation for the twelve (12) month period ending on an identification date shall mean such Participant’s compensation, as determined under Treasury Regulation Section 1.415(c)-2(d)(4), from the Company for such period.

“*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% 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.

“*Successor*” shall mean a successor to all or substantially all of the business, operations or assets of the Company or such other portion of the Company’s business as shall be determined by the Compensation Committee.

“*Termination Date*” shall mean, with respect to any Participant, the actual date of the Participant’s Termination of Employment.

“*Termination of Employment*” shall mean the time when the employee-employer relationship between the Participant and the Company or any subsidiary of the Company is terminated for any reason, with or without Cause, including, but not limited to, a termination by resignation, discharge, death, Disability or retirement; provided that such “Termination of Employment” constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h).

“*Termination Notice*” shall mean written notice from the Company to any Participant stating that the Participant’s employment is terminated for Cause or Disability in accordance with Section 5.07(c).

“*Tier*” shall mean the tier designated for each Participant by the Compensation Committee in accordance with Section 2.01. Each Participant’s “Tier” shall be listed on Exhibit A to this Plan.

Section 1.02 Interpretation. In this Plan, unless a clear contrary intention appears, (a) the words “herein,” “hereof” and “hereunder” refer to this Plan as a whole and not to any particular Article, Section or other subdivision, (b) reference to any Article or Section, means such Article or Section hereof and (c) the words “including” (and with correlative meaning “include”) means including, without limiting the generality of any description preceding such term. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

ARTICLE II.

ELIGIBILITY AND BENEFITS

Section 2.01 Eligible Employees. Only employees of the Company or any of its Subsidiaries or affiliates who are designated as Participants according to this Section 2.01 shall be eligible for payments and benefits under this Plan.

(a) The Participants shall be set forth on *Exhibit A* to this Plan. The Compensation Committee shall be authorized on and after the Effective Date to designate as Participants one or more employees of the Company or any of its Subsidiaries or affiliates (including new hires), which employees shall remain Participants unless the Compensation Committee, in its discretion, removes such designation. The designation of an employee as a Participant (or removal of such designation) shall be in writing, signed by the authorized representative of the Compensation Committee confirming the designation. The Compensation Committee also shall designate the Participant's Tier for purposes of the Severance Multiplier, which designated Tier may be changed by the Compensation Committee in its discretion. Participants and their Tiers shall be listed on *Exhibit A* to this Plan, which shall be amended as required when new designations or changes to the designations are made by the Compensation Committee.

(b) The Compensation Committee may delegate to the Chief Executive Officer of the Company, in writing, authority to designate Participants and to designate each Participant's Tier for purposes of the Severance Multiplier, or to remove or change such designations, so long as the employee to be designated is not an "officer" within the meaning of Section 16(b) of the Exchange Act. Such Participant and Tier designations (and any changes thereto) shall also be listed in *Exhibit A*.

(c) A designation of "Tier A" shall mean the Participant's Severance Multiplier is three (3x). A designation of "Tier B" shall mean the Participant's Severance Multiplier is two (2x).

Section 2.02 Individuals Not Eligible. An individual shall not be eligible to be a Participant in the Plan, and shall not be designated as such, if the individual is otherwise designated by the Company as a temporary employee, as an individual working for the Company or any of its affiliates or subsidiaries on referral from a temporary personnel agency or employee leasing agency, or as an independent contractor or person working for an independent contractor.

ARTICLE III.

SEVERANCE AND RELATED TERMINATION BENEFITS

Section 3.01 Termination of Employment during Change of Control Period. In the event that, during a Change in Control Period, a Participant incurs a Termination of Employment initiated by the Company or any Subsidiary or affiliate without Cause or initiated by the Participant for Good Reason (for the avoidance of doubt, the Terminations of Employment covered by the preceding clause do not include a Termination of Employment (w) due to Disability or death, (x) where there is a simultaneous reemployment or continuing employment of the Participant by the Company or any Subsidiary or affiliate of the Company in any position; (y) resulting from the Participant declining an offer of simultaneous reemployment or continuing employment in a Comparable Position with the Company or with any Subsidiary or affiliate of the Company; and (z) where a Successor or assign of the Company, or of that portion of the assets of the Company that is transferred, sold or outsourced to the Successor or assign,

offers to the Participant a Comparable Position), the Participant shall receive the following Change of Control Severance Payment and benefits, subject to Section 3.02 and any other conditions set forth in this Plan:

(a) Subject to the limitations set forth in Section 3.05, the Change of Control Severance Payment shall be a lump sum cash payment equal to the sum of (x) the sum of the amounts described in Sections 3.01(a)(i), (ii), and (iii) multiplied by the Participant's Severance Multiplier and (y) the amount described in Section 3.01(a)(iv):

(i) The Participant's Annual Salary.

(ii) The highest of the bonus payments received by the Participant under the applicable Company annual bonus plan for the last three annual periods completed prior to the Termination Date (the "Annual Bonus"). For the avoidance of doubt, the Annual Bonus shall not include any long term incentive compensation, commissions, or any other incentive or retention compensation, bonuses, or awards of any kind other than the annual bonus plan applicable to the Participant.

(iii) The cash value of twelve months of employee and employer premiums (as previously established by the Company in its sole and exclusive discretion) for qualified medical and dental plans in which the Participant participates, as of the Termination Date, but excluding any supplemental health and welfare benefits.

(iv) The product of (A) the Participant's Annual Bonus and (B) a fraction, the numerator of which is the number of days which have elapsed in the Company's current fiscal year through the Termination Date, and the denominator of which is 365.

(b) The Participant shall be eligible for outplacement services appropriate for a senior executive of the Company, to be provided by a nationally recognized outplacement firm capable of providing such services, selected by the Participant with the Company's approval, in an amount not to exceed twenty-five thousand dollars and 00/100 cents (\$25,000.00) to the extent such services are used by the Participant within one (1) year of his or her Termination Date. The Company will reimburse the outplacement firm directly.

(c) Subject to Section 3.04, any Change of Control Severance Payment shall be paid to the Participant on or before the 90th day after the Termination Date.

(d) The Company shall deduct any required tax withholding from any Change of Control Severance Payments. There shall be no deferrals, contributions or additional accruals to any qualified savings or retirement plan of the Company or to any deferred compensation plan of the Company from, or based on, any Change of Control Severance Payment.

Section 3.02 Condition to Receipt of Severance Benefits. In order to receive any Change of Control Severance Payment or benefit under this Plan, the Participant must timely execute, deliver and not revoke a Separation and Release Agreement with the Company on or prior to the 60th day following the Participant's Termination Date in a form and with content determined solely and exclusively by the Compensation Committee (or its designee) and containing generally the following provisions, unless prohibited by law: No-Hire, Non-Competition, Confidentiality, Non-Disclosure, Claw-Back, Cooperation, Return of Company Property, and Comprehensive Waiver, Release and Covenant Not-To-Sue. Such Separation and Release Agreement shall be provided by the Company to the Participant on or about the Participant's Termination Date.

Section 3.03 Parachute Payments. In the event that it shall be determined that any payment or distribution to or for the benefit of any Participant under this Plan or under any other Company plan, contract or agreement would, but for the effect of this Section, be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (collectively, such excise tax, together with any such interest or penalties, the “*Excise Tax*”), then, in the event that the after-tax value of all Payments to a Participant (such after-tax value to reflect the deduction of the Excise Tax and all income or other taxes on such Payments) would, in the aggregate, be less than the after-tax value (so calculated) to the Participant of the Safe Harbor Amount, (i) the cash portions of the Payments payable to the Participant under this Plan shall be reduced, in the order in which they are due to be paid, until the Parachute Value of all Payments paid to the Participant, in the aggregate, equals the Safe Harbor Amount, and (ii) if the reduction of the cash portions of the Payments, payable under this Plan, to zero would not be sufficient to reduce the Parachute Payments to the Safe Harbor Amount, then any cash portions of the Payments payable to the Participant under any other plans shall be reduced, in the order in which they are due to be paid, until the Parachute Value of all Payments paid to the Participant, in the aggregate, equals the Safe Harbor Amount, and (iii) if the reduction of all cash portions of the Payments, payable pursuant to this Plan and otherwise, to zero would not be sufficient to reduce the Parachute Payments to the Safe Harbor Amount, then non-cash portions of the Payments shall be reduced, in the order in which they are due to be paid, until the Parachute Value of all Payments paid to the Participant, in the aggregate, equals the Safe Harbor Amount.

Section 3.04 Section 409A Compliance. No payments under this Article III shall be paid to a Participant prior to or during the 6-month period following the Participant’s Termination Date if the Company determines in its sole discretion that paying such amounts at the time or times indicated in this Article III would be a prohibited payment of deferred compensation to a Specified Employee under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is not made as a result of the previous sentence, then within 15 business days following the end of such 6-month period (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of the Participant’s death), the Company shall pay the Participant a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Participant during such period, and any remaining amounts due to such Participant shall be paid as otherwise provided in the Plan. For any payment that is delayed under this Article III, the Company shall also pay to the Participant interest on the delayed payment at a rate equal to the rate provided under Section 1274(b)(2)(B) of the Code as of the Termination Date.

Section 3.05 Limitation of Benefits. Notwithstanding anything to the contrary in this Plan, a Participant’s Change of Control Severance Payment shall be reduced by the aggregate amount of any termination, redundancy, severance or similar separation payments or benefits (other than state unemployment benefits) which such Participant is eligible for and receives, due to the Participant’s Termination of Employment, under any other agreement or plan (including, without limitation, any severance plans of the Company or any Subsidiary or affiliate or any government-mandated plans) or pursuant to any statutory, legislative, or regulatory requirement.

Section 3.06 Plan Unfunded; Participant’s Rights Unsecured. The Company shall not be required to establish any special or separate fund or make any other segregation of funds or assets to assure the payment of any Change of Control Severance Payment or benefit under this Plan. The right of any Participant to receive the benefits provided for herein shall be an unsecured claim against the general assets of the Company. No payment or benefit under this Plan shall be deemed earned, vested or accrued compensation or benefits except according to the express terms of this Plan.

ARTICLE IV.
DISPUTE RESOLUTION

Section 4.01 Any disputes, controversies or claims which arise between any Participant (or any person claiming by, through or under any Participant) and the Company or any of its Subsidiaries and affiliates (including the Compensation Committee) relating to or arising out of this Plan, 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.

Section 4.02 In consideration of the benefits provided herein, the anticipated expedition and the minimizing of expense of this arbitration remedy, and other good and valuable consideration, the arbitration provisions of this Plan shall provide the exclusive remedy for disputes arising hereunder, and each party expressly waives any right such party 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 and enforceability of this Plan, including but not limited to any claim that all or any part of this Plan is void or voidable. The arbitration and any decision and award or order of the arbitrator shall be final and binding upon the parties and judgment thereon may be entered in the Superior Court of the State of California or any other court having jurisdiction.

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

Section 4.03 Any claim which either party has against the other party, that could be submitted for resolution pursuant to this Article IV 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. 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.

Section 4.04 The Company shall advance the costs and expenses of the arbitrator. In any arbitration to enforce any of the provisions or rights under this Plan, 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. Any reimbursement of attorneys’ fees pursuant to this Section 4.04 shall be provided no later than the last day of the Participant’s taxable year following the later of (i) the year in which such attorneys’ fees were incurred and (ii) the year in which the arbitrator determined that the Participant was the successful party.

Section 4.05 Each of the above terms and conditions shall have separate validity, and the invalidity of any part thereof shall not affect the remaining parts.

ARTICLE V.

MISCELLANEOUS PROVISIONS

Section 5.01 Cumulative Benefits. Except as provided in Section 3.05 or as otherwise agreed to in a writing signed between the Company and the Participant, the rights and benefits provided to any Participant under this Plan are cumulative of, and are in addition to, all of the other rights and benefits provided to such Participant under any Benefit Plan or any agreement between such Participant and the Company or any of its Subsidiaries; provided, that, in no event shall a Participant be entitled to participate in the Severance Pay Plan of Avery Dennison Corporation, as amended and re-stated effective January 1, 2009, and any amendments or successors to that plan.

Section 5.02 No Mitigation. No Participant shall be required to mitigate the amount of any payment provided for in this Plan by seeking or accepting other employment following a Termination of Employment with the Company. The amount of any payment or benefit provided for in this Plan shall not be reduced by any compensation or benefit earned by a Participant as the result of employment by another employer or by retirement or other benefits, except as described in Section 3.05.

Section 5.03 Amendment, Modification or Termination.

(a) The Compensation Committee may amend, modify, or terminate the Plan at any time in its sole discretion; provided, however, that: (i) no such amendment, modification or termination may materially and adversely affect any rights of any Participant who has incurred a Termination of Employment on or prior to the date of such amendment, modification or termination; (ii) any termination of the Plan or modification that is a material diminishment of the severance benefit shall not be effective until twelve (12) months after written notice of such action has been provided to the Participants, except that any modification or amendment shall be immediately applicable to any employee designated as a Participant after the date that the Compensation Committee adopts the modification or amendment; and (iii) the Plan shall not be terminated or materially amended during any Change of Control Period. Notwithstanding the foregoing, the Plan shall terminate when all of the obligations to Participants hereunder have been satisfied in full.

(b) Notwithstanding Section 5.03(a) or any other provision of this Plan, and to the fullest extent applicable, this Plan shall be interpreted and the terms shall be applied in accordance with Section 409A. In the event that the Compensation Committee in its sole and exclusive discretion determines that any payments, disbursements, or benefits provided, or to be provided, under this Plan may be subject to, and not in compliance with, Section 409A, the Compensation Committee may adopt at any time (without any obligation to do so or to indemnify any Participant for failure to do so) such limited amendments to this Plan, including amendments with retroactive effect, that it reasonably determines are necessary or appropriate to (i) exempt the compensation and benefits payable under this Plan from Section 409A and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Agreement or (ii) comply with the requirements of Section 409A; and all such amendments shall be immediately effective as to all Participants.

Section 5.04 Administration.

(a) Subject to the limitations of the Plan, the Compensation Committee shall have full and final authority, in its sole and exclusive discretion, to administer the Plan, to construe and interpret its provisions, to decide matters arising under the Plan, and to take all other actions deemed necessary or advisable for the proper administration of this Plan. No discretionary action by the Compensation Committee, or any person who is delegated authority under this Plan, shall amend or supersede the express provisions of this Plan.

(b) For any matter under this Plan for which the Compensation Committee or Company has discretion or authority affecting whether or not an employee is designated as a Participant and the Participant's eligibility to receive a payment or benefit or the amount of the payment or benefit (such as determinations of Cause, Disability, or eligibility), such discretion or authority shall be retained by the Compensation Committee exclusively relative to any such employee who is an officer of the Company under Section 16(b) of the Exchange Act ("*16(b) Officers*").

(c) For any matter under this Plan not covered by Section 5.04(b) and for which the Compensation Committee or Company has discretion or authority (such as determinations of Cause, Disability, or eligibility), the Compensation Committee may delegate such discretion or authority to one or more appropriate executives, except for the authority to terminate the Plan which shall remain exclusively with the Compensation Committee.

Section 5.05 Consolidations, Mergers, Etc. In the event of a merger, consolidation or other transaction, nothing herein shall relieve the Company from any of the obligations set forth in the Plan; provided, however, that nothing in this Section 5.05 shall prevent an acquirer of or Successor to the Company from assuming the obligations, or any portion thereof, of the Company hereunder pursuant to the terms of the Plan provided that such acquirer or Successor provides adequate assurances of its ability to meet this obligation. In the event that an acquirer of or Successor to the Company agrees to perform the Company's obligations, or any portion thereof, hereunder, the Company shall require any person, firm or entity which becomes its Successor to expressly assume and agree to perform such obligations in writing, in the same manner and to the same extent that the Company would be required to perform hereunder if no such succession had taken place.

Section 5.06 Successors and Assigns. This Plan shall be binding upon and inure to the benefit of the Company and its Successors and assigns. This Plan and all rights of each Participant shall inure to the benefit of and be enforceable by such Participant and his or her personal or legal representatives, executors, administrators, heirs and permitted assigns. If any Participant should die while any amounts are due and payable to such Participant hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to such Participant's devisees, legatees or other designees or, if there be no such devisees, legatees or other designees, to such Participant's estate. No payments, benefits or rights arising under this Plan may be assigned or pledged by any Participant, except under the laws of descent and distribution.

Section 5.07 Notices.

(a) All notices and other communications provided for in this Plan shall be in writing and shall be delivered as follows: (i) if to the Company, at the Company's principal office address or such other address as the Company may have designated by written notice to all Participants for purposes hereof, directed to the attention of the General Counsel, and (ii) if to any Participant, at his or her residence address on the records of the Company or to such other address as he or she may have designated to the Company in writing for purposes hereof. Each such notice or other communication according to this Plan shall be deemed to have been duly delivered upon being deposited in the United States Mail via certified or registered mail, return receipt requested, postage prepaid, or by overnight

delivery using a service capable of tracking and confirmation of receipt (with postage fees prepaid) such as FedEx or UPS, except that any change of notice address shall be effective only upon receipt.

(b) The Company's Vice President of Compensation and Benefits (or the person serving in the equivalent role for the Company), or such other executive as may be designated by the Compensation Committee from time to time, shall deliver to each Participant, within thirty (30) days of such Participant's designation on *Exhibit A* hereto as eligible for this Plan, a letter notifying such Participant that he or she has been designated as a Participant in the Plan and his or her Severance Multiplier and Tier, and a copy of the Plan (but not *Exhibit A*). Within thirty (30) days following any material amendment to the Plan or any change to the Participant's Severance Multiplier, the Vice President of Compensation and Benefits of the Company (or such other executive as may be designated by the Compensation Committee from time to time) shall deliver such amendment, amended Plan, or other confirming document to each affected Participant.

(c) For purposes of this Plan, in order for the Company to terminate any Participant's employment for Cause, the Company must deliver a Termination Notice to such Participant, which notice shall be dated the date it is transmitted for delivery to such Participant, shall specify the Termination Date and shall state that the termination is for Cause and shall set forth in reasonable detail the particulars thereof. For purposes of this Plan, in order for the Company to terminate any Participant's employment for Disability, the Company must give a Termination Notice to such Participant, which notice shall be dated the date it is transmitted for delivery to such Participant, shall specify the Termination Date and shall state that the termination is for Disability and shall set forth in reasonable detail the particulars thereof. Any Termination Notice delivered by the Company that does not comply, in all material respects, with the foregoing requirements shall be invalid and ineffective for purposes of this Plan.

Section 5.08 No Employment Rights Conferred. This Plan shall not be deemed to create a right, promise, contract or guarantee of employment, continued employment, or of any particular job position, between any Participant and the Company and/or any of its affiliates or Subsidiaries.

Section 5.09 Severability. If any provision of the Plan is, becomes or is deemed to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Plan shall not be affected thereby.

Section 5.10 Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its conflict of laws rules, and applicable federal law.

Exhibit A
Key Executive Change of Control Severance Plan Participants

Bus Unit	Name	Business Title	Tier	Effective Date
CRP	Scarborough, Dean	Chairman, President & Chief Executive Officer	A	1-Dec-10
OPW	Bond, Timothy	Group VP, Office Products	B	1-Jan-10
CRP	Butler, Mitchell	Senior VP and Chief Financial Officer	B	1-Jan-10
CRP	Hill, Anne	Senior VP and Chief Human Resources Officer	B	1-Jan-10
CRP	Hoffman, Richard	Senior VP & Chief Information Officer	B	1-Jan-10
RIS	Neville, R. Shawn	Group VP, Retail Information Services	B	1-Jan-10
RMW	Nolan, Don	Group VP, Roll Materials	B	1-Jan-10
CRP	Sallay, John	Senior VP, New Growth Platforms	B	1-Jan-10
SMC	Clyde, Timothy	Group VP, Specialty Materials & Converting	B	1-Dec-10
CRP	Malchione, Robert.	Senior VP, Corp Strategy & Technology	B	1-Dec-10
CRP	O'Bryant, Daniel	VP, Business Development	B	1-Dec-10
CRP	Dixon, Diane	VP, Communications	B	1-Jan-11
CRP	Edwards, David	VP, Technology	B	1-Jan-11
CRP	Miller, Susan	Senior VP, General Counsel & Secretary	B	1-Jan-11

AVERY DENNISON CORPORATION

EXECUTIVE SEVERANCE PLAN

Avery Dennison Corporation has issued this Avery Dennison Corporation Executive Severance Plan to provide certain designated executives of the Company and its affiliates and subsidiaries with severance protection under covered circumstances.

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Capitalized terms used in this Plan shall have the following meanings, except as otherwise provided or as the context of the Plan otherwise requires:

“*Annual Salary*” shall mean only the Participant’s highest annualized rate of base salary designated for the Participant during the six month period ending on the Termination Date. For the avoidance of doubt, Annual Salary shall not include any bonus, commission, incentive, retention or deferred compensation, stock options or other stock related rights, or other forms of employee benefits such as vacation, insurance, health or medical benefits, disability benefits, workers’ compensation, supplemental unemployment benefits, and post-employment or retirement benefits (including but not limited to compensation, pension, health, medical or life insurance).

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

“*Cause*” shall mean: (1) Participant’s commission of a crime or other act that could materially damage the reputation of the Company; (2) Participant’s theft, misappropriation, or embezzlement of Company property; (3) Participant’s falsification of records maintained by the Company; (4) Participant’s substantial failure to comply with the written policies and procedures of the Company as they may be published or revised from time-to-time; (5) Participant’s misconduct; or (6) Participant’s substantial failure to perform the material duties of Participant’s job with the Company, which failure is not cured within 30 days after written notice from the Company specifying the act or acts of non-performance. Determination of Cause shall be made by the Compensation Committee or one or more individuals designated by the Compensation Committee, in its sole and exclusive discretion.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended in the past and the future.

“*Comparable Position*” shall mean a job position with the Company or any of its affiliates or subsidiaries, or any of their respective successors and assigns, the principal work location of which is within at least 50 miles of the Participant’s residence (or if further away does not require a materially longer commute than Participant’s commute at Participant’s job position as of the Termination Date) and provides pay and benefits that as a whole are substantially equivalent to, or better than, the Participant’s aggregate pay and benefits with the Company at the time of the Termination of Employment when taking into account the Participant’s base salary, target bonus opportunity, incentive pay and equity opportunities, health and welfare benefits, severance protection, and other benefits.

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

“Company” shall mean Avery Dennison Corporation, including its successors and assigns.

“Disability” shall mean, when used with reference to any Participant, long term disability as defined by the applicable long term disability plan maintained by the Company or one of its subsidiaries under which the Participant is covered.

“Effective Date” shall mean the date that the Compensation Committee adopts this Plan.

“Participant(s)” shall mean an employee (or employees) of the Company or any of its subsidiaries or affiliates who are from time-to-time designated as Participants in accordance with Section 2.1 of the Plan.

“Plan” shall mean this Avery Dennison Executive Severance Plan, as may be amended or modified from time-to-time.

“Section 409A” shall mean Section 409A of the Code and the Department of Treasury Regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or other guidance that may be issued after the Effective Date of the Plan.

“Severance Payment” shall mean the amount described in Section 3.2 of the Plan.

“Severance Multiplier” shall mean the multiplier, if any, designated according to Section 2.1 to be applied to a Participant’s Severance Payment under Section 3.2. The Severance Multiplier shall be listed on Exhibit A to this Plan.

“Specified Employee” shall mean any Participant who, as of such Participant’s Termination Date, is determined to be a “key employee” of the Company if, at such time, the Company has any stock that is publicly traded on an established securities market or otherwise. For purposes of this definition, a Participant is a “key employee” if the Participant meets the requirements of Sections 416(i)(1)(A)(i), (ii) or (iii) of the Code (applied in accordance with the Treasury Regulations thereunder and disregarding Section 416(i)(5) of the Code) at any time during the twelve (12) month period ending on the last day of the Company’s applicable fiscal year (referred to as the “identification date” below). If a Participant is a “key employee” as of the identification date, such Participant shall be treated as a “key employee” for the entire twelve (12) month period beginning on the first day of the fourth month following the identification date. For purposes of this definition, a Participant’s compensation for the twelve (12) month period ending on an identification date shall mean such Participant’s compensation, as determined under Treasury Regulation Section 1.415(c)-2(d)(4), from the Company for such period.

“Termination Date” shall mean, with respect to any Participant, the actual date of the Participant’s Termination of Employment.

“Termination of Employment” shall mean the time when the employee-employer relationship between the Participant and the Company or any subsidiary of the Company is terminated for any reason, with or without Cause, including, but not limited to a termination by resignation, discharge, death, Disability or retirement; provided that such “Termination of Employment” constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h).

ARTICLE II

ELIGIBILITY

Section 2.1 Eligible Employees. Only employees of the Company who are designated as Participants according to this Section 2.1 shall be eligible for payments and benefits under this Plan.

(a) The Participants shall be set forth on *Exhibit A* to this Plan. The Compensation Committee shall be authorized on and after the Effective Date to designate as Participants one or more employees of the Company (including new hires). The Compensation Committee also shall designate the Participant's Level for purposes of the Severance Multiplier. Participants and their Level shall be listed on *Exhibit A* to this Plan, which shall be amended as required according to designations made by the Compensation Committee.

(b) The Compensation Committee may delegate to one or more senior executives the authority to designate Participants and to designate a Participant's Level for purposes of the Severance Multiplier, provided however that the Compensation Committee shall retain (and shall not delegate) such authority relative to designations of Participant and Level status for any employee who is an "officer" within the meaning of Section 16(b) of the Exchange Act.

(c) A designation of "Level 1" shall mean the Participant's Severance Multiplier is two (2x). A designation of "Level 2", "Level 3" or "Level 4" shall mean the Participant has a Severance Multiplier of one (1x).

Section 2.2 Individuals Not Eligible. Notwithstanding Section 2.1, no Participant shall be eligible to receive any payments or benefits under this Plan if at the time of Termination of Employment the Participant is eligible for and receives severance payments and benefits under the Avery Dennison Key Executive Change of Control Severance Plan or under any other agreement or plan that contains a change of control provision for severance pay and benefits. An individual shall not be eligible to be a Participant in the Plan, and shall not be designated as such, if the individual is otherwise designated by the Company as a temporary employee, as an individual working for the Company or any of its affiliates or subsidiaries on referral from a temporary personnel agency or employee leasing agency, or as an independent contractor or person working for an independent contractor.

ARTICLE III

SEVERANCE AND RELATED TERMINATION BENEFITS

Section 3.1 Conditions to Receipt of Severance Pay and Benefits. In order to receive any payments or benefits under this Plan, an eligible Participant must satisfy each of the following requirements:

(a) The Participant must incur an involuntary Termination of Employment that is initiated by the Company or by any of its affiliates or subsidiaries, except that a Participant shall not be entitled to severance pay and benefits under any of the following circumstances: (i) a Termination of Employment for Cause, or due to Disability, Death, or the Participant's voluntary resignation; (ii) an employment termination where there is a simultaneous reemployment or continuing employment of the Participant by the Company or any subsidiary or affiliate of the Company in any position; (iii) an employment termination resulting from the Participant declining an offer of simultaneous reemployment or continuing employment in a Comparable Position with the Company or with any subsidiary or affiliate of the Company; and (iv) an employment termination where a successor or assign of the Company, or of that portion of the Company that is transferred, sold or outsourced to the successor or assign, offers to the Participant a Comparable Position.

(b) The Participant must timely execute, deliver and not revoke a Separation and Release Agreement on or prior to the 60th day following the Participant's Termination Date in a form and with content determined solely and exclusively by the Compensation Committee (or its designee) and

containing generally the following provisions, unless prohibited by law: No-Hire, Non-Competition, Confidentiality, Non-Disclosure, Claw-Back, Cooperation, Return of Company Property, and Comprehensive Waiver, Release and Covenant Not-To-Sue. Such Separation and Release Agreement shall be provided by the Company to the Participant on or about the Participant's Termination Date.

Section 3.2 Severance Benefits. For any Participant who satisfies the conditions of Section 3.1, the Participant shall receive the following Severance Payment and benefits on the sixtieth (60th) day after the Participant's Termination Date:

(a) The Severance Payment shall be a lump sum cash payment equal to the sum of the amounts described in Section 3.2(a)(i), (ii), and (iii), multiplied by the Participant's Severance Multiplier listed in *Exhibit A*, if any:

(i) The Participant's Annual Salary.

(ii) The highest of the last three (3) annual bonus payments received by the Participant under the applicable Company annual bonus plan as of the Termination Date. For this Section 3.2(a)(ii), annual bonus shall not include any long term incentive compensation, commissions, or any other incentive or retention compensation, bonuses, or awards of any kind other than the annual bonus plan applicable to the Participant; and

(iii) The cash value of twelve months of premiums (employee and employer premiums) for qualified medical and dental plans in which the Participant participates as of the Termination Date, with such premium amounts determined by the Company in its sole and exclusive discretion, and excluding any supplemental health and welfare benefits.

(b) Outplacement services appropriate for a senior executive of the Company in an amount and nature determined by the Compensation Committee (or its designee) in its sole and exclusive discretion. Such outplacement benefits must be fully used by the Participant within one (1) year of his or her Termination Date. The Company will reimburse the outplacement firm directly.

(c) No payments under this Section 3.2 shall be paid to a Participant prior to or during the 6-month period following the Participant's Termination Date if the Company determines in its sole discretion that paying such amounts at the time or times indicated in this Section 3.2 would be a prohibited payment of deferred compensation to a Specified Employee under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is not made as a result of the previous sentence, then within 15 business days following the end of such 6-month period (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of the Participant's death), the Company shall pay the Participant a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Participant during such period, and any remaining amounts due to such Participant shall be paid as otherwise provided in the Plan. For any payment that is delayed under this Section 3.2(c), the Company shall also pay to the Participant interest on the delayed payment at a rate equal to the short term Applicable Federal Rate (as published by the Internal Revenue Service) as of the Termination Date.

(d) Withholding and Deductions. The Company shall deduct any required tax withholding from any severance payments. There shall be no deferrals, contributions or additional accruals to any qualified savings or retirement plan of the Company or to any deferred compensation plan of the Company, from, or based on, any Severance Payment.

Section 3.3 Limitation of Benefits. The Severance Payment described in Section 3.2(a) shall be reduced by the aggregate amount of any severance or similar type of payment required to be paid to a Participant under any statutory, legislative, or regulatory requirement for severance pay, or under any severance agreement or plan (of the Company or any affiliate), due to the Participant's Termination of Employment. For the avoidance of doubt, this limitation and reduction does not include benefits under plans such as retirement pension and savings plans, supplemental retirement plans, deferred compensation plans, and similar compensation or benefit plans.

Section 3.4 Plan Unfunded; Participant's Rights Unsecured. The Company shall not be required to establish any special or separate fund or make any other segregation of funds or assets to assure the payment of any Severance Payment or benefit under this Plan. The right of any Participant to receive a Severance Payment and benefits provided for under this Plan shall be an unsecured claim against the general assets of the Company. No payment or benefit under this Plan shall be deemed earned, vested or accrued compensation or benefits, except according to the express terms of this Plan.

ARTICLE IV DISPUTE RESOLUTION

Section 4.1 Negotiation. If a claim, dispute or controversy shall arise between any Participant (or any person claiming by, through or under any Participant) and the Company or its subsidiaries and affiliates (including the Compensation Committee) relating to or arising out of this Plan, either disputant shall give written notice to the other disputant ("*Dispute Notice*") that it wishes to resolve such claim, dispute or controversy by negotiations, in which event the disputants shall attempt in good faith to negotiate a resolution of such claim, dispute or controversy. If the claim, dispute or controversy is not resolved within 30 days after the effective date of the Dispute Notice (as described in Section 5.5), either disputant may initiate arbitration of the claim, dispute or controversy as provided in Section 4.2. All negotiations pursuant to this Section 4.1 shall be held at the Company's principal offices in Pasadena, California (or such other place as the disputants shall mutually agree) and shall be treated as compromise and settlement negotiations to avoid litigation, for the purposes of federal and state rules of evidence and procedure.

Section 4.2 Arbitration. Subject to Section 4.3, any claim, dispute or controversy arising out of or relating to this Plan that has not been resolved by negotiations in accordance with Section 4.1 within 30 days of the effective date of the Dispute Notice (as described in Section 5.5) shall, upon the written request of either disputant, be settled by final and binding arbitration conducted expeditiously in accordance with the commercial arbitration rules of the American Arbitration Association regarding resolution of employment-related disputes. A demand for arbitration under this Section shall be submitted within 10 business days after the expiration of the 30-day negotiation period under Section 4.1(a), unless the parties mutually agree to an extension of this time frame. The arbitrator may, without limitation, award injunctive relief, but shall not be empowered to award damages in excess of the Severance Payment and benefit provisions of this Plan, and each disputant shall be deemed to have irrevocably waived any other damages claims including compensatory damages, emotional distress damages, punitive damages, costs, and attorneys' fees. The arbitrator's decision shall be final and legally binding on the disputants and their successors and assigns, and the judgment by the arbitrator may be entered in any court having jurisdiction. The arbitrator shall not have any authority to alter the terms of this Plan. Each party shall pay its own fees, disbursements, and costs relating to or arising out of any arbitration. All arbitration conferences and hearings shall be held within a thirty (30) mile radius of the Participant's assigned office location with the Company.

Section 4.3 Exclusivity. No legal action may be brought with respect to this Plan except for the purpose of specifically enforcing the provisions of this Article IV or for the purpose of enforcing any arbitration award made pursuant to Section 4.2.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.1 No Mitigation. No Participant shall be required to mitigate the amount of any payment provided for in this Plan by seeking or accepting other employment following a Termination of Employment with the Company. The amount of any payment or benefit provided for in this Plan shall not be reduced by any compensation or benefit earned by a Participant as the result of employment by another employer or by retirement or other benefits, except as described in Section 3.3.

Section 5.2 Amendment, Modification or Termination.

(a) The Compensation Committee may amend, modify, or terminate the Plan at any time in its sole and exclusive discretion; provided however that: (i) no such amendment, modification or termination may materially and adversely affect any rights of any Participant who has incurred a Termination of Employment on or prior to the effective date of such amendment, modification, or termination; and (ii) any termination of the Plan or modification that is a material diminishment of the severance benefit shall not be effective until twelve (12) months after written notice of such action has been provided to the Participants, except that any modification or amendment shall be immediately applicable to any employee designated as a Participant after the date that the Compensation Committee adopts the modification or amendment.

(b) Notwithstanding Section 5.2(a) or any other provision of this Plan, and to the fullest extent applicable, this Plan shall be interpreted and the terms shall be applied in accordance with Section 409A. In the event that the Compensation Committee (or its designee), in its sole and exclusive discretion, determines that any payments, disbursements, or benefits provided, or to be provided, under this Plan may be subject to, and not in compliance with, Section 409A, the Compensation Committee (or its designee) may adopt at any time (without any obligation to do so or to indemnify any Participant for failure to do so) such limited amendments to this Plan, including amendments with retroactive effect, that it reasonably determines are necessary or appropriate to (a) exempt the compensation and benefits payable under this Plan from Section 409A and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Agreement or (b) comply with the requirements of Section 409A; and all such amendments shall be immediately effective as to all Participants.

(c) Subject to any restriction stated in this Plan, the Compensation Committee may delegate its authority to amend or modify the Plan under this Section 5.2 to one or more appropriate executives of the Company, so long as such authority is used by the designated executives in order to clarify the Plan, ensure legal compliance, or to facilitate efficient and effective administration of the Plan and the payment of severance and benefits under the Plan. The Compensation Committee shall not delegate its authority to terminate the Plan or to diminish or increase the formula for determining a Severance Payment.

Section 5.3 Administration.

(a) Subject to the limitations of the Plan, the Compensation Committee shall have full and final authority, in its sole and exclusive discretion, to administer the Plan, to construe and interpret its

provisions, to decide matters arising under the Plan, and to take all other actions deemed necessary or advisable for the proper administration of this Plan. This authority and discretion includes, but is not limited to, determining whether objective (or subjective) criteria under the Plan have been satisfied, resolving any possible inconsistencies or ambiguities, determining eligibility, determining the amount of any payments or benefits, ensuring compliance with legal and tax matters, and delegating to other persons or entities any duty that would be the responsibility of the Compensation Committee.

(b) For any matter under this Plan for which the Compensation Committee has discretion or authority affecting whether or not an employee is designated as a Participant and the Participant's eligibility to receive a severance payment or benefit or the amount of a severance payment or benefit (including but not limited to determinations of Cause, Disability, eligibility, or Level), such discretion or authority shall be retained exclusively by the Compensation Committee relative to any person who is an officer of the Company under Section 16(b) of the Securities and Exchange Act of 1934, as amended ("16(b) Officers").

(c) Subject to Section 5.2, for any matter under this Plan not covered by Section 5.3(b) and for which the Compensation Committee or Company has discretion or authority (such as determinations of Cause, Disability, or eligibility), the Compensation Committee may delegate such discretion or authority to one or more appropriate executives of the Company.

Section 5.4 Successors and Assigns. This Plan shall be binding upon and inure to the benefit of the Company and its successors and assigns. This Plan and all rights of each Participant shall inure to the benefit of and be enforceable by such Participant and his or her personal or legal representatives, executors, administrators, heirs and permitted assigns. If any Participant should die while any amounts are due and payable to such Participant hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to such Participant's devisees, legatees or other designees or, if there be no such devisees, legatees or other designees, to such Participant's estate. No payments, benefits or rights arising under this Plan may be assigned or pledged by any Participant, except under the laws of descent and distribution.

Section 5.5 Notices.

(a) All notices and other communications provided for in this Plan shall be in writing and shall be delivered as follows: (i) if to the Company, at the Company's principal office address or such other address as the Company may have designated by written notice to all Participants for purposes hereof, directed to the attention of the General Counsel, and (ii) if to any Participant, at his or her residence address on the records of the Company or to such other address as he or she may have designated to the Company in writing for purposes hereof. Each such notice or other communication according to this Plan shall be deemed to have been duly delivered upon being deposited in the United States Mail via certified or registered mail, return receipt requested, postage prepaid, or by overnight delivery using a service capable of tracking and confirmation of receipt (with postage fees prepaid) such as FedEx or UPS, except that any change of notice address shall be effective only upon receipt.

(b) The Company's Vice President of Compensation (or the person serving in the equivalent role for the Company), or such other executive as may be designated by the Compensation Committee from time to time, shall deliver to each Participant, within thirty (30) days of such Participant's designation on *Exhibit A* hereto as eligible for this Plan, a letter notifying such Participant that he or she has been designated as a Participant in the Plan and his or her Severance Multiplier, as well as a copy of this Plan (but not *Exhibit A*). Within thirty (30) days following any material amendment to the Plan or any change to the Participant's multiplier, the Vice President of Compensation of the Company (or such other executive as may be designated by the Compensation Committee from time) shall deliver such amendment, amended Plan, or other confirming document to each affected Participant.

(c) For purposes of this Plan, in order for the Company to terminate any Participant's employment for Cause, the Company must deliver a Termination Notice to such Participant, which notice shall be dated the date it is transmitted for delivery to such Participant, shall specify the Termination Date and shall state that the termination is for Cause and shall set forth in reasonable detail the particulars thereof. For purposes of this Plan, in order for the Company to terminate any Participant's employment for Disability, the Company must give a Termination Notice to such Participant, which notice shall be dated the date it is transmitted for delivery to such Participant, shall specify the Termination Date and shall state that the termination is for Disability and shall set forth in reasonable detail the particulars thereof. Any Termination Notice delivered by the Company that does not comply, in all material respects, with the foregoing requirements shall be invalid and ineffective for purposes of this Plan.

Section 5.6 No Employment Rights Conferred. This Plan shall not be deemed to create a right, promise, contract or guarantee of employment, continued employment, or of any particular job position, between any Participant and the Company and/or any of its affiliates or subsidiaries.

Section 5.7 Severability. If any provision of the Plan is, becomes or is deemed to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Plan shall not be affected thereby.

Section 5.8 Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its conflict of laws rules, and applicable federal law.

Exhibit A
Executive Severance Plan Participants

<u>Participant Name</u>	<u>Level of Executive (Level 1, Level 2, Level 3 or Level 4)</u>	<u>Multiplier</u>	<u>Date Added or Changed</u>
Alders, Mark	4	1	4-Dec-08
Arora, Vikas	4	1	7-Jun-10
Becker, Michael	4	1	1-Jun-10
Bond, Timothy	2	1	4-Dec-08
Bondar, Lori	4	1	4-Dec-08
Burns, Steven	4	1	4-Dec-08
Butier, Mitch	2	1	1-Jun-10
Ceruti, Anne	4	1	18-Jan-10
Clyde, Timothy	2	1	1-Dec-10
Costin, Libby	4	1	4-Nov-09
Depietri, Angelo	3	1	4-Dec-08
Diamond, Graham	3	1	4-Dec-08
Dixon, Diane	3	1	1-Jan-11
Durree, James	4	1	1-Jan-11
Edwards, David	3	1	1-Jan-11
Elmendorp, Sjaak	4	1	4-Dec-08
Farrell, John	4	1	4-Dec-08
Fernandez, M. Sean	4	1	8-Dec-09
Gargas, Randall	4	1	4-Dec-08
Gravanis, Georges	3	1	7-Jun-10
Guenther, Cynthia	4	1	1-Jan-11
Hall, Kathleen	4	1	4-Dec-08
Hemmelgarn, Terry	4	1	8-Dec-09
Herring, David	4	1	4-Dec-08
Hill, Anne	2	1	4-Dec-08
Hill, Mark	3	1	16-Sep-10
Hoffman, Richard	3	1	4-Dec-08
Hughes, Darrell	3	1	22-Jul-10
Johansen, Michael	3	1	4-Dec-08
Johnson, Peter	4	1	28-Apr-10
Kan, Tim	4	1	1-Feb-10
Kelly, Howard	3	1	4-Nov-09
Kian, Kamran	3	1	4-Dec-08
Klein, John	4	1	4-Dec-08
Klein, Michael	4	1	7-Jul-09
Klenk, Hans-Guenther	4	1	4-Dec-08
Ladwig, Amy	4	1	4-Dec-08
Lawler, Gregory	4	1	4-Dec-08

Participant Name	Level of Executive (Level 1, Level 2, Level 3 or Level 4)	Multiplier	Date Added or Changed
Leeds, Eric	4	1	4-Dec-08
Li, Da-Gang	4	1	4-Dec-08
Lovins, Greg	4	1	4-Dec-08
Macaulay, Kim	4	1	4-Dec-08
Malchione, Robert	2	1	1-Dec-10
Maley, Jon	4	1	1-Sep-10
Martin, David	4	1	4-Dec-08
Mello, Ronaldo	4	1	30-Sep-09
Mets-Morris, Helen	3	1	4-Dec-08
Miller, Susan	2	1	1-Jan-11
Moffa, Joseph	4	1	1-Feb-11
Moiz, Azima	4	1	4-Nov-09
Mueller, Arnd	4	1	4-Nov-09
Neville, R. Shawn	2	1	1-Jan-10
Nolan, Donald	2	1	1-Jan-10
O'Bryant, Daniel	2	1	1-Dec-10
Pereira, Fred	4	1	28-Jul-09
Pergande, Jill	4	1	4-Dec-08
Pohl, Eric J	4	1	4-Dec-08
Pomplas, Ronald	4	1	1-Mar-11
Quinn, John	3	1	4-Dec-08
Ramakrishnan, Ram	4	1	1-Jan-11
Rangachary, Sudarshana	4	1	4-Jun-09
Rodriguez, Karyn	4	1	1-Jan-11
Rotella, Robert	4	1	4-Dec-08
Sallay, John	2	1	1-Jan-10
Sardesai, Raj	4	1	4-Dec-08
Sartor, Luigi	4	1	4-Dec-08
Saucier, Douglas	4	1	4-Dec-08
Scarborough, Dean	1	2	1-Dec-10
Schmit, Dave	4	1	21-Jun-10
Schwartz, Kenneth	4	1	4-Dec-08
Shah, Bijal	4	1	9-Jun-10
Shunfenthal, Bernard	4	1	4-Dec-08
Stander, Deon	3	1	19-Aug-10
Thompson, Todd	4	1	4-Dec-08
van Leeuwen, Lydia	4	1	4-Dec-08
Verkerk, Adriaan	4	1	4-Dec-08
Violette, Jim	4	1	4-Dec-08
Wallroth, Don	4	1	1-Nov-10
Watkins, Harry	4	1	4-Dec-08
Widden, Richard	4	1	12-Jan-10

AVERY DENNISON CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions)	Three Months Ended	
	April 2, 2011	April 3, 2010
Earnings:		
Income before taxes	\$ 67.4	\$ 76.9
Add: Fixed charges (1)	28.2	27.8
Amortization of capitalized interest	.9	.9
Less: Capitalized interest	(1.2)	(1.1)
	\$ 95.3	\$ 104.5
Fixed charges: (1)		
Interest expense	\$ 17.9	\$ 17.5
Capitalized interest	1.2	1.1
Interest portion of leases	9.1	9.2
	\$ 28.2	\$ 27.8
Ratio of Earnings to Fixed Charges	3.4	3.8

(1) The ratios of earnings to fixed charges were computed by dividing earnings by fixed charges. For this purpose, "earnings" consist of income before taxes plus fixed charges and amortization of capitalized interest, less capitalized interest. "Fixed charges" consist of interest expense, capitalized interest and the portion of rent expense (estimated to be 35%) on operating leases deemed representative of interest.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

CERTIFICATION

I, Dean A. Scarborough, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avery Dennison Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Dean A. Scarborough

Dean A. Scarborough

Chairman, President and Chief Executive Officer

May 10, 2011

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

CERTIFICATION

I, Mitchell R. Butier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avery Dennison Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Mitchell R. Butier

Mitchell R. Butier
Senior Vice President and
Chief Financial Officer

May 10, 2011

CERTIFICATION OF CHIEF EXECUTIVE OFFICER***PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Avery Dennison Corporation (the "Company") hereby certifies, to the best of his knowledge, that:

- (i) The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended April 2, 2011 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2011

/s/ Dean A. Scarborough

Dean A. Scarborough

Chairman, President and Chief Executive Officer

* The above certification accompanies the issuer's Quarterly Report on Form 10-Q and is furnished, not filed, as provided in SEC Release 33-8238, dated June 5, 2003.

CERTIFICATION OF CHIEF FINANCIAL OFFICER***PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Avery Dennison Corporation (the "Company") hereby certifies, to the best of his knowledge, that:

- (i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended April 2, 2011 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2011

/s/ Mitchell R. Butier

Mitchell R. Butier

Senior Vice President and Chief Financial Officer

* The above certification accompanies the issuer's Quarterly Report on Form 10-Q and is furnished, not filed, as provided in SEC Release 33-8238, dated June 5, 2003.