
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 June 28, 2008.

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

EVERY 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 July 26, 2008: 106,488,295

AVERY DENNISON CORPORATION
FISCAL SECOND QUARTER 2008 FORM 10-Q QUARTERLY REPORT
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PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

(Dollars in millions)	June 28, 2008	December 29, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 87.1	\$ 71.5
Trade accounts receivable, less allowances of \$65.1 and \$64.2 at June 28, 2008 and December 29, 2007, respectively	1,232.8	1,113.8
Inventories, net	679.1	631.0
Current deferred and refundable income taxes	162.3	128.1
Other current assets	139.7	113.9
Total current assets	2,301.0	2,058.3
Property, plant and equipment	3,340.5	3,195.9
Accumulated depreciation	(1,722.3)	(1,604.5)
Property, plant and equipment, net	1,618.2	1,591.4
Goodwill	1,825.4	1,683.3
Other intangibles resulting from business acquisitions, net	313.1	314.2
Non-current deferred and refundable income taxes	82.6	59.9
Other assets	557.5	537.7
	\$ 6,697.8	\$ 6,244.8
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term and current portion of long-term debt	\$ 825.8	\$ 1,110.8
Accounts payable	797.8	679.2
Current deferred and payable income taxes	43.8	31.4
Other current liabilities	641.9	656.2
Total current liabilities	2,309.3	2,477.6
Long-term debt	1,545.4	1,145.0
Long-term retirement benefits and other liabilities	395.7	391.5
Non-current deferred and payable income taxes	248.3	241.3
Commitments and contingencies (see Note 16)		
Shareholders' equity:		
Common stock, \$1 par value, authorized - 400,000,000 shares at June 28, 2008 and December 29, 2007; issued - 124,126,624 shares at June 28, 2008 and December 29, 2007; outstanding - 98,487,529 shares and 98,386,897 shares at June 28, 2008 and December 29, 2007, respectively	124.1	124.1
Capital in excess of par value	723.7	781.1
Retained earnings	2,363.4	2,290.2
Cost of unallocated ESOP shares	(3.8)	(3.8)
Employee stock benefit trusts, 7,963,266 shares and 8,063,898 shares at June 28, 2008 and December 29, 2007, respectively	(345.4)	(428.8)
Treasury stock at cost, 17,645,829 shares at June 28, 2008 and December 29, 2007	(858.2)	(858.2)
Accumulated other comprehensive income	195.3	84.8
Total shareholders' equity	2,199.1	1,989.4
	\$ 6,697.8	\$ 6,244.8

See Notes to Unaudited Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

(In millions, except per share amounts)	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Net sales	\$ 1,828.9	\$ 1,523.5	\$ 3,474.1	\$ 2,913.4
Cost of products sold	1,338.6	1,113.1	2,559.8	2,138.7
Gross profit	490.3	410.4	914.3	774.7
Marketing, general and administrative expense	341.0	270.8	669.0	519.1
Interest expense	29.3	20.1	58.8	35.2
Other expense, net	5.8	7.5	11.4	9.6
Income before taxes	114.2	112.0	175.1	210.8
Provision for income taxes	21.8	25.8	14.3	45.5
Net income	\$ 92.4	\$ 86.2	\$ 160.8	\$ 165.3

Per share amounts:

Net income per common share	\$.94	\$.88	\$ 1.63	\$ 1.69
Net income per common share, assuming dilution	\$.93	\$.87	\$ 1.62	\$ 1.67
Dividends	\$.41	\$.40	\$.82	\$.80

Average shares outstanding:

Common shares	98.5	98.0	98.5	98.0
Common shares, assuming dilution	98.9	98.7	98.9	98.8
Common shares outstanding at period end	98.5	98.2	98.5	98.2

Certain prior year amounts have been restated to reflect the change in method of accounting for inventory from last-in, first-out (“LIFO”) to first-in, first-out (“FIFO”) for certain businesses operating in the U.S.

See Notes to Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(In millions)	Six Months Ended	
	June 28, 2008	June 30, 2007
Operating Activities		
Net income	\$ 160.8	\$ 165.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	101.6	79.7
Amortization	33.6	21.1
Deferred taxes	(32.8)	13.3
Asset impairment and net loss on sale and disposal of assets	14.4	13.1
Stock-based compensation	16.9	10.3
Other non-cash items, net	(16.2)	(9.9)
Changes in assets and liabilities	(89.6)	(162.0)
Net cash provided by operating activities	188.7	130.9
Investing Activities		
Purchase of property, plant and equipment	(69.1)	(94.7)
Purchase of software and other deferred charges	(33.0)	(29.0)
Payments for acquisitions	(125.0)	(1,284.1)
Proceeds from sale of assets	3.2	1.7
Proceeds from sale of investments, net	13.0	—
Other	1.9	.7
Net cash used in investing activities	(209.0)	(1,405.4)
Financing Activities		
Net (decrease) increase in borrowings (maturities of 90 days or less)	(285.1)	1,423.9
Additional borrowings (maturities longer than 90 days)	400.1	—
Payments of debt (maturities longer than 90 days)	(.3)	(11.7)
Dividends paid	(87.6)	(85.4)
Purchase of treasury stock	—	(63.2)
Proceeds from exercise of stock options, net	1.9	30.5
Other	5.4	(2.1)
Net cash provided by financing activities	34.4	1,292.0
Effect of foreign currency translation on cash balances	1.5	.6
Increase in cash and cash equivalents	15.6	18.1
Cash and cash equivalents, beginning of year	71.5	58.5
Cash and cash equivalents, end of period	\$ 87.1	\$ 76.6

Certain prior year amounts have been restated to reflect the change in method of accounting for inventory from last-in, first-out (“LIFO”) to first-in, first-out (“FIFO”) for certain businesses operating in the U.S.

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") 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 2007 annual financial statements and notes. This Form 10-Q should be read in conjunction with the Company's consolidated financial statements and notes included in the Company's 2007 Annual Report on Form 10-K.

The second quarters of 2008 and 2007 consisted of thirteen-week periods ending June 28, 2008 and June 30, 2007, respectively. The interim results of operations are not necessarily indicative of future financial results.

Financial Presentation

Certain prior year amounts have been restated to conform with the current year presentation as a result of:

Change in Accounting Method

Beginning in the fourth quarter of 2007, the Company changed its method of accounting for inventories for the Company's U.S. operations from a combination of the use of the first-in, first-out ("FIFO") and the last-in, first-out ("LIFO") methods to the FIFO method. The inventories for the Company's international operations continue to be valued using the FIFO method. The Company believes the change is preferable as the FIFO method better reflects the current value of inventories on the unaudited Condensed Consolidated Balance Sheet; provides better matching of revenue and expense in the unaudited Consolidated Statement of Income; provides uniformity across the Company's operations with respect to the method for inventory accounting; and enhances comparability with peers. Furthermore, this application of the FIFO method is consistent with the Company's accounting of inventories for U.S. income tax purposes.

The change in accounting method from LIFO to FIFO method was completed in accordance with Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections." The Company applied the change in accounting principle by retrospectively restating prior years' financial statements. As a result of the change in the Company's policy for accounting for inventory, pretax income for the three and six months ended June 30, 2007 was increased by \$.6 million and \$.5 million, respectively.

Note 2. Acquisitions

On June 15, 2007, the Company completed the acquisition of Paxar Corporation ("Paxar"), a global leader in retail tag, ticketing, and branding systems. In accordance with the terms of the acquisition agreement, each outstanding share of Paxar common stock, par value \$0.10, was converted into the right to receive \$30.50 in cash. At June 15, 2007, outstanding options to purchase Paxar Common Stock, shares of Paxar restricted stock and Paxar performance share awards were converted into weight-adjusted options to purchase the Company's common stock, shares of the Company's restricted stock and, at the Company's election, shares of the Company's restricted stock or the Company's restricted stock units, respectively. Since the date of acquisition, certain of these equity awards have vested on an accelerated basis.

The Paxar operations are included in the Company's Retail Information Services segment. The combination of the Paxar business into the Retail Information Services segment increases the Company's presence in the retail information and brand identification market, combines complementary strengths and broadens the range of the Company's product and service capabilities, improves the Company's ability to meet customer demands for product innovation and improved quality of service, and facilitates expansion into new product and geographic segments. The integration of the acquisition into the Company's operations has resulted in significant cost synergies.

Purchase Price Allocation

The total purchase price was approximately \$1.33 billion for the outstanding shares of Paxar, including transaction costs of approximately \$15 million.

In accordance with SFAS No. 141, "Business Combinations," the allocation of the purchase price has been made and recorded in the unaudited Condensed Consolidated Financial Statements. The allocation of the purchase price was primarily based on third-party valuations of the acquired assets.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of the acquisition.

(In millions)	June 15, 2007
Current assets (including cash and cash equivalents of approximately \$47 million)	\$ 358.7
Property, plant, and equipment, net	250.8
Other assets	1.1
Intangible assets	241.6
Goodwill	945.5
Total assets acquired	\$ 1,797.7
Current liabilities	219.6
Other long-term liabilities	220.3
Other equity	24.6
Total liabilities and other equity	\$ 464.5
Net assets acquired	\$ 1,333.2

As a result of the Paxar acquisition, the Company assumed liabilities of approximately \$440 million, including accounts payable and other current and long-term liabilities. Included in this amount is approximately \$5 million of long-term debt, which remains outstanding at June 28, 2008. In addition, the Company assumed additional standby letters of credit of \$7.3 million.

The excess of the cost basis over the fair value of the net tangible assets acquired is approximately \$1.19 billion, including goodwill of approximately \$946 million and identified intangible assets of approximately \$242 million, which includes amortizable and non-amortizable intangible assets. The goodwill from this acquisition is not expected to be deductible for U.S. tax purposes.

Identifiable intangible assets consist of customer relationships, patents and other acquired technology and other intangibles. These intangible assets include approximately \$183 million for customer relationships with a weighted-average useful life of ten years; approximately \$25 million for patent and other acquired technology with a weighted-average useful life of eight years; and approximately \$4 million for other intangibles with a weighted-average useful life of ten years. These acquired amortizable intangible assets have an estimated weighted-average useful life of nine years. Furthermore, approximately \$30 million of the acquired intangible assets related to trade names and trademarks are not subject to amortization because they have an indefinite useful life.

Refer also to Note 5, "Goodwill and Other Intangibles Resulting from Business Acquisitions."

There were no in-progress research and development assets acquired as a result of the acquisition.

Paxar Integration Actions

As a result of the Paxar acquisition, the Company identified certain liabilities and other costs of \$25 million for restructuring actions which were recorded as part of the Company's purchase price allocation. Included in this amount are severance costs for involuntary terminations of approximately 1,365 Paxar employees of \$21.1 million, lease cancellation costs of \$3.2 million, and other related costs of \$.7 million. Severance costs are included in "Other current liabilities" in the unaudited Condensed Consolidated Balance Sheet. Severance and other employee costs represent cash paid or to be paid to employees terminated under these actions.

(In millions)	Purchase Price Adjustments
Total severance and other employee costs accrued during the quarters ended:	
June 30, 2007	\$ 2.0
September 29, 2007	4.7
December 29, 2007	11.3
March 29, 2008	1.2
June 28, 2008	1.9
Total accrued	21.1
2007 Settlements	(5.8)
2008 Settlements	(3.9)
Balance at June 28, 2008	\$ 11.4
Other	
Lease cancellations	\$ 3.2
Other	.7
	\$ 3.9

Included in the assumed current liabilities were accrued restructuring costs related to Paxar’s pre-acquisition restructuring program. At June 28, 2008, approximately \$1 million remained accrued in connection with this program.

Employee-Related Items

In connection with this acquisition, certain change-in-control provisions provided that \$27.8 million was to be paid to certain key executives of Paxar. This amount includes severance, bonuses, accelerated vesting of stock options, performance share awards, restricted stock, and other items. In connection with these items, \$.9 million remained accrued in “Other current liabilities” in the unaudited Condensed Consolidated Balance Sheet at June 28, 2008. New employment agreements for certain key executives retained by the Company provided for \$8.2 million to be accrued over their requisite service periods, of which \$5 million was recorded during 2007 and \$1.4 million was recorded during the first six months of 2008 in the unaudited Consolidated Statement of Income.

Included in the assumed long-term liabilities was a postretirement benefit plan obligation totaling approximately \$11 million for certain retired executives of Paxar. The Company contributed \$.5 million during 2007 and \$.5 million during the first six months of 2008 to this plan.

The estimated fair value of equity includes the total amount related to converted Paxar stock options and performance share awards of approximately \$24 million. This total includes amounts related to converted but unvested stock options and performance share awards (approximately \$5 million), which will be recognized in the Company’s operating results over the remaining vesting periods of these equity awards.

Pro Forma Results of Operations

The following table represents the unaudited pro forma results of operations for the Company as though the acquisition of Paxar had occurred at the beginning of 2007. The pro forma results include estimated interest expense associated with commercial paper borrowings to fund the acquisition; amortization of intangible assets that have been acquired; adjustment to income tax provision using the worldwide combined effective tax rates of both the Company and Paxar; elimination of intercompany sales and profit in inventory; fair value adjustments to inventory; and additional depreciation resulting from fair value amounts allocated to real and personal property over the estimated useful lives. The pro forma results of operations have been prepared based on the allocation of the purchase price. This pro forma information is for comparison purposes only, and is not necessarily indicative of the results that would have occurred had the acquisition been completed at the beginning of 2007, nor is it necessarily indicative of future results.

(In millions, except per share amounts)	Three Months Ended June 30, 2007 ⁽¹⁾	Six Months Ended June 30, 2007 ⁽²⁾
Net sales	\$ 1,726.8	\$ 3,327.9
Net income	77.8	140.2
Net income per common share	.79	1.43
Net income per common share, assuming dilution	.79	1.42

(1) The pro forma results of operations for the second quarter of 2007 include the Company’s restructuring costs and other charges discussed in Note 17, “Segment Information.”

(2) The pro forma results of operations for the first six months of 2007 include the impact of Paxar’s restructuring costs and other charges of \$1.8 and merger-related costs of \$1.5, as well as the Company’s restructuring costs and other charges discussed in Note 17, “Segment Information.”

Prior to the acquisition, the Company sold certain roll materials products to Paxar. The Company’s net sales to Paxar prior to the acquisition were approximately \$8 million during the first six months of 2007.

Other Acquisitions

On April 1, 2008, the Company acquired DM Label Group (“DM Label”). DM Label operations are included in the Company’s Retail Information Services segment. The impact of this acquisition on the Company’s revenues and earnings for 2008 is not anticipated to be significant.

The preliminary balance sheet allocation of the purchase price as of June 28, 2008 has been made and recorded in the unaudited Condensed Consolidated Financial Statements. The preliminary allocation of the purchase price included an estimated \$66 million of goodwill. Refer also to Note 5, "Goodwill and Other Intangibles Resulting from Business Acquisitions."

Note 3. Accounts Receivable

The Company recorded expenses related to the allowances for trade accounts receivable of \$8.2 million and \$4.2 million for the six months ended June 28, 2008 and June 30, 2007, respectively. The Company records these allowances based on estimates related to the following factors:

- Customer specific allowances
- Amounts based upon an aging schedule
- An estimated amount, based on the Company's historical experience

Note 4. Inventories

Inventories consisted of:

(In millions)	June 28, 2008	December 29, 2007
Raw materials	\$ 282.0	\$ 252.6
Work-in-progress	161.2	151.5
Finished goods	310.8	304.2
Inventories at lower of FIFO cost or market (approximates replacement cost)	754.0	708.3
Inventory reserves	(74.9)	(77.3)
Inventories, net	\$ 679.1	\$ 631.0

Note 5. Goodwill and Other Intangibles Resulting from Business Acquisitions

Changes in the net carrying amount of goodwill for the periods shown, by reportable segment, are as follows:

(In millions)	Pressure-sensitive Materials	Retail Information Services	Office and Consumer Products	Other specialty converting businesses	Total
Balance as of December 30, 2006	\$ 332.4	\$ 200.5	\$ 169.1	\$ 13.9	\$ 715.9
Goodwill acquired during the period (1)	–	935.7	–	–	935.7
Acquisition adjustments (2)	–	(.5)	–	–	(.5)
Translation adjustments	21.6	2.0	8.5	.1	32.2
Balance as of December 29, 2007	\$ 354.0	\$ 1,137.7	\$ 177.6	\$ 14.0	\$ 1,683.3
Goodwill acquired during the period (3)	–	66.3	–	–	66.3
Acquisition adjustments (4)	–	14.2	–	–	14.2
Translation adjustments	21.3	32.5	7.7	.1	61.6
Balance as of June 28, 2008	\$ 375.3	\$ 1,250.7	\$ 185.3	\$ 14.1	\$ 1,825.4

(1) Goodwill acquired during the period includes Paxar acquisition in June 2007, as well as buy-outs of minority interest shareholders associated with RVL Packaging, Inc. and Paxar.

(2) Acquisition adjustments in 2007 consisted of a tax adjustment associated with RVL Packaging, Inc.

(3) Goodwill acquired during the period consisted of the DM Label acquisition in April 2008.

(4) Acquisition adjustments in 2008 consisted of opening balance sheet adjustments associated with the Paxar acquisition in June 2007.

As of June 28, 2008, goodwill and other intangible assets and related useful lives include the allocations of the purchase price of the Company's recent acquisitions, based on third-party valuations of the acquired assets. Refer to Note 2, "Acquisitions," for further information.

In connection with the Paxar acquisition, the Company acquired approximately \$30 million of intangible assets, consisting of certain trade names and trademarks, which are not subject to amortization because they have an indefinite useful life. These intangible assets, which are not included in the table below, had a currency impact of \$.2 million at June 28, 2008.

The following table sets forth the Company's other intangible assets resulting from business acquisitions at June 28, 2008 and December 29, 2007, which continue to be amortized:

(In millions)	June 28, 2008			December 29, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable other intangible assets:						
Customer relationships	\$ 291.6	\$ 57.1	\$ 234.5	\$ 276.1	\$ 41.8	\$ 234.3
Patents and other acquired technology	53.6	16.5	37.1	52.4	14.1	38.3
Trade names and trademarks	48.9	41.6	7.3	46.2	38.6	7.6
Other intangibles	9.1	5.1	4.0	8.6	4.6	4.0
Total	\$ 403.2	\$ 120.3	\$ 282.9	\$ 383.3	\$ 99.1	\$ 284.2

Amortization expense on other intangible assets resulting from business acquisitions was \$7.9 million and \$15.8 million for the three and six months ended June 28, 2008, respectively, and \$3 million and \$5.5 million for the three and six months ended June 30, 2007, respectively. The estimated amortization expense for other intangible assets resulting from completed business acquisitions as of June 28, 2008 for this fiscal year and each of the next four fiscal years is expected to be approximately \$30 million per year.

The weighted-average amortization periods from the date of acquisition for amortizable intangible assets resulting from business acquisitions are fourteen years for customer relationships, eleven years for trade names and trademarks, thirteen years for patents and other acquired technology, eight years for other intangibles and fourteen years in total. As of June 28, 2008, the weighted-average remaining useful life of acquired amortizable intangible assets are eleven years for customer relationships, five years for trade names and trademarks, eight years for patented and other acquired technology, five years for other intangibles and ten years in total.

Note 6. Debt

In February 2008, a wholly-owned subsidiary of the Company entered into a credit agreement for a term loan credit facility with fifteen domestic and foreign banks for a total commitment of \$400 million, maturing February 8, 2011. The subsidiary's payment and performance under the agreement are guaranteed by the Company. Financing available under the agreement is permitted to be used for working capital and other general corporate purposes, including acquisitions. The term loan credit facility typically bears interest at an annual rate of, at the subsidiary's option, either (i) between LIBOR plus 0.300% and LIBOR plus 0.850%, depending on the Company's debt ratings by either Standard & Poor's Rating Service ("S&P") or Moody's Investors Service ("Moody's"), or (ii) the higher of (A) the federal funds rate plus 0.50% or (B) the prime rate. The Company used the term loan credit facility to reduce commercial paper borrowings previously issued to fund the acquisition of Paxar. The term loan credit facility is subject to customary financial covenants, including a maximum leverage ratio and a minimum interest coverage ratio.

In February 2008, the Company terminated its bridge revolving credit agreement, dated June 13, 2007, with five domestic and foreign banks.

The terms of various loan agreements in effect at June 28, 2008 require that the Company maintain specified ratios on debt and interest expense in relation to certain measures of income. Under the loan agreements, the ratio of debt to earnings before interest, taxes, depreciation, amortization, and non-cash expenses may not exceed 3.5 to 1.0. The Company's ratio at June 28, 2008 was 3.1 to 1.0. Earnings before interest, taxes, and non-cash expenses, as a ratio to interest, may not be less than 3.5 to 1.0. The Company's ratio at June 28, 2008 was 3.9 to 1.0.

Note 7. 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							
	Three Months Ended				Six Months Ended			
	June 28, 2008		June 30, 2007		June 28, 2008		June 30, 2007	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
Components of net periodic benefit cost:								
Service cost	\$ 5.1	\$ 3.6	\$ 3.9	\$ 3.3	\$ 9.8	\$ 7.1	\$ 9.3	\$ 6.6
Interest cost	8.7	7.4	8.7	6.0	18.0	14.4	16.7	11.8
Expected return on plan assets	(12.7)	(7.6)	(12.3)	(6.0)	(25.5)	(14.9)	(24.5)	(11.9)
Recognized net actuarial loss	1.6	.9	2.8	1.9	3.0	1.8	4.7	3.9
Amortization of prior service cost	.3	.2	.5	.1	.6	.3	1.0	.3
Amortization of transition asset	—	(.2)	—	(.2)	—	(.3)	—	(.5)
Net periodic benefit cost	\$ 3.0	\$ 4.3	\$ 3.6	\$ 5.1	\$ 5.9	\$ 8.4	\$ 7.2	\$ 10.2

(In millions)	U.S. Postretirement Health Benefits			
	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Components of net periodic benefit cost:				
Service cost	\$.2	\$.2	\$.5	\$.5
Interest cost	.5	.5	.9	.9
Recognized net actuarial loss	.4	.3	.8	.7
Amortization of prior service cost	(.5)	(.4)	(1.0)	(.9)
Net periodic benefit cost	\$.6	\$.6	\$ 1.2	\$ 1.2

The Company contributed \$1.8 million and \$1.2 million to its U.S. pension plans during the six months ended June 28, 2008 and June 30, 2007, respectively. The Company expects to contribute an additional \$1.9 million to its U.S. pension plans for the remainder of 2008. Additionally, the Company contributed \$1.7 million and \$3 million to its U.S. postretirement health benefit plan during the six months ended June 28, 2008 and June 30, 2007, respectively. For the remainder of 2008, the Company expects to contribute an additional \$1.5 million to its U.S. postretirement health benefit plan.

The Company contributed \$9 million and \$9.8 million to its international pension plans during the six months ended June 28, 2008 and June 30, 2007, respectively. For the remainder of 2008, the Company expects to contribute an additional \$7.6 million to its international pension plans.

Note 8. Research and Development

Research and development expense for the three and six months ended June 28, 2008 was \$23.9 million and \$48.4 million, respectively. For the three and six months ended June 30, 2007, research and development expense was \$23.6 million and \$45.8 million, respectively.

Note 9. Stock-Based Compensation

Net income included pretax stock-based compensation expense related to stock options, performance units (“PUs”), restricted stock units (“RSUs”) and restricted stock of \$16.9 million and \$10.3 million for the six months ended June 28, 2008 and June 30, 2007, respectively. Total stock-based compensation expense was recorded in corporate expense and the Company’s operating segments, as appropriate.

During the second quarter 2008, following the Company’s shareholders approval of the amended and restated stock option and incentive plan on April 24, 2008, the Company granted PUs to certain eligible employees of the Company. These PUs are payable in shares of the Company’s common stock at the end of a three-year cliff vesting period provided that certain performance objective metrics are achieved at the end of the period ending December 31, 2010. During the first six months of 2008, the Company recognized \$1.8 million of pretax compensation expense related to PUs, which is included in the stock-based compensation expense noted above.

On February 28, 2008, the Company granted its annual stock option awards to employees and directors. The provision of SFAS No. 123(R), “Share-Based Payment,” requires that options granted to retirement-eligible employees be treated as though they were immediately vested; as a result, the pretax compensation expense related to such options (approximately \$3 million) was recognized during the six months ended June 28, 2008 and is included in the stock-based compensation expense noted above.

As of June 28, 2008, the Company has approximately \$63 million of unrecognized compensation cost related to unvested stock options, PUs, RSUs and restricted stock under the Company’s plans. Total unrecognized compensation cost is expected to be recognized over the remaining weighted-average requisite service period of approximately 3 years for stock options and PUs, 2 years for RSUs and 3 years for restricted stock.

Note 10. Cost Reduction Actions

Severance charges recorded under the restructuring actions below are included in “Other current liabilities” in the unaudited Condensed

Consolidated Balance Sheet. Severance and other employee costs represent cash paid or to be paid to employees terminated under these actions. Charges below are included in "Other expense, net" in the unaudited Consolidated Statement of Income.

Second Quarter 2008

In the second quarter of 2008, the Company recorded a pretax charge of \$10.3 million consisting of \$7.2 million of severance and other employee costs resulting in the elimination of approximately 310 positions impacting all segments, as well as \$1.7 million of asset impairment charges and \$1.4 million of lease cancellation charges. As of June 28, 2008, approximately 115 employees impacted by these actions remain with the Company, and are expected to leave in 2008.

(In millions)	Pressure-sensitive Materials Segment	Retail Information Services Segment	Office and Consumer Products Segment	Corporate	Total
Total severance and other employee costs accrued during the quarter ended:					
June 28, 2008	\$.1	\$ 2.7	\$ 4.2	\$.2	\$ 7.2
2008 Settlements	-	(.7)	(.2)	-	(.9)
Balance at June 28, 2008	\$.1	\$ 2.0	\$ 4.0	\$.2	\$ 6.3
Asset Impairment					
Machinery and equipment	\$.3	\$ 1.3	\$ -	\$ -	\$ 1.6
Buildings	-	.1	-	-	.1
Other					
Lease cancellations	-	1.4	-	-	1.4
	\$.3	\$ 2.8	\$ -	\$ -	\$ 3.1

First Quarter 2008

In the first quarter of 2008, the Company recorded a pretax charge of \$5.6 million consisting of \$3.3 million of severance and other employee costs resulting in the elimination of approximately 155 positions impacting all segments, as well as \$2.3 million of asset impairment charges. As of June 28, 2008, approximately 60 employees impacted by these actions remain with the Company, and are expected to leave in 2008.

(In millions)	Pressure-sensitive Materials Segment	Retail Information Services Segment	Office and Consumer Products Segment	Other specialty converting businesses	Corporate	Total
Total severance and other employee costs accrued during the quarter ended:						
March 29, 2008	\$ 1.1	\$ 1.3	\$.1	\$.1	\$.7	\$ 3.3
2008 Settlements	(.2)	(1.2)	(.1)	(.1)	(.7)	(2.3)
Balance at June 28, 2008	\$.9	\$.1	\$ -	\$ -	\$ -	\$ 1.0
Asset Impairment						
Machinery and equipment	\$ 2.3	\$ -	\$ -	\$ -	\$ -	\$ 2.3

2007

In 2007, the Company continued its cost reduction efforts that were initiated in late 2006 and implemented additional actions resulting in a headcount reduction of approximately 615 positions, impairment of certain assets and software, as well as lease cancellations. At June 28, 2008, approximately 100 employees impacted by these actions remain with the Company, and are expected to leave in 2008. Pretax charges related to these actions totaled \$57.5 million, including severance and other employee costs of \$21.6 million, impairment of fixed assets and buildings of \$17.4 million, software impairment of \$17.1 million and lease cancellation charges of \$1.4 million. The table below details the accruals and payments related to these actions:

(In millions)	Pressure-sensitive Materials Segment	Retail Information Services Segment	Office and Consumer Products Segment	Other specialty converting businesses	Corporate	Total
Total severance and other employee costs accrued during the quarters ended:						
March 31, 2007	\$ 1.5	\$ –	\$.6	\$ –	\$ –	\$ 2.1
June 30, 2007	.5	.4	–	–	–	.9
September 29, 2007	3.1	3.1	.1	1.2	–	7.5
December 29, 2007	1.0	6.2	3.4	1.1	(.6)	11.1
Total expense accrued during 2007	6.1	9.7	4.1	2.3	(.6)	21.6
2007 Settlements	(1.9)	(3.0)	(.8)	(1.0)	.6	(6.1)
2008 Settlements	(2.0)	(1.4)	(1.9)	(.8)	–	(6.1)
Balance at June 28, 2008	\$ 2.2	\$ 5.3	\$ 1.4	\$.5	\$ –	\$ 9.4

Asset Impairment

Machinery and equipment	\$ 10.9	\$ 3.1	\$ –	\$ 1.9	\$.8	\$ 16.7
Buildings	–	.7	–	–	–	.7
Other						
Software Impairment	–	17.1	–	–	–	17.1
Lease cancellations	–	.6	.4	–	.4	1.4
	\$ 10.9	\$ 21.5	\$.4	\$ 1.9	\$ 1.2	\$ 35.9

Note 11. 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 futures contracts to hedge price fluctuations for a portion of its anticipated domestic purchases. The maximum length of time in which the Company hedges its exposure to the variability in future cash flows for forecasted transactions is generally 12 to 24 months.

The aggregate reclassification from other comprehensive income to earnings for settlement or ineffectiveness of hedge activity was a net gain of \$2 million and \$.6 million during the three and six months ended June 28, 2008, respectively. This reclassification was a net loss of \$2.4 million and \$5.3 million during the three and six months ended June 30, 2007, respectively. These aggregate reclassifications were reported in "Marketing, general and administrative expense" in the unaudited Consolidated Statement of Income. The effect of the settlement of currency hedges included in this reclassification is offset by the currency impact of the underlying hedged activity. A net loss of approximately \$2 million is expected to be reclassified from other comprehensive income to earnings within the next 12 months.

Included in the reclassification amount discussed above is the amortization of certain hedge costs of approximately \$7 million incurred in connection with the long-term debt issued in 2007 related to the Paxar acquisition. Such costs are being amortized over the life of the related forecasted hedge transactions.

Transactions in foreign currencies (including receivables, payables and loans denominated in currencies other than the functional currency) increased net income by \$3.7 million and \$11.6 million for the three and six months ended June 28, 2008, respectively, which included a foreign currency net gain related to certain intercompany transactions of approximately \$2 million and approximately \$6 million during the three and six months ended June 28, 2008, respectively. Transactions in foreign currencies had a positive impact of \$1.1 million and \$1.2 million on the Company's net income for the three and six months ended June 30, 2007, respectively. These results exclude the effects of translation of foreign currencies on the Company's financial statements.

In the first six months of 2008 and 2007, no translation gains or losses for hyperinflationary economies were recognized in net income since the Company had no operations in hyperinflationary economies.

Note 12. Taxes Based on Income

The effective tax rate for the three and six months ended June 28, 2008 was 19% and 8%, respectively, compared to 23% and 22% for the three and six months ended June 30, 2007, respectively. The effective tax rate for the first six months of 2008 includes the net benefit of approximately \$28 million from discrete events, including \$32 million from the release of valuation allowances, partially offset by \$4 million of accruals related to tax contingencies and other items. The Company's effective tax rate is lower than the U.S. federal statutory rate of 35% due to the Company's operations outside the U.S. where the statutory tax rates are generally lower. Additional taxes are not provided for most foreign earnings because the Company currently plans to indefinitely reinvest these amounts.

In June 2008, the Company identified and committed to a plan that will utilize tax loss carryforwards, resulting in a valuation allowance release of approximately \$11 million. This is distinct from the plan in the first quarter of 2008, discussed below.

In March 2008, the Company identified and committed to a plan that resulted in a partial valuation allowance release of approximately \$21 million. One aspect of the plan will result in taxable income from financing for a finite period of approximately three years in a jurisdiction that historically has had tax losses. Notwithstanding an unlimited carryforward period in this jurisdiction, deferred tax assets for the prior year losses were subject to a full valuation allowance as of December 29, 2007, due to the lack of sufficient evidence of future profitability in the jurisdiction. A partial release of this valuation allowance totaling \$21 million was recognized during the first quarter of 2008 based on the amount that is expected to be utilized in future years under the plan. The Company does not expect to utilize the remaining tax losses in that jurisdiction and has continued to maintain a valuation allowance for the remaining tax losses.

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 2003.

It is reasonably possible that during the next 12 months, the Company may realize a decrease in its gross uncertain tax positions by approximately \$35 million, primarily as a result of the expiration of statutes of limitations in various jurisdictions, tax audits, and cash payments. The Company anticipates that it is reasonably possible that payments of approximately \$10 million will be made in the next 12 months.

Note 13. Net Income Per Share

Net income per common share amounts were computed as follows:

(In millions, except per share amounts)	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
(A) Net income available to common shareholders	\$ 92.4	\$ 86.2	\$ 160.8	\$ 165.3
(B) Weighted-average number of common shares outstanding	98.5	98.0	98.5	98.0
Dilutive shares (additional common shares issuable under employee stock options, PUs, RSUs and restricted stock)	.4	.7	.4	.8
(C) Weighted-average number of common shares outstanding, assuming dilution	98.9	98.7	98.9	98.8
Net income per common share (A) ÷ (B)	\$.94	\$.88	\$ 1.63	\$ 1.69
Net income per common share, assuming dilution (A) ÷ (C)	\$.93	\$.87	\$ 1.62	\$ 1.67

Certain employee stock options and RSUs 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 options and RSUs excluded from the computation represented an aggregate of 10.5 million shares and 9.9 million shares for the three and six months ended June 28, 2008, and 3 million shares and 2.9 million shares for the three and six months ended June 30, 2007, respectively.

Note 14. Comprehensive Income

Comprehensive income includes net income, foreign currency translation adjustments, 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 \$118.8 million and \$271.3 million for the three and six months ended June 28, 2008, and \$102.4 million and \$202.6 million for the three and six months ended June 30, 2007, respectively.

The components of accumulated other comprehensive income (net of tax, with the exception of the foreign currency translation adjustment), at the end of the following periods were as follows:

(In millions)	June 28, 2008	December 29, 2007
Foreign currency translation adjustment	\$ 344.5	\$ 243.1
Net actuarial loss, prior service cost and net transition assets, less amortization	(138.0)	(141.5)
Net loss on derivative instruments designated as cash flow and firm commitment hedges	(11.2)	(16.8)
Accumulated other comprehensive income	\$ 195.3	\$ 84.8

Cash flow and firm commitment hedging instrument activity in other comprehensive income, net of tax, was as follows:

(In millions)	June 28, 2008
Beginning accumulated derivative loss	\$ (16.8)
Net gain reclassified to earnings	(0.6)
Net change in the revaluation of hedging transactions	6.2
Ending accumulated derivative net loss	\$ (11.2)

Note 15. Fair Value Measurement

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements," which is effective for fiscal years and interim periods after November 15, 2007. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. This statement applies to all financial assets and liabilities and to all non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. SFAS No. 157 defines fair value based upon an exit price model.

In connection with the issuance of SFAS No. 157, the FASB issued FASB Staff Positions ("FSP") Nos. 157-1 and 157-2. FSP No. 157-1 amends SFAS No. 157 to exclude SFAS No. 13, "Accounting for Leases," and its related interpretive accounting pronouncements that address leasing transactions. FSP No. 157-2 delays the effective date of the application of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

The Company adopted SFAS No. 157 as of the beginning of 2008 fiscal year, with the exception of the application of the statement to non-recurring non-financial assets and non-financial liabilities. Non-recurring non-financial assets and non-financial liabilities for which the Company has not applied the provisions of SFAS No. 157 include those measured at fair value in goodwill impairment testing, indefinitely-lived intangible assets measured at fair value for impairment testing, and those initially measured at fair value in business combinations. SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions to determine the best estimate of fair value.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of June 28, 2008:

(In millions)	Total as of June 28, 2008	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	\$ 10.8	\$ 10.8	\$ —	\$ —
Derivative assets	11.6	6.5	5.1	—
Liabilities:				
Derivative liabilities	\$ 4.9	\$ —	\$ 4.9	\$ —

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.

The Company has deferred compensation obligations, which are not subject to fair value measurements. These obligations are funded by corporate-owned life insurance contracts and standby letters of credit.

The adoption of SFAS No. 157 did not have a significant impact on the Company's financial results of operations or financial position.

Note 16. Commitments and Contingencies

Industry Investigations

In April 2003, the U.S. Department of Justice ("DOJ") filed a complaint challenging the then proposed merger of UPM-Kymmene ("UPM") and the Morgan Adhesives ("MACtac") division of Bemis Co., Inc. ("Bemis"). The complaint alleged, among other things, that "UPM and [Avery Dennison] have already attempted to limit competition between themselves, as reflected in written and oral communications to each other through high level executives regarding explicit anticompetitive understandings, although the extent to which these efforts have succeeded is not entirely clear to the United States at the present time." The DOJ concurrently announced a criminal investigation into competitive practices in the label stock industry. Other investigations into competitive practices in the label stock industry were subsequently initiated by the European Commission, the Competition Law Division of the Department of Justice of Canada, and the Australian Competition and Consumer Commission. The Company cooperated with all of these investigations, and all, except the Australian investigation, which is continuing, have subsequently been terminated without further action by the authorities.

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, essentially repeating the underlying allegations of the DOJ merger complaint. 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. On March 1, 2007, the court heard oral argument on the issue of the appropriateness of class certification. On August 28, 2007, plaintiffs moved to lift the discovery stay, which the Company opposed. On November 19, 2007, the court certified a class consisting of direct purchasers of self-adhesive label stock from the defendants during the period from January 1, 1996 to July 25, 2003. The Company filed a petition to appeal this decision on December 4, 2007, which was denied on March 6, 2008. On July 22, 2008, the district court held a hearing to set a schedule for merits discovery. The court subsequently entered an order that requires the parties to complete fact discovery by June 22, 2009. Dispositive motions are due on March 19, 2010. The Company intends to defend these matters vigorously.

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 September 30, 2004, the Harman Press amended its complaint to add Bemis' subsidiary Morgan Adhesives Company ("MACtac") as a defendant. 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 Cockey.

County, Tennessee. The Nebraska, Kansas and Vermont cases are currently stayed. Defendants' motion to dismiss the Tennessee case, filed on March 30, 2006, is pending. The Company intends to defend these matters vigorously.

The Board of Directors created an ad hoc committee comprised of independent directors to oversee the foregoing matters.

The Company is unable to predict the effect of these matters at this time, although the effect could be adverse and material.

Environmental

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 sixteen waste disposal or waste recycling sites, including Paxar 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.

As of June 28, 2008, the Company's estimated liability associated with compliance and remediation costs was approximately \$62 million, including estimated liabilities related to the Company's recent acquisitions.

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 resolution of these matters will significantly impact the Company's consolidated financial position, results of operations or cash flows.

Product Warranty

The Company provides for an estimate of costs that may be incurred under its basic limited warranty at the time product revenue is recognized. These costs primarily include materials and labor associated with the service or sale of the product. Factors that affect the Company's warranty liability include the number of units installed or sold, historical and anticipated rate of warranty claims on those units, cost per claim to satisfy the Company's warranty obligation and availability of insurance coverage. As these factors are impacted by actual experience and future expectations, the Company assesses the adequacy of its recorded warranty liability and adjusts the amounts as necessary.

Product warranty liabilities were as follows:

<i>(In millions)</i>	June 28, 2008	December 29, 2007
Balance at beginning of year	\$ 2.5	\$ 1.9
Accruals for warranties issued	.1	.8
Assumed accrued warranty liability (1)	-	.5
Payments	(.2)	(.7)
Balance at end of period	\$ 2.4	\$ 2.5

(1) Related to the Paxar acquisition

Other

In 2005, the Company contacted relevant authorities in the U.S. and reported on 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 Company's 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. Corrective and disciplinary actions have been taken. Sales of the Company's reflective business in China in 2005 were approximately \$7 million. Based on findings to date, no changes to the Company's previously filed financial statements are warranted as a result of these matters. However, the Company expects that fines or other penalties could be incurred. While the Company is unable to predict the financial or operating impact of any such fines or penalties, it believes that its behavior in detecting, investigating, responding to and voluntarily disclosing these matters to authorities should be viewed favorably.

The Company and its subsidiaries are involved in various other lawsuits, claims and inquiries, most of which are routine to the nature of the Company's business. Based upon current information, management believes that the resolution of these other matters will not materially affect the Company's financial position.

The Company participates in international receivable financing programs with several financial institutions whereby advances may be requested from these financial institutions. Such advances are guaranteed by the Company. At June 28, 2008, the Company had guaranteed approximately \$16 million.

As of June 28, 2008, the Company guaranteed up to approximately \$22 million of certain foreign subsidiaries' obligations to their suppliers, as well as approximately \$543 million of certain subsidiaries' lines of credit with various financial institutions.

In November 2007, the Company issued \$400 million of 7.875% Corporate HiMEDS units, a mandatory convertible debt issue. An additional \$40 million of HiMEDS units were issued in December 2007 as a result of the exercise of the overallocation from the initial issuance. Each HiMEDS unit is comprised of two components — a purchase contract obligating the holder to purchase from the Company a certain number of shares of the Company's common stock in 2010 ranging from approximately 6.8 million to approximately 8.6 million shares (depending on the quoted price per share of the Company's common stock at that time) and a senior note due in 2020. The net proceeds from the offering were approximately \$427 million, which were used to reduce commercial paper borrowings initially used to finance the Paxar acquisition.

Note 17. Segment Information

As discussed in Note 2, "Acquisitions," the Company completed the acquisition of Paxar during the second quarter of 2007 and the acquisition of DM Label during the second quarter of 2008. The operating results for the Company's recent acquisitions are included in the Retail Information Services segment.

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

(In millions)	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Net sales to unaffiliated customers:				
Pressure-sensitive Materials	\$ 979.9	\$ 879.3	\$1,899.5	\$1,739.3
Retail Information Services	438.2	219.4	810.2	375.9
Office and Consumer Products	255.4	262.7	449.8	477.1
Other specialty converting businesses	155.4	162.1	314.6	321.1
Net sales to unaffiliated customers	\$1,828.9	\$1,523.5	\$3,474.1	\$2,913.4
Intersegment sales:				
Pressure-sensitive Materials	\$ 45.8	\$ 41.5	\$ 86.6	\$ 76.5
Retail Information Services	.1	.3	1.3	.8
Office and Consumer Products	.3	.4	.6	.9
Other specialty converting businesses	8.0	5.2	14.8	9.1
Eliminations	(54.2)	(47.4)	(103.3)	(87.3)
Intersegment sales	\$ —	\$ —	\$ —	\$ —
Income before taxes:				
Pressure-sensitive Materials	\$ 80.0	\$ 89.5	\$ 149.9	\$ 171.4
Retail Information Services	19.3	1.2	14.9	8.0
Office and Consumer Products	40.1	42.2	61.6	68.7
Other specialty converting businesses	5.5	7.2	14.7	18.5
Corporate expense	(1.4)	(8.0)	(7.2)	(20.6)
Interest expense (5)	(29.3)	(20.1)	(58.8)	(35.2)
Income before taxes	\$ 114.2 ⁽¹⁾	\$ 112.0 ⁽²⁾	\$ 175.1 ⁽³⁾	\$ 210.8 ⁽⁴⁾

Certain prior year amounts have been restated to reflect the change in method of accounting for inventory from last-in, first-out (LIFO) to first-in, first-out (FIFO) for certain businesses operating in the U.S.

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- (1) Operating income for the second quarter of 2008 included “Other expense, net” totaling \$5.8 consisting of restructuring costs of \$7.2 and asset impairment and lease cancellation charges of \$3.1, partially offset by a gain on sale of investments of (\$4.5). Of the total \$5.8, the Pressure-sensitive Materials segment recorded \$4.4, the Retail Information Services segment recorded \$5.5, the Office and Consumer Products segment recorded \$4.2 and Corporate recorded (\$4.3).
Additionally, operating income for the Retail Information Services segment for the second quarter of 2008 included \$5.7 of transition costs associated with the Company’s recent acquisitions.
 - (2) Operating income for the second quarter of 2007 included “Other expense, net” totaling \$7.5 consisting of integration-related asset impairment charges of \$9.5, restructuring costs of \$9 and expenses related to a divestiture of \$3, partially offset by a reversal of an accrual (\$3.2) related to a lawsuit. Of the total \$7.5, the Pressure-sensitive Materials segment recorded (\$2.7), the Retail Information Services segment recorded \$9.9 and the Office and Consumer Products segment recorded \$3.
Additionally, operating income for the Retail Information Services segment for the second quarter of 2007 included \$10.2 of transition costs associated with the Paxar acquisition.
 - (3) Operating income for the first six months of 2008 included “Other expense, net” totaling \$11.4 consisting of restructuring costs of \$10.5 and asset impairment and lease cancellation charges of \$5.4, partially offset by a gain on sale of investments of (\$4.5). Of the total \$11.4, the Pressure-sensitive Materials segment recorded \$3.8, the Retail Information Services segment recorded \$6.8, the Office and Consumer Products segment recorded \$4.3, the other specialty converting businesses recorded \$1 and Corporate recorded (\$3.6).
Additionally, operating income for the Retail Information Services segment for the first six months of 2008 included \$12.7 of transition costs associated with the Company’s recent acquisitions.
 - (4) Operating income for the first six months of 2007 included “Other expense, net” totaling \$9.6 consisting of integration-related asset impairment charges of \$9.5, restructuring costs of \$3 and expenses related to a divestiture of \$3, partially offset by a reversal of an accrual (\$3.2) related to a lawsuit. Of the total \$9.6, the Pressure-sensitive Materials segment recorded (\$1.2), the Retail Information Services segment recorded \$9.9 and the Office and Consumer Products segment recorded \$9.
Additionally, operating income for the Retail Information Services segment for the first six months of 2007 included \$10.2 of transition costs associated with the Paxar acquisition.
 - (5) Interest expense for the three and six months ended June 28, 2008 included interest associated with borrowings to fund the Company’s recent acquisitions of \$16.3 and \$32.8, respectively.

Note 18. Recent Accounting Requirements

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” SFAS No. 162 identifies a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for nongovernmental entities (the “Hierarchy”). The Hierarchy within SFAS No. 162 is consistent with that previously defined in the AICPA Statement on Auditing Standards (“SAS”) No. 69, “The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.” SFAS No. 162 is effective 60 days following the United States Securities and Exchange Commission’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.” The adoption of SFAS No. 162 will not have a material effect on the Consolidated Financial Statements because the Company has utilized the guidance within SAS No. 69.

In April 2008, the FASB directed the FASB Staff to issue FSP No. 142-3, “Determination of the Useful Life of Intangible Assets.” FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used for purposes of determining the useful life of a recognized intangible asset under SFAS No. 142. FSP FAS No. 142-3 is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R) and other U.S. generally accepted accounting principles. FSP No. 142-3 is effective for fiscal years beginning after December 15, 2008. Earlier application is not permitted. The Company is currently evaluating the impact of this Statement on the Company’s financial results of operations and financial position.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133.” This Statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity’s derivative instruments and hedging activities and their effects on the entity’s financial position, financial performance, and

cash flows. SFAS No. 161 applies to all derivative instruments within the scope of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as well as related hedged items, bifurcated derivatives, and non-derivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS No. 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. SFAS No. 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. The Company is currently evaluating the disclosure implications of this Statement.

In December 2007, the FASB issued SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements—an amendment of Accounting Review Board (“ARB”) No. 51.” This Statement is effective for fiscal years and interim periods, beginning on or after December 15, 2008, with earlier adoption prohibited. This Statement requires the recognition of a non-controlling interest (minority interest) as equity in the consolidated financial statements and separate from the parent’s equity. The amount of net income attributable to the non-controlling interest will be included in consolidated net income on the income statement. It also amends certain of ARB No. 51’s consolidation procedures for consistency with the requirements of SFAS No. 141(R). This Statement also includes expanded disclosure requirements regarding the interests of the parent and its non-controlling interest. The Company is currently evaluating the impact of this Statement on the Company’s financial results of operations and financial position.

In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations.” This Statement replaces SFAS No. 141, “Business Combinations,” and defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. This Statement’s scope is broader than that of SFAS No. 141, which applied only to business combinations in which control was obtained by transferring consideration. In general, SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the fair value of all the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date as the fair value measurement point; and modifies the disclosure requirements. This Statement applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2008. However, starting fiscal 2009, accounting for changes in valuation allowances for acquired deferred tax assets and the resolution of uncertain tax positions for prior business combinations will impact tax expense instead of goodwill. The Company is currently evaluating the impact of this Statement on the Company’s financial results of operations and financial position.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FAS 115.” This Statement details the disclosures required for items measured at fair value. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 did not affect the Company’s financial results of operations or financial position as the Company did not elect the fair value option for its eligible financial assets or liabilities.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” This Statement establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles, and expands disclosure about fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. Relative to SFAS No. 157, the FASB issued FSP Nos. 157-1 and 157-2. FSP No. 157-1 amends SFAS No. 157 to exclude SFAS No. 13 and its related interpretive accounting pronouncements that address leasing transactions. FSP No. 157-2 delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company adopted SFAS No. 157, as amended, with the exception of the application of the Statement to non-recurring non-financial assets and non-financial liabilities. The adoption of SFAS No. 157 did not have a significant impact on the Company’s financial results of operations or financial position. See Note 15, “Fair Value Measurements,” for further discussion.

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

Management’s Discussion and Analysis provides a narrative concerning our financial performance and condition that should be read in conjunction with the accompanying financial statements. It includes the following sections:

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Overview and Outlook	21
Analysis of Results of Operations for the Second Quarter	25
Results of Operations by Segment for the Second Quarter	27
Analysis of Results of Operations for the Six Months Year-to-Date	28
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DEFINITION OF TERMS

Our consolidated financial statements are prepared in conformity with generally accepted accounting principles in the United States of America, or GAAP. Our discussion of financial results includes several non-GAAP measures to provide additional information concerning Avery Dennison Corporation’s (the “Company’s”) performance. These non-GAAP financial measures are not in accordance with, nor are they a substitute for, 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. Refer to “Uses and Limitations of Non-GAAP Measures.”

We use the following terms:

- *Organic sales growth (decline)* refers to the change in sales excluding the estimated impact of currency translation, acquisitions and divestitures;
- *Segment operating income* refers to income before interest and taxes;
- *Free cash flow* refers to cash flow from operations and net proceeds from sale of investments, less payments for capital expenditures, software and other deferred charges;
- *Operational working capital* refers to trade accounts receivable and inventories, net of accounts payable.

Change in Accounting Method

Beginning in the fourth quarter of 2007, we changed our method of accounting for inventories for our U.S. operations from a combination of the use of the first-in, first-out (“FIFO”) and the last-in, first-out (“LIFO”) methods to the FIFO method. The inventories for our international operations continue to be valued using the FIFO method. We believe the change is preferable as the FIFO method better reflects the current value of inventories on the unaudited Condensed Consolidated Balance Sheet; provides better matching of revenue and expense in the unaudited Consolidated Statement of Income; provides uniformity across our operations with respect to the method for inventory accounting; and enhances comparability with peers. Furthermore, this application of the FIFO method is consistent with our accounting of inventories for U.S. income tax purposes.

The discussion that follows reflects our results that have been restated due to the accounting change.

OVERVIEW AND OUTLOOK**Overview*****Sales***

Our sales increased 20% and 19% in the first three and six months of 2008, respectively, compared to the same period last year, due primarily to the acquisitions of Paxar Corporation (“Paxar”) and DM Label Group (“DM Label”), and the favorable impact of foreign currency translation.

Estimated change in sales due to:	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Organic sales growth (decline)	(1)%	2%	(1)%	2%
Foreign currency translation	7	<4	<7	3
Acquisitions, net of divestitures	14	<3	14	1
Reported sales growth (1)	20%	8%	19%	6%

(1) Totals may not sum due to rounding

On an organic basis, the decline of 1% in the three and six months ended June 28, 2008 reflected continued weakness in U.S. markets, partially offset by sales growth internationally, particularly in the emerging markets.

Net Income

Net income decreased approximately \$5 million, or 3%, in the first six months of 2008 compared to the same period in 2007.

Negative factors affecting the change in net income included:

- Cost inflation, including raw material and energy costs
- Incremental interest expense and amortization of intangibles related to the Paxar acquisition
- The carryover effect of a more competitive pricing environment in the roll materials business in the prior year, partially offset by current year price increases
- Incremental transition costs related to acquisition integrations (primarily Paxar), and higher asset impairment and restructuring charges related to restructuring actions

Positive factors affecting the change in net income included:

- Cost savings from productivity improvement initiatives, including savings from restructuring actions
- Higher net sales, including sales from our recent acquisitions, and a benefit from foreign currency translation
- Benefit of a lower effective tax rate

Acquisitions

We completed the Paxar acquisition on June 15, 2007. The combination of the Paxar business into our Retail Information Services segment increases our presence in the retail information and brand identification market, combines complementary strengths and broadens the range of our product and service capabilities, improves our ability to meet customer demands for product innovation and improved quality of service, and facilitates expansion into new product and geographic segments. The integration of the acquisition into our operations is also expected to result in significant cost synergies. Refer to the “Outlook” section herein for further information.

We completed the DM Label acquisition on April 1, 2008. DM Label operations are included in our Retail Information Services segment. The impact of this acquisition on revenues and earnings for 2008 is not anticipated to be significant.

See Note 2, “Acquisitions,” to the unaudited Condensed Consolidated Financial Statements for further information.

Paxar Acquisition-related Actions

The following integration actions result in headcount reductions of approximately 1,695 positions in our Retail Information Services segment:

(Dollars in millions)	Paxar Acquisition-related costs ⁽¹⁾	Headcount Reduction
2007 Restructuring ⁽²⁾	\$ 31.2	200
2007 Transition costs ⁽²⁾	43.0	–
2008 Restructuring ⁽²⁾	5.6	130
2008 Transition costs ⁽²⁾	12.7	–
2007 Purchase price adjustments	20.5	855
2008 Purchase price adjustments	6.0	510
Total Paxar integration actions	\$119.0	1,695
Change-in-control costs (Purchase price adjustment)	27.8	
Total Paxar acquisition-related costs	\$146.8	

(1) Includes severance, asset impairment and lease cancellation charges, where applicable

(2) Recorded in the Consolidated Statement of Income

Cost synergies resulting from the integration of Paxar were approximately \$20 million in 2007 and approximately \$39 million in the first six months of 2008. Incremental cost synergies expected to be achieved through the balance of the integration are discussed in the “Outlook” section below.

Refer to Note 2, “Acquisitions” and Note 10, “Cost Reduction Actions,” to the unaudited Condensed Consolidated Financial Statements for further detail.

Cost Reduction Actions

In addition to cost synergies from the integration of Paxar discussed above, cost reduction actions initiated from late 2006 through the end of 2007 (see table below) are expected to yield annualized pretax savings of \$45 million to \$50 million. Savings from these actions, net of transition costs, were approximately \$5 million in 2007 and approximately \$20 million in the first six months of 2008. Incremental savings associated with these actions in the second half of 2008 are expected to be in the range of \$5 million to \$10 million, with the balance expected to be realized in 2009.

(Dollars in millions)	Accrued Expense ⁽¹⁾	Headcount Reduction
Q4 2006 restructuring	\$ 5.1	140
2007 restructuring (excluding Paxar integration-related actions)	26.3	415
Total Q4 2006-2007 restructuring actions	\$ 31.4	555

(1) Includes severance, asset impairment and lease cancellation charges, where applicable

We are undertaking additional restructuring actions in 2008, in addition to Paxar acquisition-related actions. The 2008 actions identified to date (see table below) are expected to yield annualized savings of approximately \$11 million, most of which is expected to benefit 2009.

(Dollars in millions)	Accrued Expense ⁽¹⁾	Headcount Reduction
Q1 2008 restructuring	\$ 4.3	105
Q2 2008 restructuring	6.0	230
Total 2008 restructuring actions	\$ 10.3	335

(1) Includes severance, asset impairment and lease cancellation charges, where applicable

See Note 10, “Cost Reduction Actions,” to the unaudited Condensed Consolidated Financial Statements for further information.

Effective Rate of Taxes on Income

The effective tax rate for the first six months of 2008 was 8%, compared with 22% for the same period in 2007. The effective tax rate for the first six months of 2008 included the recognition of a tax benefit of approximately \$32 million due to the increased realizability of deferred tax assets, partially offset by approximately \$4 million of other discrete items (including approximately \$5 million of tax contingency accruals). Refer to Note 12, “Taxes Based on Income,” to the unaudited Condensed Consolidated Financial Statements for further information.

Free Cash Flow

Free cash flow, which is a non-GAAP measure, refers to cash flow from operating activities and net proceeds from sale of investments, less spending on property, plant, equipment, software and other deferred charges. 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. Management believes that this measure provides meaningful supplemental information to our investors to assist them in their financial analysis of the Company. Management believes that it is appropriate to measure cash flow (including net proceeds from sale of investments) after spending on property, plant, equipment, software and other deferred charges because such spending is considered integral to maintaining or expanding our underlying business. Net proceeds from sale of investments are related to the sale of securities held by our captive insurance company. This measure is not intended to represent the residual cash available for discretionary purposes. Refer to the “Uses and Limitations of Non-GAAP Measures” section for further information regarding limitations of this measure.

(In millions)	Six Months Ended	
	June 28, 2008	June 30, 2007
Net cash provided by operating activities	\$ 188.7	\$ 130.9
Purchase of property, plant and equipment	(69.1)	(94.7)
Purchase of software and other deferred charges	(33.0)	(29.0)
Proceeds from sale of investments, net	13.0	—
Free cash flow	\$ 99.6	\$ 7.2

In the first six months of 2008, free cash flow increased due to lower spending on property, plant, and equipment, the timing of payments associated with accounts payable, and net proceeds from sale of investments, partially offset by payments for trade rebates and bonuses, as well as lower net income. See “Analysis of Results of Operations” and “Liquidity” sections below for more information.

Investigations

We previously announced that we had been notified by the European Commission (“EC”), the United States Department of Justice (“DOJ”), the Competition Law Department of the Department of Justice of Canada and the Australian Competition and Consumer Commission of their respective criminal investigations into competitive practices in the label stock industry. We cooperated with all of these investigations, and all, except the Australian investigation which is continuing, have been terminated without further action by the authorities.

We are a named defendant in purported class actions in the U.S. seeking treble damages and other relief for alleged unlawful competitive practices, which were filed after the announcement of the DOJ investigation.

As previously disclosed, we discovered instances of conduct by certain employees in China that potentially violate the U.S. Foreign Corrupt Practices Act. We reported that conduct to authorities in the U.S. and we believe it is possible that fines or other penalties may be incurred.

We are unable to predict the effect of these matters at this time, although the effect could be adverse and material. These and other matters are reported in Note 16, “Commitments and Contingencies,” to the unaudited Condensed Consolidated Financial Statements.

Outlook

Certain statements contained in this section are “forward-looking statements” and are subject to certain risks and uncertainties. Refer to our “Safe Harbor Statement” herein.

For the full year of 2008, we expect low double-digit revenue growth, including the benefit from our recent acquisitions and a favorable effect from foreign currency translation based on current exchange rates.

We estimate the total annual cost synergies associated with the Paxar integration to be approximately \$120 million, of which \$20 million benefited 2007 and \$39 million benefited the first six months of 2008. We expect an approximate 85% of targeted synergies to be captured in the Company’s run rate by year-end. To accomplish our synergy target, we expect to incur aggregate pretax cash costs in the range of \$165 million to \$180 million, of which approximately \$75 million was incurred in 2007 and approximately \$34 million was incurred in the first six months of 2008. We expect to incur an estimated \$35 million in the second half of 2008.

We anticipate continued benefit from our ongoing productivity improvement initiatives. In addition to the synergies resulting from the Paxar integration described above, we anticipate our prior year restructuring and business realignment efforts to yield incremental savings in 2008 of \$25 million to \$30 million, net of transition costs. Restructuring actions implemented in the first six months of 2008 are expected to yield savings of approximately \$11 million, most of which is expected to benefit 2009.

We expect the above benefits to be more than offset by higher costs, including those related to raw material and energy, as well as investments for future growth.

We anticipate price increases and productivity improvements in 2008 to partially offset raw material inflation. The negative impact of changes in pricing was lower in the second quarter compared to the first. This improving trend is expected to continue over the balance of the year due to benefits from price increases expected to be realized in the second half.

We estimate interest expense in 2008 to be in the range of \$115 million to \$120 million, approximately \$10 million to \$15 million higher than 2007, due to acquisition-related debt. Our estimate is subject to changes in average debt outstanding and changes in market rates associated with the portion of our debt tied to variable interest rates.

We anticipate total restructuring and asset impairment charges in 2008 to be lower than the charges taken in 2007.

The annual effective tax rate, expected to be in the range of 14% to 16% for 2008, will be impacted by future events including changes in tax laws, geographic income mix, tax audits, closure of tax years, legal entity restructuring, and the release of valuation allowances on deferred tax assets. The 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 our capital and software expenditures before Paxar integration-related activities to be approximately \$170 million in 2008. Capital and software expenditures related to the Paxar integration are expected to total \$35 million to \$40 million, of which approximately \$8 million was incurred in the first six months of 2008. We expect to incur incremental expenditures of \$5 million to \$10 million in the second half of 2008. These costs are included in the total one-time cash cost estimate for the integration, discussed above.

Reflecting the foregoing assumptions, we expect an increase in annual earnings and free cash flow in 2008 in comparison with 2007.

ANALYSIS OF RESULTS OF OPERATIONS FOR THE SECOND QUARTER

Income Before Taxes

(In millions)	2008	2007
Net sales	\$ 1,828.9	\$ 1,523.5
Cost of products sold	1,338.6	1,113.1
Gross profit	490.3	410.4
Marketing, general and administrative expense	341.0	270.8
Interest expense	29.3	20.1
Other expense, net	5.8	7.5
Income before taxes	\$ 114.2	\$ 112.0

As a Percent of Sales:

Gross profit (margin)	26.8%	26.9%
Marketing, general and administrative expense	18.6	17.8
Income before taxes	6.2	7.4

Sales

Sales increased 20% in the second quarter of 2008 compared to the same period last year, due largely to the benefits from the Paxar acquisition, which increased sales by an estimated \$205 million, and the DM Label acquisition, which increased sales by approximately \$15 million. Foreign currency translation had a favorable impact on the change in sales of approximately \$96 million in the second quarter of 2008.

On an organic basis, the decline of 1% in the second quarter of 2008 compared to the same period last year reflected continued weakness in U.S. markets, partially offset by sales growth internationally, particularly in the emerging markets. Weak market demand in the U.S. drove the declines in our Retail Information Services and Office and Consumer Products segments, as well as in our other specialty converting businesses. These declines were partially offset by organic sales growth in the Pressure-sensitive Materials segment, reflecting strong sales in emerging markets.

Refer to "Results of Operations by Segment" for further information on segments.

Gross Profit

Gross profit margin for the second quarter of 2008 declined compared to the same period in 2007, as higher gross profit margin associated with sales from the Paxar acquisition and savings from prior year restructuring and other sources of productivity were more than offset by the carryover effect of prior year price competition in the roll materials business, higher raw material costs, and negative

product mix shifts (lower sales of higher gross profit margin products), as well as reduced fixed cost leverage due to lower sales on an organic basis.

Marketing, General and Administrative Expenses

The increase in marketing, general and administrative expense in the second quarter of 2008 compared to the same period last year primarily reflected costs associated with the recently acquired businesses and related acquisition integration costs, net of synergies (totaling approximately \$58 million, including \$5 million in incremental amortization of intangibles), the negative effects of foreign currency (approximately \$10 million), and higher employee costs. These negative effects were partially offset by the benefits from productivity improvement initiatives and lower transition costs associated with the Paxar integration.

Other Expense, net

(In millions, pretax)	2008	2007
Restructuring costs	\$ 7.2	\$.9
Asset impairment and lease cancellation charges	3.1	–
Asset impairment charges — acquisition integration-related	–	9.5
Other	(4.5)	(2.9)
Other expense, net	\$ 5.8	\$ 7.5

In the second quarter of 2008, “Other expense, net” consisted of restructuring costs including severance and other employee-related costs, asset impairment and lease cancellation charges (primarily in the Retail Information Services segment), and a gain on sale of investments. Restructuring costs in the second quarter of 2008 relate to a reduction in headcount of approximately 310 positions across all segments and geographic regions.

In the second quarter of 2007, “Other expense, net” consisted of software impairment charges related to the integration of Paxar, restructuring costs including severance and other employee-related costs, as well as expenses related to a divestiture (\$.3 million), partially offset by the reversal of an accrual related to a lawsuit (\$3.2 million). Restructuring costs in the second quarter of 2007 related to a reduction in headcount of approximately 20 positions in the Pressure-sensitive Materials and Retail Information Services segments.

Refer to Note 10, “Cost Reduction Actions,” to the unaudited Condensed Consolidated Financial Statements for more information.

Net Income and Earnings per Share

(In millions, except per share)	2008	2007
Income before taxes	\$ 114.2	\$ 112.0
Provision for income taxes	21.8	25.8
Net income	\$ 92.4	\$ 86.2
Net income per common share	\$.94	\$.88
Net income per common share, assuming dilution	\$.93	\$.87
Net income as a percent of sales	5.1%	5.7%
Percent change in:		
Net income	7.2%	(23.9)%
Net income per common share	6.8	(22.1)
Net income per common share, assuming dilution	6.9	(23.0)

Provision for Income Taxes

Our effective tax rate for the second quarter of 2008 was 19%, compared with 23% for the same period in 2007. The effective tax rate for the second quarter of 2008 included the recognition of a tax benefit of approximately \$12 million due to the increased realizability of deferred tax assets, partially offset by approximately \$6 million of other discrete items (including approximately \$5 million of tax contingency accruals). Refer to Note 12, “Taxes Based on Income,” to the unaudited Condensed Consolidated Financial Statements for further information.

RESULTS OF OPERATIONS BY SEGMENT FOR THE SECOND QUARTER
Pressure-sensitive Materials Segment

(In millions)	2008	2007
Net sales including intersegment sales	\$ 1,025.7	\$ 920.8
Less intersegment sales	(45.8)	(41.5)
Net sales	\$ 979.9	\$ 879.3
Operating income (1)	80.0	89.5

(1) Includes a reversal of an accrual related to a lawsuit in 2007, asset impairment charges in 2008, and restructuring costs in both years	\$.4	\$ (2.7)
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Net Sales

Sales in our Pressure-sensitive Materials segment increased 11% in the second quarter of 2008 compared to the same period in 2007, reflecting the favorable impact of foreign currency translation (approximately \$73 million) and organic sales growth of approximately 3%, as unit volume growth was partially offset by the negative effects of price and mix.

On an organic basis, sales in our roll materials business in Europe in the second quarter of 2008 grew at a mid single-digit rate compared to the same period last year. Market expansion in our roll materials business contributed to double-digit organic growth in Asia and low single-digit organic growth in Latin America. Partially offsetting this growth, our North American roll materials business declined at a low single-digit rate (excluding intercompany sales), as volume growth in this region was more than offset by negative price and mix.

On an organic basis, sales in our graphics and reflective business declined at a low single-digit rate, reflecting lower promotional spending by businesses in response to weak market conditions.

Operating Income

Decreased operating income in the second quarter of 2008 reflected the negative effects of raw material inflation and prior year price reductions, which more than offset the initial benefits of recent price increases, higher unit volume, and cost savings from restructuring and productivity improvement initiatives. Operating income for the quarter included restructuring costs in both years, asset impairment charges in 2008, and a reversal of an accrual related to a lawsuit in 2007.

Retail Information Services Segment

(In millions)	2008	2007
Net sales including intersegment sales	\$ 438.3	\$ 219.7
Less intersegment sales	(.1)	(.3)
Net sales	\$ 438.2	\$ 219.4
Operating income (1) (2)	19.3	1.2

(1) Includes lease cancellation charges in 2008, and asset impairment and restructuring costs in both years	\$ 5.5	\$ 9.9
(2) Includes transition costs related to acquisition integrations, primarily Paxar	\$ 5.7	\$ 10.2

Net Sales

Sales in our Retail Information Services segment increased 100% in the second quarter of 2008 compared to the same period last year, which reflected sales from the Paxar acquisition, which increased sales by an estimated \$205 million, and the DM Label acquisition, which increased sales by approximately \$15 million, and the favorable impact of foreign currency translation (approximately \$7 million). On an organic basis, sales declined 3% in the second quarter of 2008 due to a decline in orders for apparel shipped to North American retailers and brand owners, partially offset by increased sales for the European retail market.

Operating Income

Increased operating income in the second quarter of 2008 reflected higher sales and savings from restructuring and productivity improvement initiatives and lower transition costs associated with the Paxar integration, partially offset by higher employee-related, raw material and other cost inflation, and incremental amortization of acquisition intangibles. Operating income for the quarter included asset impairment charges and restructuring costs in both years, and lease cancellation charges in 2008.

Office and Consumer Products Segment

(In millions)	2008	2007
Net sales including intersegment sales	\$ 255.7	\$ 263.1
Less intersegment sales	(.3)	(.4)
Net sales	\$ 255.4	\$ 262.7
Operating income (1)	40.1	42.2
(1) Includes restructuring costs in 2008 and expenses related to a divestiture in 2007	\$ 4.2	\$.3

Net Sales

Sales in our Office and Consumer Products segment decreased 3% in the second quarter of 2008 compared to the same period last year, reflecting lower sales on an organic basis, partially offset by the favorable impact of foreign currency translation (approximately \$8 million). On an organic basis, sales declined 6% due to weak end market demand and a delay in orders related to back-to-school season.

Operating Income

Decreased operating income in the second quarter of 2008 reflected lower sales and cost inflation, partially offset by savings from restructuring actions and other productivity improvement initiatives. Operating income for the quarter included restructuring costs in 2008 and expenses related to a divestiture in 2007.

Other specialty converting businesses

(In millions)	2008	2007
Net sales including intersegment sales	\$ 163.4	\$ 167.3
Less intersegment sales	(8.0)	(5.2)
Net sales	\$ 155.4	\$ 162.1
Operating income	5.5	7.2

Net Sales

Sales in our other specialty converting businesses decreased 4% in the second quarter of 2008 compared to the same period in 2007. Reported sales growth included the favorable impact of foreign currency translation (approximately \$8 million). On an organic basis, sales declined 9% in the second quarter of 2008, reflecting lower volumes in automotive and housing construction, and the negative effect of exiting certain low-margin products in our specialty tape business, partially offset by growth in our radio-frequency identification (“RFID”) division.

Operating Income

Decreased operating income in the second quarter of 2008 reflected lower sales and cost inflation, partially offset by the benefit of productivity improvement initiatives and a reduction in operating loss in our RFID division.

ANALYSIS OF RESULTS OF OPERATIONS FOR THE SIX MONTHS YEAR-TO-DATE

Income Before Taxes

(In millions)	2008	2007
Net sales	\$ 3,474.1	\$ 2,913.4
Cost of products sold	2,559.8	2,138.7
Gross profit	914.3	774.7
Marketing, general and administrative expense	669.0	519.1
Interest expense	58.8	35.2
Other expense, net	11.4	9.6
Income before taxes	\$ 175.1	\$ 210.8

As a Percent of Sales:

Gross profit (margin)	26.3%	26.6%
Marketing, general and administrative expense	19.3	17.8
Income before taxes	5.0	7.2

Sales

Sales increased approximately 19% in the first six months of 2008 compared to the same period in the prior year, due largely to the benefits from the Paxar acquisition, which increased sales by an estimated \$415 million, and the DM Label acquisition, which increased sales by approximately \$15 million. Foreign currency translation had a favorable impact on the change in sales of approximately \$172 million in the first six months of 2008.

On an organic basis, the decline of 1% in the first six months of 2008 reflected continued weakness in U.S. markets, partially offset by sales growth internationally, particularly in the emerging markets. Weak market demand in the U.S. drove the declines in our Retail Information Services and Office and Consumer Products segments, as well as in our other specialty converting businesses. These declines were partially offset by organic sales growth in the Pressure-sensitive Materials segment, reflecting strong sales in emerging markets.

Refer to “Results of Operations by Segment” for further information on segments.

Gross Profit

Gross profit margin for the first six months of 2008 declined compared to the same period last year, as higher gross profit margin associated with sales from the Paxar acquisition and savings from prior year restructuring and other sources of productivity were more than offset by the carryover effect of prior year price competition in the roll materials business, higher raw material costs, and negative product mix shifts (lower sales of higher gross profit margin products), as well as reduced fixed cost leverage due to lower sales on an organic basis.

Marketing, General and Administrative Expenses

The increase in marketing, general and administrative expense in the first six months of 2008 compared to the same period last year primarily reflected costs associated with the recently acquired businesses and related acquisition integration costs, net of synergies (totaling approximately \$127 million, including \$11 million in incremental amortization of intangibles and \$4 million in incremental transition costs), the negative effects of foreign currency (approximately \$9 million), as well as higher employee costs, partially offset by the benefits from productivity improvement initiatives.

Other Expense, net

(In millions, pretax)	2008	2007
Restructuring costs	\$ 10.5	\$ 3.0
Asset impairment and lease cancellation charges	5.4	–
Asset impairment charges — acquisition integration-related	–	9.5
Other	(4.5)	(2.9)
Other expense, net	\$ 11.4	\$ 9.6

In the first six months of 2008, “Other expense, net” consisted of restructuring costs including severance and other employee-related costs, asset impairment and lease cancellation charges (in the Pressure-sensitive Materials and Retail Information Services segments), and a gain on sale of investments. Restructuring costs in the first six months of 2008 relate to a reduction in headcount of approximately 465 positions across all segments and geographic regions.

In the first six months of 2007, “Other expense, net” consisted of software impairment charges related to the integration of Paxar, restructuring costs including severance and other employee-related costs, and expenses related to a divestiture (\$.3 million), partially offset by a reversal of an accrual related to a lawsuit (\$3.2 million). Restructuring costs in the first six months of 2007 related to a reduction in headcount of approximately 95 positions, which impacted each of our segments and geographic regions.

Refer to Note 10, “Cost Reduction Actions,” to the unaudited Condensed Consolidated Financial Statements for more information.

Net Income and Earnings per Share

(In millions, except per share)	2008	2007
Income before taxes	\$ 175.1	\$ 210.8
Provision for income taxes	14.3	45.5
Net income	\$ 160.8	\$ 165.3
Net income per common share	\$ 1.63	\$ 1.69
Net income per common share, assuming dilution	\$ 1.62	\$ 1.67
Net income as a percent of sales	4.6%	5.7%
Percent change in:		
Net income	(2.7)%	(9.5)%
Net income per common share	(3.6)	(7.7)
Net income per common share, assuming dilution	(3.0)	(8.2)

Provision for Income Taxes

The effective tax rate for the first six months of 2008 was 8%, compared with 22% for the same period in 2007. The effective tax rate for the first six months of 2008 included the recognition of a tax benefit of approximately \$32 million due to the increased realizability of deferred tax assets, partially offset by approximately \$4 million of other discrete items (including approximately \$5 million of tax contingency accruals). Refer to Note 12, "Taxes Based on Income," to the unaudited Condensed Consolidated Financial Statements for further information.

RESULTS OF OPERATIONS BY SEGMENT FOR THE SIX MONTHS YEAR-TO-DATE

Pressure-sensitive Materials Segment

(In millions)	2008	2007
Net sales including intersegment sales	\$ 1,986.1	\$ 1,815.8
Less intersegment sales	(86.6)	(76.5)
Net sales	\$ 1,899.5	\$ 1,739.3
Operating income (1)	149.9	171.4

(1) Includes reversal of accrual related to a lawsuit in 2007, asset impairment charges in 2008, and restructuring costs in both years	\$ 3.8	\$ (1.2)
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Net Sales

Sales in our Pressure-sensitive Materials segment increased 9% in the first six months of 2008 compared to the same period in 2007, reflecting the favorable impact of foreign currency translation (approximately \$130 million) and organic sales growth of approximately 2%, as unit volume growth was partially offset by the negative effects of price and mix.

On an organic basis, sales in our roll materials business in Europe in the first six months of 2008 grew at a low single-digit rate compared to the same period last year. Market expansion in our roll materials business contributed to double-digit organic growth in Asia, and low single-digit organic growth in Latin America. Partially offsetting this growth, our North American roll materials business declined at a low single-digit rate (excluding intercompany sales), as volume growth in this region was more than offset by negative price and mix.

On an organic basis, sales in our graphics and reflective business declined at a mid single-digit rate, reflecting lower promotional spending by businesses in response to weak market conditions.

Operating Income

Decreased operating income in the first six months of 2008 reflected the negative effects of raw material inflation and prior year price reductions, which more than offset the initial benefits of recent price increases, higher unit volume, and cost savings from restructuring and productivity improvement initiatives. Operating income for the six month period included restructuring costs in both years, asset impairment charges in 2008, and a reversal of an accrual related to a lawsuit in 2007.

Retail Information Services Segment

(In millions)	2008	2007
Net sales including intersegment sales	\$ 811.5	\$ 376.7
Less intersegment sales	(1.3)	(.8)
Net sales	\$ 810.2	\$ 375.9
Operating income (1)(2)	14.9	8.0

(1) Includes integration-related software impairment in 2007, asset impairment and lease cancellation charges in 2008, and restructuring costs in both years	\$ 6.8	\$ 9.9
(2) Includes transition costs related to acquisition integrations, primarily Paxar	\$ 12.7	\$ 10.2

Net Sales

Sales in our Retail Information Services segment increased 116% in the first six months of 2008 compared to the same period last year, which reflected sales from the Paxar acquisition, which increased sales by an estimated \$415 million, and the DM Label acquisition, which increased sales by approximately \$15 million, and the favorable impact of foreign currency translation (approximately \$12 million). On an organic basis, sales declined 2% in the first six months of 2008 due to a decline in orders for apparel shipped to North American retailers and brand owners, partially offset by increased sales for the European retail market.

Operating Income

Increased operating income in the first six months of 2008 reflected higher sales and savings from restructuring and productivity improvement initiatives, partially offset by higher employee-related, raw material and other cost inflation, and incremental amortization of acquisition intangibles and transition costs. Operating income for the six month period included asset impairment charges and restructuring costs in both years, and lease cancellation charges in 2008.

Office and Consumer Products Segment

(In millions)	2008	2007
Net sales including intersegment sales	\$ 450.4	\$ 478.0
Less intersegment sales	(.6)	(.9)
Net sales	\$ 449.8	\$ 477.1
Operating income (1)	61.6	68.7

(1) Includes expenses related to a divestiture in 2007 and restructuring costs in both years	\$ 4.3	\$.9
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Net Sales

Sales in our Office and Consumer Products segment decreased 6% in the first six months of 2008 compared to the same period last year, reflecting lower sales on an organic basis, partially offset by the favorable impact of foreign currency translation (approximately \$15 million). On an organic basis, sales declined 8% due to customer inventory reductions (an estimated \$12 million), a delay in orders related to back-to-school season, and weak end market demand.

Operating Income

Decreased operating income in the first six months of 2008 reflected lower sales and cost inflation, partially offset by savings from restructuring actions and other productivity improvement initiatives. Operating income for the six month period included restructuring costs in both years, and expenses related to a divestiture in 2007.

Other specialty converting businesses

(In millions)	2008	2007
Net sales including intersegment sales	\$ 329.4	\$ 330.2
Less intersegment sales	(14.8)	(9.1)
Net sales	\$ 314.6	\$ 321.1
Operating income (1)	14.7	18.5

(1) Includes restructuring costs in 2008	\$.1	\$ -
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Net Sales

Sales in our other specialty converting businesses decreased 2% in the first six months of 2008 compared to the same period in 2007. Reported sales growth included the favorable impact of foreign currency translation (approximately \$14 million). On an organic basis, sales declined 6% in the first six months of 2008, reflecting lower volumes in automotive and housing construction, and the negative effect of exiting certain low-margin products in our specialty tape business, partially offset by growth in our radio-frequency identification (“RFID”) division.

Operating Income

Decreased operating income in the first six months of 2008 reflected lower sales and cost inflation, partially offset by the benefit of productivity improvement initiatives and a reduction in operating loss in our RFID division. Operating income in the first six months of 2008 included restructuring charges.

FINANCIAL CONDITION**Liquidity****Cash Flow Provided by Operating Activities for the First Six Months:**

(In millions)	2008	2007
Net income	\$ 160.8	\$ 165.3
Depreciation and amortization	135.2	100.8
Deferred taxes	(32.8)	13.3
Asset impairment and net loss on sale and disposal of assets	14.4	13.1
Stock-based compensation	16.9	10.3
Other non-cash items, net	(16.2)	(9.9)
Changes in assets and liabilities	(89.6)	(162.0)
Net cash provided by operating activities	\$ 188.7	\$ 130.9

For cash flow purposes, changes in assets and liabilities exclude the impact of foreign currency translation, the impact of acquisitions and certain non-cash transactions (discussed in the “Analysis of Selected Balance Sheet Accounts” section below).

In 2008, cash flow provided by operating activities was impacted by lower net income. Changes in working capital and other factors are discussed below:

Positive factors

- Accounts payable and accrued liabilities mainly reflected improved payment terms associated with accounts payable, partially offset by payments for trade rebates and bonuses

Negative factors

- Accounts receivable reflected an increase in average days sales outstanding, primarily due to seasonality and slower customer payments
- Inventory reflected higher inventory levels to support expected sales

In 2007, cash flow provided by operating activities was impacted by higher net income. Changes in working capital and other factors are discussed below:

Positive factors

- Other receivables primarily reflected the timing of collection of value-added tax receivables in Europe

Negative factors

- Trade accounts receivable reflected the seasonal sales volume, including back-to-school, and increase in the average days sales outstanding reflecting the timing of receipts from customers
- Accounts payable and accrued liabilities reflected the timing of payments, including payments for trade rebates and bonuses
- Inventory reflected increased purchases to support increase in volume and seasonality

Cash Flow Used in Investing Activities for the First Six Months:

(In millions)	2008	2007
Purchase of property, plant and equipment	\$ (69.1)	\$ (94.7)
Purchase of software and other deferred charges	(33.0)	(29.0)
Payments for acquisitions	(125.0)	(1,284.1)
Proceeds from sale of assets	3.2	1.7
Proceeds from sale of investments, net	13.0	–
Other	1.9	.7
Net cash used in investing activities	\$ (209.0)	\$ (1,405.4)

Payments for Acquisitions

On April 1, 2008, we completed the acquisition of DM Label, which is included in our Retail Information Services segment.

On June 15, 2007, we completed the acquisition of Paxar. In accordance with the terms of the acquisition agreement, each outstanding share of Paxar common stock, par value \$0.10 was converted into the right to receive \$30.50 in cash. The total purchase price for this transaction was approximately \$1.33 billion, including transaction costs of approximately \$15 million.

Refer to Note 2, “Acquisitions,” to the unaudited Condensed Consolidated Financial Statements for more information.

Capital Spending

Significant capital projects during the first six months of 2008 included investments for expansion in China and India serving both our materials and retail information services businesses. Significant information technology projects during the first six months of 2008 included customer service and standardization initiatives.

Proceeds from Sale of Investments

Net proceeds from sale of investments are related to the sale of securities held by our captive insurance company.

Cash Flow Used in Financing Activities for the First Six Months:

(In millions)	2008	2007
Net change in borrowings and payments of debt	\$ 114.7	\$ 1,412.2
Dividends paid	(87.6)	(85.4)
Purchase of treasury stock	–	(63.2)
Proceeds from exercise of stock options, net	1.9	30.5
Other	5.4	(2.1)
Net cash provided by financing activities	\$ 34.4	\$ 1,292.0

Borrowings and Repayment of Debt

In February 2008, one of our subsidiaries entered into a credit agreement for a term loan credit facility with fifteen domestic and foreign banks for a total commitment of \$400 million, which we guaranteed, maturing February 8, 2011. Financing available under the agreement is permitted to be used for working capital and other general corporate purposes, including acquisitions. The term loan credit facility typically bears interest at an annual rate of, at the subsidiary’s option, either (i) between LIBOR plus 0.300% and LIBOR plus 0.850%, depending on the Company’s debt ratings by either Standard & Poor’s Rating Service (“S&P”) or Moody’s Investors Service (“Moody’s”), or (ii) the higher of (A) the federal funds rate plus 0.50% or (B) the prime rate. We used the term loan credit facility to reduce commercial paper borrowings previously issued to fund the acquisition of Paxar. The term loan credit facility is subject to customary financial covenants, including a maximum leverage ratio and a minimum interest coverage ratio.

During the first six months of 2007, we increased our short-term borrowings to initially fund the Paxar acquisition transaction. Additionally, proceeds from borrowings were used to support seasonal operational requirements and share repurchases.

Shareholders’ Equity

Our shareholders’ equity was approximately \$2.20 billion at June 28, 2008 compared to approximately \$1.84 billion at June 30, 2007. Our dividend per share increased to \$.82 in the first six months of 2008 from \$.80 in the first six months of 2007.

Share Repurchases

During the first six months of 2007, we repurchased approximately .8 million shares totaling \$52 million. We also made cash payments of \$11 million related to shares repurchased in 2006, but settled in 2007.

Analysis of Selected Balance Sheet Accounts

Long-lived Assets

Goodwill increased approximately \$142 million during the first six months of 2008 due to preliminarily identified goodwill associated with the DM Label acquisition (approximately \$66 million), foreign currency translation (approximately \$62 million), and purchase price adjustments (approximately \$14 million) associated with the Paxar acquisition.

Other intangible assets resulting from business acquisitions decreased approximately \$1 million during the first six months of 2008, which reflected the third-party valuation of intangible assets for the Paxar acquisition (approximately \$8 million) and the impact of foreign currency translation (approximately \$7 million), partially offset by normal amortization expense (approximately \$16 million).

Refer to Note 2, “Acquisitions,” to the unaudited Condensed Consolidated Financial Statements for more information.

Other assets increased approximately \$20 million during the first six months of 2008 due primarily to purchases of software and other deferred charges, net of related amortization (approximately \$15 million) and the impact of foreign currency translation (approximately \$3 million), an increase in the cash surrender value of corporate-owned life insurance (approximately \$3 million), partially offset by

sales and/or disposals of software and other deferred charges (approximately \$2 million) and a change in long-term pension assets (approximately \$2 million).

Other Shareholders' Equity Accounts

The value of our employee stock benefit trusts decreased approximately \$83 million during the first six months of 2008 due to a decrease in the market value of shares held in the trust of approximately \$78 million, and the issuance of shares under our employee stock option and incentive plans having a value of approximately \$5 million.

Impact of Foreign Currency Translation for the First Six Months:

(In millions)	2008	2007
Change in net sales	\$ 172	\$ 94
Change in net income	10	5

International operations generated approximately 67% of our net sales in the first six months of 2008. Our future results are subject to changes in political and economic conditions and the impact of fluctuations in foreign currency exchange and interest rates.

The benefit to sales from currency translation in the first six months of 2008 primarily reflected a benefit from sales denominated in Euros and Swiss Francs, as well as sales in the currencies of China, Brazil, and Australia, partially offset by a negative impact of sales in the currencies of South Korea and South Africa.

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 statement 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 (current assets minus current liabilities), as a percent of annualized net sales, changed in 2008 primarily due to the impact of the Paxar acquisition, a decrease in short-term debt, as well as an increase in trade accounts receivable and refundable income taxes, partially offset by an increase in accounts payable.

Operational working capital, as a percent of annualized net sales, is a non-GAAP measure and is shown below. We use this non-GAAP measure as a tool to assess our working capital requirements because it excludes the impact of fluctuations due to our financing and other activities (that affect cash and cash equivalents, deferred taxes and 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 "Uses and Limitations of Non-GAAP 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 Six Months:

(In millions)	2008	2007
(A) Working capital (current assets minus current liabilities)	\$ (8.3)	\$ (1,064.3)
Reconciling items:		
Cash and cash equivalents	(87.1)	(76.6)
Current deferred and refundable income taxes and other current assets	(302.0)	(260.4)
Short-term and current portion of long-term debt	825.8	1,894.3
Current deferred and payable income taxes and other current liabilities	685.7	616.1
(B) Operational working capital	\$ 1,114.1	\$ 1,109.1
(C) Annualized net sales (year-to-date sales, multiplied by 2)	\$ 6,948.2	\$ 5,826.8
Working capital, as a percent of annualized net sales (A) , (C)	(.1)%	(18.3)%
Operational working capital, as a percent of annualized net sales (B) , (C)	16.0%	19.0%

As a percent of annualized sales, operational working capital in the first six months of 2008 decreased compared to the same period in the prior year. The primary factors contributing to this change, which includes the impact of the Paxar acquisition and currency translation, are discussed below.

Accounts Receivable Ratio

The average number of days sales outstanding was 62 days in the first six months of 2008 compared to 65 days in the first six months of 2007, calculated using the two-quarter average trade accounts receivable balance divided by the average daily sales for the first six months. The current year average number of days sales outstanding was impacted by changes in payment terms with our customers. The prior year average number of days sales outstanding was impacted primarily by the Paxar acquisition in June 2007.

Inventory Ratio

Average inventory turnover was 7.7 in the first six months of 2008 compared to 7.2 in the first six months of 2007, calculated using the annualized cost of sales (cost of sales for the first six months multiplied by 2) divided by the two-quarter average inventory balance for the first six months. The change is primarily due to improved inventory management, partially offset by higher material costs. The prior year average inventory turnover was primarily impacted by the Paxar acquisition in June 2007.

Accounts Payable Ratio

The average number of days payable outstanding was 55 days in the first six months of 2008 and 2007, calculated using the two-quarter average accounts payable balance divided by the average daily cost of products sold for the first six months. The current year average number of days payable was primarily due to improved payment terms. The prior year average number of days sales outstanding was impacted primarily by the Paxar acquisition in June 2007.

Debt and Shareholders' Equity Ratios

	Six Months Ended	
	June 28, 2008	June 30, 2007
Total debt to total capital	51.9%	56.6%
Return on average shareholders' equity	15.3	18.8
Return on average total capital	9.7	11.9

The decrease in the total debt to total capital ratio was primarily due to an increase in shareholders' equity, as well as a net decrease in debt related to the funding of the Paxar acquisition in June 2007.

Our various loan agreements in effect as of June 28, 2008 require that we maintain specified ratios of consolidated debt and consolidated interest expense in relation to certain measures of income. Under the loan agreements, the required debt covenant ratio for total debt to earnings before interest, taxes, depreciation, amortization, and non-cash expenses may not exceed 3.5 to 1.0. The Company's ratio at June 28, 2008 was 3.1 to 1.0. The required debt covenant ratio for earnings before interest, taxes, and non-cash expenses, as a ratio to interest, may not be less than 3.5 to 1.0. The Company's ratio at June 28, 2008 was 3.9 to 1.0.

Decreases in the returns on average shareholders' equity and total capital in the first six months of 2008 compared to the first six months of 2007 were primarily due to lower net income and higher equity, partially offset by lower total debt outstanding. These ratios are computed using annualized net income (year-to-date net income multiplied by 2) and a three-quarter average denominator for equity and total debt accounts.

Capital Resources

Capital resources include cash flows from operations and debt financing. We maintain adequate financing arrangements at competitive rates. These financing arrangements consist of our commercial paper programs in the U.S. and Europe, committed and uncommitted bank lines of credit in the countries where we operate, callable commercial notes and long-term debt, including medium-term notes.

Capital from Debt

Our total debt increased approximately \$115 million in the first six months of 2008 to approximately \$2.37 billion compared to approximately \$2.26 billion at year end 2007, reflecting primarily an increase in short-term borrowings associated with the DM Label acquisition, partially offset by a reduction of short-term borrowings used for general operational requirements. Refer to the "Borrowings and Repayment of Debt" in the Cash Flow Used in Financing Activities section 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 on our commercial paper and other borrowings. 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 a solid investment grade rating.

Our Credit Ratings as of June 28, 2008:

	Short-term	Long-term	Outlook
Standard & Poor's Rating Service ("S&P")	A-2	BBB+	Stable (1)
Moody's Investors Service ("Moody's")	P2	Baa1	Negative

(1) In July 2008, S&P changed its outlook on our credit ratings from "Stable" to "Negative."

Off-Balance Sheet Arrangements, Contractual Obligations, and Other Matters*Industry Investigations*

We previously announced that we had been notified by the European Commission, the United States Department of Justice ("DOJ"), the Competition Law Department of the Department of Justice of Canada and the Australian Competition and Consumer Commission of their respective criminal investigations into competitive practices in the label stock industry. We cooperated with all of these investigations, and all have been terminated without further action by the authorities with the exception of the Australian investigation, which is continuing.

We are a named defendant in purported class actions in the U.S. seeking treble damages and other relief for alleged unlawful competitive practices, which were filed after the announcement of the DOJ investigation.

The Board of Directors created an ad hoc committee comprised of independent directors to oversee the foregoing matters.

We are unable to predict the effect of these matters at this time, although the effect could be adverse and material. These and other matters are reported in Note 16, "Commitments and Contingencies," to the unaudited Condensed Consolidated Financial Statements.

Environmental

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

We have accrued liabilities for these and certain other sites, including sites in which governmental agencies have designated us 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.

As of June 28, 2008, our estimated liability associated with compliance and remediation costs was approximately \$62 million, including estimated liabilities related to our recent acquisitions.

Other amounts currently accrued are not significant to our consolidated financial position, and based upon current information, we believe that it is unlikely that the resolution of these matters will significantly impact our consolidated financial position, results of operations or cash flows.

Other

In 2005, we 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 our 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. Corrective and disciplinary actions have been taken. Sales of our reflective business in China in 2005 were approximately \$7 million. Based on findings to date, no changes to our previously filed financial statements are warranted as a result of these matters. However, we believe that fines or other penalties could be incurred. While we are unable to predict the financial or operating impact of any such fines or penalties, we believe that our behavior in detecting, investigating, responding to and voluntarily disclosing these matters to authorities should be viewed favorably.

We provide for an estimate of costs that may be incurred under our basic limited warranty at the time product revenue is recognized. These costs primarily include materials and labor associated with the service or sale of products. Factors that affect our warranty liability include the number of units installed or sold, historical and anticipated rate of warranty claims on those units, cost per claim to satisfy our warranty obligation and availability of insurance coverage. As these factors are impacted by actual experience and future expectations, we assess the adequacy of the recorded warranty liability and adjust the amounts as necessary.

On September 9, 2005, we completed the lease financing for a commercial facility (the “Facility”) located in Mentor, Ohio, used primarily for the new headquarters and research center for our roll materials division. The Facility consists generally of land, buildings, equipment and office furnishings. We have leased the Facility under an operating lease arrangement, which contains a residual value guarantee of \$33.4 million. We do not expect the residual value of the Facility to be less than the amount guaranteed.

We participate in international receivable financing programs with several financial institutions whereby advances may be requested from these financial institutions. Such advances are guaranteed by us. At June 28, 2008, we had guaranteed approximately \$16 million.

As of June 28, 2008, we guaranteed up to approximately \$22 million of certain of our foreign subsidiaries’ obligations to their suppliers, as well as approximately \$543 million of certain of our subsidiaries’ lines of credit with various financial institutions.

In November 2007, we issued \$400 million of 7.875% Corporate HiMEDS units, a mandatory convertible debt issue. An additional \$40 million of HiMEDS units were issued in December 2007 as a result of the exercise of the overallocation from the initial issuance. Each HiMEDS unit is comprised of two components — a purchase contract obligating the holder to purchase from us a certain number of shares of our common stock in 2010 ranging from approximately 6.8 million to approximately 8.6 million shares (depending on the quoted price per share of our common stock at that time) and a senior note due in 2020. The net proceeds from the offering were approximately \$427 million, which were used to reduce commercial paper borrowings initially used to finance the Paxar acquisition.

USES AND LIMITATIONS OF NON-GAAP MEASURES

We use certain non-GAAP financial measures that 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 measures, may make it difficult to assess the underlying performance of the Company in a single period. By excluding certain accounting effects, both positive and negative (e.g. gains on sales of assets, restructuring charges, asset impairments, effects of acquisitions and related costs, etc.), from certain of our GAAP measures, management believes that it is providing meaningful supplemental information to facilitate an understanding of the Company’s “core” or “underlying” operating results. These non-GAAP 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. We apply the anticipated full-year GAAP tax rate to the non-GAAP adjustments to determine adjusted non-GAAP net income.

Limitations associated with the use of our non-GAAP measures include: (1) for the calculation of organic sales growth, the exclusion of foreign currency translation and the impact of acquisitions and divestitures from reported sales growth; (2) for the calculation of free cash flow, the exclusion of any mandatory debt service requirements and other uses of the cash generated by operating activities that do not directly or immediately support the underlying business (such as discretionary debt reductions, dividends, share repurchase, acquisitions, etc.); (3) for the calculation of operational working capital, the exclusion of cash and cash equivalents, short-term debt, deferred taxes, and other current assets and other current liabilities from working capital. While some of the items the Company excludes from GAAP measures recur, these items tend to be disparate in amount and timing. Based upon feedback from investors and financial analysts, we believe that supplemental non-GAAP measures provide information that is useful to the assessment of the Company’s performance and operating trends.

RECENT ACCOUNTING REQUIREMENTS

During the first six months of 2008, certain other accounting and financial disclosure requirements by the Financial Accounting Standards Board and the SEC were issued. Refer to Note 18, “Recent Accounting Requirements,” to the unaudited Condensed Consolidated Financial Statements for more information.

SAFE HARBOR STATEMENT

The matters discussed in this Management’s Discussion and Analysis of Financial Condition and Results of Operations and other sections of 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, may 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,” “objective,” “plan,” “potential,” “project,” “seek,” “shall,” “should,” “target,” “will,” “would,” or variations thereof and other expressions, which refer to future events and trends, identify forward-looking statements. Such 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 of such risks and uncertainties are discussed in more detail in Part II, Item 1A, “Risk Factors,” to this Form 10-Q for the quarter ended June 28, 2008 and Part I, Item 1A, “Risk Factors,” to the Company’s Annual Report on Form 10-K for the year ended December 29, 2007, and include, but are not limited to, risks and uncertainties relating to investment in development activities and new production facilities; fluctuations in cost and availability of raw materials; ability of the Company to achieve and sustain targeted cost reductions, including synergies expected from the integration of the Paxar business in the time and at the cost anticipated; ability of the Company to generate sustained productivity improvement; successful integration of acquisitions; successful implementation of new manufacturing technologies and installation of manufacturing equipment; the financial condition and inventory strategies of customers; customer and supplier concentrations; changes in customer order patterns; loss of significant contract(s) or customer(s); timely development and market acceptance of new products; fluctuations in demand affecting sales to customers; impact of competitive products and pricing; selling prices; business mix shift; credit risks; ability of the Company to obtain adequate financing arrangements; fluctuations in interest rates; fluctuations in pension, insurance and employee benefit costs; impact of legal proceedings, including the Australian Competition and Consumer Commission investigation into industry competitive practices, and any related 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 (“DOJ”), the European Commission, and the Canadian Department of Justice (including purported class actions seeking treble damages for alleged unlawful competitive practices, which were filed after the announcement of the DOJ investigation), as well as the impact of potential violations of the U.S. Foreign Corrupt Practices Act based on issues in China; changes in governmental regulations; changes in political conditions; fluctuations in foreign currency exchange rates and other risks associated with foreign operations; worldwide and local economic conditions; impact of epidemiological events on the economy and the Company’s customers and suppliers; acts of war, terrorism, natural disasters; and other factors.

The Company believes that the most significant risk factors that could affect its ability to achieve its stated financial expectations in the near-term include (1) the impact of economic conditions on underlying demand for the Company’s products; (2) the degree to which higher raw material and energy-related costs can be passed on to customers through selling price increases, without a significant loss of volume; (3) the impact of competitors’ actions, including pricing, expansion in key markets, and product offerings; (4) potential adverse developments in legal proceedings and/or investigations regarding competitive activities, including possible fines, penalties, judgments or settlements; and (5) the ability of the Company to achieve and sustain targeted cost reductions, including expected synergies associated with the Paxar acquisition.

The Company’s forward-looking statements represent judgment only on the dates such statements were made. By making such 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes in the information provided in Part II, Item 7A of the Company’s Form 10-K for the fiscal year ended December 29, 2007.

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 the Company's 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.

As part of the ongoing integration of Paxar, the Company continues to assess the overall control environment of this business and to integrate Paxar into the Company's reporting environment.

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**

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 sixteen waste disposal or waste recycling sites, including Paxar 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.

As of June 28, 2008, the Company’s estimated liability associated with compliance and remediation costs was approximately \$62 million, including estimated liabilities related to the Company’s recent acquisitions.

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 resolution of these matters will significantly impact the Company’s consolidated financial position, results of operations or cash flows.

In April 2003, the U.S. Department of Justice (“DOJ”) filed a complaint challenging the then proposed merger of UPM-Kymmene (“UPM”) and the Morgan Adhesives (“MACTac”) division of Bemis Co., Inc. (“Bemis”). The complaint alleged, among other things, that “UPM and [Avery Dennison] have already attempted to limit competition between themselves, as reflected in written and oral communications to each other through high level executives regarding explicit anticompetitive understandings, although the extent to which these efforts have succeeded is not entirely clear to the United States at the present time.” The DOJ concurrently announced a criminal investigation into competitive practices in the label stock industry. Other investigations into competitive practices in the label stock industry were subsequently initiated by the European Commission, the Competition Law Division of the Department of Justice of Canada, and the Australian Competition and Consumer Commission. The Company cooperated with all of these investigations, and all, except the Australian investigation which is continuing, have subsequently been terminated without further action by the authorities.

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, essentially repeating the underlying allegations of the DOJ merger complaint. 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. On March 1, 2007, the court heard oral argument on the issue of the appropriateness of class certification. On August 28, 2007, plaintiffs moved to lift the discovery stay, which the Company opposed. On November 19, 2007, the court certified a class consisting of direct purchasers of self-adhesive label stock from the defendants during the period from January 1, 1996 to July 25, 2003. The Company filed a petition to appeal this decision on December 4, 2007, which was denied on March 6, 2008. On July 22, 2008, the district court held a hearing to set a schedule for merits discovery. The court subsequently entered an order that requires the parties to complete fact discovery by June 22, 2009. Dispositive motions are due on March 19, 2010. The Company intends to defend these matters vigorously.

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 September 30, 2004, the Harman Press amended

its complaint to add Bemis' subsidiary Morgan Adhesives Company ("MActac") as a defendant. 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 Nebraska, Kansas and Vermont cases are currently stayed. Defendants' motion to dismiss the Tennessee case, filed on March 30, 2006, is pending. The Company intends to defend these matters vigorously.

The Board of Directors created an ad hoc committee comprised of independent directors to oversee the foregoing matters.

The Company is unable to predict the effect of these matters at this time, although the effect could be adverse and material. These and other matters are reported in Note 16, "Commitments and Contingencies," to the unaudited Condensed Consolidated Financial Statements.

In 2005, the Company contacted relevant authorities in the U.S. and reported on 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 Company's 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. Corrective and disciplinary actions have been taken. Sales of the Company's reflective business in China in 2005 were approximately \$7 million. Based on findings to date, no changes to the Company's previously filed financial statements are warranted as a result of these matters. However, the Company expects that fines or other penalties could be incurred. While the Company is unable to predict the financial or operating impact of any such fines or penalties, it believes that its behavior in detecting, investigating, responding to and voluntarily disclosing these matters to authorities should be viewed favorably.

The Company and its subsidiaries are involved in various other lawsuits, claims and inquiries, most of which are routine to the nature of the Company's business. Based upon current information, management believes that the resolution of these other matters will not materially affect the Company's financial position.

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 December 29, 2007.

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

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

The Board of Directors has authorized the repurchase of shares of the Company's outstanding common stock. Repurchased shares may be reissued under the Company's stock option and incentive plans or used for other corporate purposes. Repurchases of equity securities during the second quarter ended June 28, 2008 are listed in the following table.

(Shares in thousands, except per share amounts)	Total shares repurchased ⁽¹⁾	Average price per share	Remaining authorization to repurchase shares
April 27, 2008 - May 24, 2008	26.0	\$ 48.55	4,154.7
May 25, 2008 - June 28, 2008	2.2	49.15	4,154.7
Quarterly Total	28.2	\$ 48.60	4,154.7

(1) Includes shares repurchased through non-cash activities that were delivered (actually or constructively) to the Company by participants exercising stock options during the second quarter of 2008 under the Company's stock option and incentive plans.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

Information called for in this Item during the period is incorporated by reference to Part II, Item 4 in the Company's Form 10-Q filed on May 8, 2008.

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS

Exhibit 3.1	Restated Certification of Incorporation, filed August 2, 2002 with the Office of Delaware Secretary of State, is incorporated by reference to the third quarterly report for 2002 on Form 10-Q, filed November 12, 2002
Exhibit 3.2	By-laws, as amended, is incorporated by reference to the current report on Form 8-K, filed July 30, 2007
Exhibit 10.1	Avery Dennison Office Products Company — Credit Agreement, amended and restated
Exhibit 10.2	Revolving Credit Agreement, amended and restated
Exhibit 10.19.6	Forms of Equity Agreement
Exhibit 10.19.7	Employee Stock Option and Incentive Plan, amended and restated
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges
Exhibit 31.1	D. A. Scarborough Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	D. R. O'Bryant Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	D. A. Scarborough Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	D. R. O'Bryant Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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/ Daniel R. O'Bryant

Daniel R. O'Bryant
Executive Vice President, Finance, and
Chief Financial Officer
(Principal Financial Officer)

/s/ Mitchell R. Butier

Mitchell R. Butier
Corporate Vice President, Global Finance, and
Chief Accounting Officer
(Principal Accounting Officer)

August 7, 2008

Published CUSIP Number: [_____]

**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.

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- B Note
- C Compliance Certificate
- D Assignment and Assumption
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- 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 Guaranteed 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 Guaranteed 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 Guaranteed Party whatsoever; (e) any benefit of and any right to participate in any security now or hereafter held by any Guaranteed 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:

AVERY 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:

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

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

**AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT**

Dated as of August 10, 2007

among

AVERY DENNISON CORPORATION,
as the Borrower,

CITICORP USA, INC.
as Administrative Agent

BANK OF AMERICA, N.A.
as Syndication Agent

and

The Other Banks Party Hereto

CITIGROUP GLOBAL MARKETS INC.

and

BANC OF AMERICA SECURITIES LLC
as Joint Lead Arrangers

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Exhibit B	–	Notice of Conversion/Continuation
Exhibit C	–	Compliance Certificate
Exhibit D	–	Assignment and Assumption

**FIRST AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT**

THIS FIRST AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT is dated as of August 10, 2007 and is entered into by and among AVERY DENNISON CORPORATION, a Delaware corporation (the "Borrower"), the undersigned banks and other financial institutions (together with each bank and financial institution which becomes a Bank hereunder pursuant to Section 2.12 or Section 10.08, collectively the "Banks") party hereto, CITICORP USA, INC., as Administrative Agent (the "Administrative Agent"), and BANK OF AMERICA, N.A., as Syndication Agent (the "Syndication Agent").

RECITALS

WHEREAS, the Borrower, certain banks and financial institutions (the "Original Banks"), Citicorp USA, Inc., as administrative agent, and Bank of America, N.A. as syndication agent, are parties to that certain Revolving Credit Agreement dated as of July 16, 2004 (the "Original Credit Agreement"); and

WHEREAS, the Banks hereunder propose to acquire all rights and obligations of the Original Banks under the Original Credit Agreement and concurrently with such acquisition, the Borrower, the Banks, the Administrative Agent and the Syndication Agent desire, subject to the terms and conditions set forth herein, to amend and restate the Original Credit Agreement in its entirety as set forth herein in order to make Loans available for working capital, commercial paper backup and other general corporate purposes as set forth herein;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the Borrower, the Banks, the Administrative Agent and the Syndication Agent agree that the Original Credit Agreement is hereby amended and restated to read in its entirety as follows:

SECTION 1.

DEFINITIONS AND ACCOUNTING TERMS

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

"Acquisition" means any transaction, or any series of related transactions, consummated after the Restatement Date, by which the Borrower 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.

"Additional Bank" has the meaning specified in Section 2.12(b).

“Administrative Agent” means CUSA in its capacity as administrative agent for the Banks hereunder, and any successor agent arising under Section 9.08.

“Administrative Agent’s Payment Office” means the address for payments set forth on Schedule 10.06 or such other address as the Administrative Agent may from time to time specify.

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

“Affiliate” means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, “control” (including, with its correlative meanings, “controlled by” and “under common control with”) shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event, any Person which owns directly or indirectly 50% or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or 50% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person.

“Agent Parties” has the meaning specified in Section 10.21(b).

“Agent-Related Persons” means CUSA and any successor agent arising under Section 9.08, together with their respective Affiliates (including, in the case of CUSA, Citigroup Global Markets Inc.), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

“Aggregate Amounts Due” has the meaning specified in Section 10.09(b).

“Agreement” means this First Amended and Restated Revolving Credit Agreement, either as originally executed or as it may from time to time be supplemented, modified, or amended.

“Agreement Currency” has the meaning specified in Section 10.20.

“Alternative Currency” means each of Euro, Sterling, and each other currency that is freely available and freely transferable and convertible into Dollars and which is approved by all Banks in accordance with Section 1.07.

“Alternative Currency Equivalent” means, with respect to any amount denominated in Dollars on any date of determination, the amount of an Alternative Currency that could be purchased with such amount of Dollars using the reciprocal of the foreign exchange rate(s) specified in the definition of “Dollar Equivalent,” as determined by the Administrative Agent.

“Alternative Currency Loan” means any Loan denominated in an Alternative Currency. Each Alternative Currency Loan must be a Eurocurrency Rate Loan.

“Applicable Margin” means, for any date of determination, for the designated Rating Level, Utilization Ratio applicable to such date of determination and Type of Loan, the following interest rates per annum:

	Applicable Margin when Utilization Ratio is equal to or less than 0.50:1.00		Applicable Margin when Utilization Ratio is greater than 0.50:1.00	
	TYPE OF LOAN		TYPE OF LOAN	
	Base Rate Loan	Eurocurrency Rate Loan	Base Rate Loan	Eurocurrency Rate Loan
Rating Level I	0%	0.135%	0.050%	0.185%
Rating Level II	0%	0.150%	0.050%	0.200%
Rating Level III	0%	0.190%	0.050%	0.240%
Rating Level IV	0%	0.270%	0.100%	0.370%
Rating Level V	0%	0.500%	0.125%	0.625%

For purposes of this definition, “Utilization Ratio” means, as of any date of determination, the ratio of (1) the aggregate outstanding principal amount of all Loans as of such date to (2) the Commitments in effect as of such date (whether used or unused) of all Banks. The Applicable Margin shall be adjusted daily to reflect changes in the Utilization Ratio and the Rating Level applicable to the Borrower; provided, however, in the event of a change in the Borrower’s Rating Level, the Applicable Margin with respect to outstanding Eurocurrency Rate Loans will continue to be in effect until the end of the then existing Interest Period. The then existing Applicable Margins shall thereupon be effective as to any new or continued Eurocurrency Rate Loans.

“Approved Fund” has the meaning specified in Section 10.08(g).

“Assignment and Assumption” means an Assignment and Assumption substantially in the form of Exhibit D.

“Bank” has the meaning specified in the introduction to this Agreement.

“Bank of America” means Bank of America, N.A.

“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 Citibank as Citibank’s base rate (which is a rate set by Citibank based upon various factors including Citibank’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 Citibank 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. All Base Rate Loans shall be denominated in Dollars.

“Borrower” has the meaning specified in the introduction to this Agreement.

“Borrowing” means any of the groups of Loans made at any one time by the Banks, and shall include any Loans outstanding on the Restatement Date. Each Borrowing shall be made up of Loans made simultaneously by the Banks. Each Loan made by each Bank shall be equal to that Banks’ pro-rata share, according to its Commitment, of the applicable Borrowing.

“Borrowing Date” means any date on which a Borrowing occurs under Section 2.03.

“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 of New York or the state where the Administrative Agent’s Payment Office with respect to Obligations denominated in Dollars is located and (a) if such day relates to any Eurocurrency Rate Loan denominated in a currency other than Euro, means any such day on which dealings in deposits in the relevant currency are conducted by and between banks in the London interbank market or (b) if such day relates to any Eurocurrency Rate Loan denominated in Euro, means a TARGET Day.

“Calculation Date” means, in respect of a Eurocurrency Rate Loan denominated in an Alternative Currency, (a) the date falling two Business Days (or such other period as is customary in the relevant foreign exchange market for delivery on the date of the relevant Borrowing) prior to the date of each Borrowing, (b) the date falling two Business Days (or such other period as is customary in the relevant foreign exchange market for delivery on the date of the relevant conversion or continuation of a Loan) prior to the date of conversion or continuation of any Loan pursuant to Section 2.04, or (c) such additional dates as the Administrative Agent or the Majority Banks shall specify.

“Cash Equivalents” means, when used in connection with any Person, the 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 Bank or any bank doing business in and incorporated under the laws of the United States of America 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 of America or any state thereof, 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.

“Citibank” means Citibank, N.A.

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

“Commitment” means, as to each Bank, the amount set forth opposite that Bank’s name on Schedule 2.01 hereto, as such amount may be increased under Section 2.12 or reduced under Section 2.05 or adjusted to give effect to any assignment of a commitment to make a Loan pursuant to Section 10.08.

“Communications” has the meaning specified in Section 10.21(a).

“Compliance Certificate” means a certificate in the form of Exhibit C signed by a Designated Officer.

“Consolidated Debt” means, at any date, the Debt of the Borrower and its 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 the Borrower 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 that period plus non-cash expenses of the Borrower 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 Borrower 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 the Borrower and the Consolidated Subsidiaries for the twelve month fiscal period then ended, determined and consolidated in conformity with generally accepted accounting principles consistently applied.

“Consolidated Net Income” means, for any fiscal year, the consolidated net income of the Borrower and the Consolidated Subsidiaries for that period, determined and consolidated in conformity with generally accepted accounting principles consistently applied.

“Consolidated Net Worth” means, as of any date of determination, the consolidated net worth of the Borrower and the Consolidated Subsidiaries, determined in accordance with generally accepted accounting principles consistently applied, plus Subordinated Debt in an amount up to but not exceeding 20% of the consolidated net worth of the Borrower and the Consolidated Subsidiaries (minus any Subordinated Debt carried in the treasury of the Borrower or any Subsidiary).

“Consolidated Subsidiary” means any Subsidiary of the Borrower whose financial statements are consolidated with the financial statements of the Borrower in conformity with generally accepted accounting principles consistently applied.

“Consolidated Total Liabilities” means, as of any date of determination, all liabilities of the Borrower and the Consolidated Subsidiaries that in conformity with generally accepted accounting principles consistently applied should be reflected in the liability side of a consolidated balance sheet of the Borrower and the Consolidated Subsidiaries as of such date of determination.

“Consolidated Total Tangible Assets” means, as of any date of determination, all assets of the Borrower and the Consolidated Subsidiaries that in conformity with generally accepted accounting principles consistently applied should be reflected in the asset side of a consolidated balance sheet of the Borrower 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 the Borrower or a Consolidated Subsidiary of the obligations of a Consolidated Subsidiary.

“Conversion/Continuation Date” means any date on which a conversion or continuation occurs under Section 2.04.

“Current Anniversary Date” has the meaning specified in Section 2.11.

“CUSA” means Citicorp USA, Inc.

“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 generally accepted accounting principles, (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.

“Declining Bank” has the meaning specified in Section 2.11.

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

“Designated Interbank Eurocurrency Market” means, for any Eurocurrency Rate Loan an interbank Eurocurrency market designated solely by the Administrative Agent to be the appropriate interbank Eurocurrency market for that Eurocurrency Rate Loan.

“Designated Interbank Eurocurrency Market Day” means any Business Day on which the Administrative Agent accepts deposits in the Designated Interbank Eurocurrency Market.

“Designated Officer” means (i) the chief executive officer, (ii) chief financial officer, (iii) vice president and treasurer or (iv) vice president and controller of the Borrower.

“Dollar Equivalent” means, as of any date of determination (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in any currency other than Dollars, the amount of Dollars that would be required to purchase the amount of the relevant Alternative Currency based on the spot rate for the purchase by Citibank of such Alternative Currency through its foreign exchange trading office on such date.

“Dollar Loan” means any Loan denominated in Dollars.

“Dollars” (or “\$”) means the national currency of the United States of America denominated in dollars.

“Domestic Subsidiary” means any Subsidiary whose principal place of business is located in the United States of America.

“Eligible Assignee” has the meaning specified in [Section 10.08\(g\)](#).

“EMU” means the economic and monetary union in accordance with the Treaty of Rome 1957, as amended by the Single European Act 1986, the Maastricht Treaty of 1992 and the Amsterdam Treaty of 1998, as amended from time to time.

“EMU Legislation” means the legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency (whether known as the “Euro” or otherwise).

“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.

“Euro” and “€” means the lawful currency of the Participating Member States introduced in accordance with the EMU Legislation.

“Eurocurrency Rate” means (a) for any Interest Period with respect to any Eurocurrency Rate Loan other than one referred to in subsection (b) of this definition, a rate per annum determined by the Administrative Agent pursuant to the following formula:

Eurocurrency Rate =

Eurocurrency Base Rate

1.00 — Eurocurrency Reserve Percentage

Where,

“Eurocurrency Base Rate” means, for such Interest Period:

(i) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or a successor servicer) that displays an average British Bankers Association Interest Settlement Rate for deposits in the relevant currency (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) on the Quotation Date for such currency.

(ii) in the event the rate referenced in the preceding clause (i) does not appear on such page or service or such page or service shall cease to be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in the relevant currency (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) on the Quotation Date for such currency, or

(iii) in the event the rates referenced in the preceding subsections (i) and (ii) are not available, the rate per annum determined by the Administrative Agent as the rate of interest (rounded upward to the next 1/100th of 1%) at which deposits in the relevant currency for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurocurrency Rate Loan being made, continued or converted by Citibank and with a term equivalent to such Interest Period would be offered by Citibank to major banks in the London interbank market for such currency at their request at approximately 11:00 a.m. (London time) on the Quotation Date for such currency; and

(b) for any Interest Period with respect to any Eurocurrency Rate Loan denominated in a currency other than Dollars and advanced by a Bank required to comply with the relevant requirements of the United Kingdom or any Participating Member State, the sum of (i) the rate determined in accordance with subsection (a) of this definition and (ii) the Mandatory Cost Rate for such Interest Period.

“Eurocurrency Rate Loan” means a Loan that bears interest based on the Eurocurrency Rate. Eurocurrency Rate Loans may be denominated in Dollars or in an Alternative Currency.

“Eurocurrency Reserve Percentage” means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day, whether or not applicable to any Bank, under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”). The Eurocurrency Rate for each outstanding Eurocurrency Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurocurrency Reserve Percentage.

“Events of Default” has the meaning set forth for that term in Section 8.01.

“Extending Bank” has the meaning specified in Section 2.11.

“Federal Funds Rate” means, for any day, the rate per annum (rounded upwards to the nearest 1/100 of 1%) 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 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 charged to Citibank on such day on such transactions as determined by the Administrative Agent.

“Foreign Bank” has the meaning specified in Section 10.08(e).

“Fund” has the meaning specified in Section 10.08(g).

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

“Governmental Agency” means (a) any federal, state, county or municipal government, or political subdivision thereof, (b) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality, or public body, or (c) any court, administrative tribunal, or public utility, in each case whether of the United States of America or any other nation or supranational entity.

“Increased Commitments” has the meaning specified in Section 2.12(a).

“Indemnified Liabilities” has the meaning specified in Section 10.10.

“Indemnitees” has the meaning specified in Section 10.10.

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

“Interest Period” means, as to any Eurocurrency Rate Loan, the period commencing on the Borrowing Date of such Loan or on the Conversion/Continuation Date on which the Loan is converted into or continued as a Eurocurrency Rate Loan, and ending on the date one, two, three or six months thereafter as selected by the Borrower in its Notice of Borrowing or Notice of Conversion/Continuation; provided that:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless, in the case of a Eurocurrency Rate Loan, the result of such extension would be to carry such

Interest Period into another calendar month, in which event such Interest Period shall end on the 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 for any Loan shall extend beyond the Maturity Date.

“Investment” means, when used in connection with any Person, any investment by the 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 Citigroup Global Markets Inc. and Banc of America Securities LLC.

“Judgment Currency” has the meaning specified in Section 10.20.

“Laws” means, collectively, all federal, state and local laws, statutes, codes, ordinances, rules and regulations, including published opinions of the court of last resort in the applicable jurisdiction, and shall include, without limitation, all of the foregoing relating to environmental matters.

“Lending Office” means, as to any Bank, the office or offices of such Bank specified as its “Lending Office” or “Domestic Lending Office” or “Eurocurrency Lending Office”, as the case may be, on Schedule 10.06, or such other office or offices as such Bank 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 each of the loans outstanding on the Restatement Date and any other loans to be made to the Borrower hereunder by each of the Banks, and may be a Eurocurrency Rate Loan or a Base Rate Loan (each a “Type” of Loan).

“Loan Documents” means this Agreement and all other documents delivered to the Administrative Agent or any Bank in connection herewith.

“Majority Banks” means, at any time, a Bank or Banks holding more than 50% of the aggregate principal amount of the Loans then outstanding (or if no Loans are at the time outstanding, a Bank or Banks having more than 50% of the aggregate Commitments).

“Mandatory Cost Rate” means, with respect to any period, a rate per annum determined in accordance with Schedule 1.01.

“Margin Stock” means “margin stock” as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System, or any successor thereto.

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

“Maturity Date” means the earlier to occur of: (a) August 10, 2012 or, with respect to a particular Bank, such later date as such Bank and the Borrower shall subsequently agree pursuant to Section 2.11; and (b) the date on which the Commitments terminate in accordance with the provisions of this Agreement.

“Moody’s” means Moody’s Investors Service Inc.

“Notice of Borrowing” means a notice in substantially the form of Exhibit A.

“Notice of Conversion/Continuation” means a notice in substantially the form of Exhibit B.

“Obligations” means all obligations of every nature of the Borrower from time to time owed to the Administrative Agent, the Syndication Agent and the Banks under the Loan Documents.

“Original Banks” has the meaning specified in the recitals to this Agreement.

“Original Commitment” means, with respect to any Original Bank, immediately prior to the effectiveness of this Agreement, the amount of such Original Bank’s commitment to make a Loan pursuant to the Original Credit Agreement.

“Original Credit Agreement” has the meaning specified in the recitals to this Agreement.

“Overnight Rate” means, for any day, with respect to any amount denominated in an Alternative Currency, the rate of interest per annum at which overnight deposits in the applicable Alternative Currency, in an amount approximately equal to the amount with respect to which such rate is being determined, would be offered for such day by Citibank to major banks in the London interbank market.

“Participant” has the meaning specified in Section 10.08(d).

“Participating Member State” means each state so described in any EMU Legislation.

“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 the Borrower or any of its Subsidiaries.

“Person” means any entity, whether an individual, trustee, corporation, partnership, joint stock company, trust, unincorporated organization, union, tribe, business association or firm, joint venture, Governmental Agency, or otherwise.

“Platform” has the meaning specified in Section 10.21(b).

“Pro Rata Share” means, as to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank’s Commitment divided by the combined Commitments of all Banks.

“Quotation Date” means, for any Interest Period, (a) for any currency other than Sterling, the date two Business Days prior to the commencement of such Interest Period and (b) for Sterling, the first day of such Interest Period; provided that if market practice differs in the relevant interbank market for any currency, the “Quotation Date” for such currency shall be determined by the Administrative Agent in accordance with market practice in the relevant interbank market (and if quotations would normally be given by leading banks in the relevant interbank market on more than one day, the “Quotation Date” shall be the last of such days).

“Rating Level I” has the meaning assigned to that term in Section 1.08.

“Rating Level II” has the meaning assigned to that term in Section 1.08.

“Rating Level III” has the meaning assigned to that term in Section 1.08.

“Rating Level IV” has the meaning assigned to that term in Section 1.08.

“Rating Level V” has the meaning assigned to that term in Section 1.08.

“Register” has the meaning specified in Section 10.08(c).

“Regulation D” and “Regulation U” mean, respectively, Regulation D and Regulation U, as at any time amended, of the Board of Governors of the Federal Reserve System or any other regulation in substance substituted therefor.

“Regulatory Development” means any or all of the following: (i) any change in the Laws, or any change in the interpretation thereof by any Governmental Agency or other authority (whether or not having the force of law); (ii) any change in the application of any existing Laws by any Governmental Agency or other authority (whether or not having the force of law); and (iii) compliance by any Bank with any request or directive (whether or not having the force of law) of any monetary or fiscal agency or authority.

“Restatement Date” means the time and Business Day on which the consummation of all of the transactions contemplated in Section 4.01 occur.

“Restricted Margin Stock” means, as of any date of determination, all of the Margin Stock owned by the Borrower 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 the Borrower and its Subsidiaries, determined on a consolidated basis.

“Right 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.

“Significant Subsidiary” means a Subsidiary of the Borrower with assets in excess of 3% of Consolidated Total Tangible Assets.

“Special Euro Base Rate Borrowing” shall have the meaning assigned to that term in Section 2.03.

“Sterling” and “£” means the lawful currency of the United Kingdom.

“Sterling Reference Bank” means Citibank.

“Subordinated Debt” means, as of any date of determination, the aggregate principal amount then outstanding of indebtedness of the Borrower that is subordinated to the Obligations, on terms that (a) prohibit any payment on that indebtedness (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 indebtedness or upon dissolution, liquidation, or reorganization of the Borrower, the Obligations must be paid in full before any payment (whether of principal, premium, if any, interest, or otherwise) may be made on that indebtedness.

“Subsidiary” means, with respect to any Person, any corporation, partnership or joint venture whether now existing or hereafter organized or acquired: (a) in the case of a corporation of which a majority of the securities having ordinary voting power for the election of a majority of the board of directors (other than securities having such power only by reason of the happening of a contingency) are at the time owned by such Person and/or one or more Subsidiaries of such Person or (b) in the case of a partnership or joint venture, in which such Person is a general partner or joint venturer or of which a majority of the partnership or other ownership interests are at the time owned by such Person and/or one or more of its Subsidiaries.

“Syndication Agent” has the meaning specified in the introduction to this Agreement.

“TARGET Day” means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) System (or, if such clearing system ceases to be operative, such other clearing system (if any) determined by the Administrative Agent to be a suitable replacement) is operating.

“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 the Person (or, in the case of a Person other than a natural person, known by a responsible officer, director or partner of that 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 that Person).

“Type” has the meaning specified in the definition of “Loan.”

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

1.02 Use of Defined Terms. Any defined term used in the plural preceded by the definite article shall be taken to encompass all members of the relevant class. Any defined term used in the singular preceded by “any” shall be taken to indicate any number of the members of the relevant class.

1.03 Accounting Terms. All accounting terms not specifically defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted by this Agreement shall be prepared in conformity with, generally accepted accounting principles applied on a consistent basis, except as otherwise specifically prescribed herein.

1.04 Exhibits and Schedules. All exhibits and schedules to this Agreement, either as originally existing or as the same may from time to time be supplemented, modified, or amended, are incorporated herein by reference.

1.05 Exchange Rates; Alternative Currency Equivalents. On each Calculation Date, the Administrative Agent shall determine the exchange rate as of such Calculation Date to be used for calculating relevant Dollar Equivalent and Alternative Currency Equivalent amounts. The exchange rates so determined shall become effective on such Calculation Date and shall for all purposes of this Agreement (other than any provision expressly requiring the use of a current exchange rate) be the exchange rates employed in converting any amounts between the applicable currencies. Wherever in this Agreement in connection with a Borrowing, conversion or continuation of a Loan, an amount, such as a required minimum or multiple amount, is expressed in Dollars, but such Borrowing or Loan is denominated in an Alternative Currency, such amount shall be the relevant Alternative Currency Equivalent of such Dollar amount (rounded to the nearest 1,000 units of such Alternative Currency), as determined by the Administrative Agent.

1.06 Redenomination of Sterling.

(a) At such time, if any, as the United Kingdom of Great Britain and Northern Ireland adopts the Euro as its lawful currency, each obligation of each party to this Agreement to make a payment denominated in Sterling shall be redenominated into Euro at the time of such adoption (in accordance with the applicable United Kingdom legislation and the EMU Legislation). If the basis of accrual of interest expressed in this Agreement in respect of Sterling shall be

inconsistent with any convention or practice in the London interbank market for the basis of accrual of interest in respect of the Euro, such expressed basis shall be replaced by such convention or practice with that applicable to the Euro; provided that if any Borrowing in Sterling is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Borrowing, at the end of the then current Interest Period.

(b) Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be appropriate to reflect the adoption of the Euro by any member state of the European Union and any relevant market conventions or practices relating to the Euro.

1.07 Additional Committed Alternative Currencies. The Borrower may from time to time request that Loans be made in a currency other than those specifically listed in the definition of “Alternative Currency”; provided that such requested currency otherwise meets the requirements set forth in such definition. Any such request shall be made to the Administrative Agent (which shall promptly notify each Bank thereof) not later than noon (New York City time) ten Business Days prior to the date of the desired Borrowing. Each Bank shall notify the Administrative Agent, not later than noon (New York City time) five Business Days after receipt of such request whether it consents, in its sole discretion, to making Loans in such requested currency. Any failure by a Bank to respond to such request within the time period specified in the preceding sentence shall be deemed to be a refusal by such Bank to make Loans in such requested currency. If all the Banks consent to making Loans in such requested currency, the Administrative Agent shall so notify the Borrower and such currency shall thereupon be deemed for all purposes to be an Alternative Currency hereunder.

1.08 Pricing Levels. For purposes of this Agreement, the following terms have the following meanings, subject to the concluding paragraph of this Section 1.08:

“Rating Level I” means a period during which the long-term senior unsecured debt rating of the Borrower is equal to or better than (i) A+ by S&P, or (ii) A1 by Moody’s.

“Rating Level II” means a period (other than a Rating Level I) during which the long-term senior unsecured debt rating of the Borrower is equal to or better than (i) A by S&P, or (ii) A2 by Moody’s.

“Rating Level III” means a period (other than a Rating Level I or a Rating Level II) during which the long-term senior unsecured debt rating of the Borrower is equal to or better than (i) A- by S&P, or (ii) A3 by Moody’s.

“Rating Level IV” means a period (other than a Rating Level I, a Rating Level II or a Rating Level III) during which the long-term senior unsecured debt rating of the Borrower is equal to or better than (i) BBB+ by S&P, or (ii) Baa1 by Moody’s.

“Rating Level V” means any period which is not a Rating Level I, a Rating Level II, a Rating Level III, or a Rating Level IV.

The credit ratings to be used for purposes of this Section 1.08 are those assigned to the long-term senior unsecured debt of the Borrower without third-party credit enhancement.

Any rating assigned to any other debt of the Borrower shall be disregarded. The rating in effect at any date is that in effect at the close of business on such date.

If the Borrower is split-rated and the ratings differential is one level, the higher of the two ratings will apply (e.g., A+/A2 results in a Rating Level I and BBB+/A3 results in a Rating Level III). If the Borrower is split-rated and the ratings differential is more than one level, the rating one level below the higher of the two ratings shall be used (e.g., A+/A3 results in a Rating Level II). If, however, at any date the Borrower's long-term senior unsecured debt is not rated by both S&P and Moody's, then a Rating Level V shall apply; provided, however, if a rating by either Moody's or S&P is unavailable because Moody's or S&P has ceased to be in the business of providing ratings, or no longer provides ratings of companies similar to the Borrower, the rating level of the remaining rating agency shall apply.

1.09 Amendment and Restatement. On the Restatement Date and immediately prior to the effectiveness of this Agreement, no Loans are outstanding pursuant to the Original Credit Agreement. On the Restatement Date, the Administrative Agent shall purchase and assume the Original Commitments from the Original Banks, which Original Commitments shall be (immediately upon such purchase and assumption by the Administrative Agent) amended and restated in their entirety as Commitments hereunder. The parties acknowledge and agree that this Agreement and the other Loan Documents do not constitute a novation, payment and reborrowing or termination of the obligations under the Original Credit Agreement and that all such obligations are in all respects continued and outstanding as obligations under this Agreement except to the extent such obligations are modified from and after the Restatement Date as provided in this Agreement and the other Loan Documents.

SECTION 2. LOANS

2.01 Loans. Each Bank, severally and not jointly, agrees to purchase and assume on the Restatement Date the amount of such Bank's Commitment hereunder set forth opposite its name on Schedule 2.01 attached hereto. Subject to the terms and conditions hereof, at any time and from time to time from the Restatement Date through the Maturity Date, each Bank severally agrees to make Loans to the Borrower in such principal amounts in Dollars or in one or more Committed Alternative Currencies as the Borrower may request that do not, in the case of all Loans made by such Bank, exceed in the aggregate outstanding at any one time the Dollar Equivalent of that Bank's Commitment or, in the case of all Loans made by all Banks, exceed in the aggregate the Dollar Equivalent of all Banks' combined Commitments. Within the limits of each Bank's Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01, prepay under Section 2.07(b) and reborrow under this Section 2.01.

2.02 Loan Accounts. The Loans made by each Bank shall be evidenced by one or more loan accounts or records maintained by such Bank in the ordinary course of business. The loan accounts or records maintained by the Administrative Agent and each Bank shall be conclusive absent manifest error of the amount of the Loans made by the Banks to the Borrower and the interest and payments thereon. Any failure so to 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 Loans.

2.03 Procedure for Borrowing.

(a) Each Borrowing shall be made upon the Borrower's irrevocable written notice delivered to the Administrative Agent in the form of a Notice of Borrowing in the form of Exhibit A hereto (which notice must be received by the Administrative Agent (i) prior to noon (New York City time) three Business Days prior to the requested Borrowing Date, in the case of Eurocurrency Rate Loans denominated in Dollars, (ii) prior to noon (New York City time) four Business Days prior to the requested Borrowing Date, in the case of Eurocurrency Rate Loans denominated in an Alternative Currency, (iii) prior to noon (New York City time) on the Business Day of the requested Borrowing Date, in the case of Base Rate Loans, and (iv) prior to noon (New York City time) two Business Days prior to the requested Borrowing Date, in the case of a Special Euro Base Rate Borrowing (as defined in subsection (e) below), specifying: (A) the amount and, if an Alternative Currency Loan, the currency of the Borrowing, which shall be in an aggregate minimum amount of \$5,000,000 or any multiple of \$1,000,000 in excess thereof in the case of Eurocurrency Rate Loans, and in an aggregate minimum amount of \$1,000,000 or any multiple of \$100,000 in excess thereof in the case of Base Rate Loans; (B) the requested Borrowing Date, which shall be a Business Day; (C) the Type of Loans comprising the Borrowing; and (D) the duration of the Interest Period applicable to such Loans included in such notice. If the Notice of Borrowing fails to specify the duration of the Interest Period for any Borrowing comprised of Eurocurrency Rate Loans, such Interest Period shall be three months. If the Borrower fails to specify a currency in a Notice of Borrowing requesting a Borrowing, then the Loans so requested shall be made in Dollars.

(b) The Administrative Agent will promptly notify each Bank of its receipt of any Notice of Borrowing and of the amount of such Bank's Pro Rata Share of that Borrowing.

(c) Each Bank will make the amount of its Pro Rata Share of each Borrowing available to the Administrative Agent for the account of the Borrower at the Administrative Agent's Payment Office by 2:00 p.m. (New York City time) on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. The proceeds of all such Loans will then be made available to the Borrower by the Administrative Agent by wire transfer in accordance with written instructions provided to the Administrative Agent by the Borrower of like funds as received by the Administrative Agent.

(d) After giving effect to any Borrowing, unless the Administrative Agent shall otherwise consent, there may not be more than eight different Interest Periods in effect.

(e) The Borrower may request a Special Euro Base Rate Borrowing pursuant to Section 2.03(a)(iv). A "Special Euro Base Rate Borrowing" is a Borrowing of Base Rate Loans in Dollars, the proceeds of which, net of commissions and fees, are used by Administrative Agent, on terms and conditions agreed upon by Administrative Agent and the Borrower, to purchase Euros for the account of the Borrower for delivery at an account specified by the Borrower in London on the requested Borrowing Date. Each Bank shall make available its Pro Rata Share of any Special Euro Base Rate Borrowing in immediately available funds in Dollars pursuant to subsection (c) above.

For all purposes of this Agreement, a Special Euro Base Rate Borrowing shall be deemed a Borrowing of Base Rate Loans and shall be repaid by the Borrower in Dollars.

2.04 Conversion and Continuation Elections.

(a) The Borrower may, upon irrevocable written notice to the Administrative Agent in the form of a Notice of Conversion/Continuation in the form of Exhibit B hereto in accordance with Section 2.04(b): (i) elect, as of any Business Day to convert any Base Rate Loans (or any part thereof in an amount not less than \$5,000,000, or that is in an integral multiple of \$1,000,000 in excess thereof) into Eurocurrency Rate Loans; (ii) elect, as of the last day of the applicable Interest Period to convert any Eurocurrency Rate Loans (or any part thereof in an amount not less than \$1,000,000, or that is in an integral multiple of \$100,000 in excess thereof) into Base Rate Loans; or (iii) elect, as of the last day of the applicable Interest Period, to continue any Eurocurrency Rate Loans having Interest Periods expiring on such day (or any part thereof in an amount not less than \$5,000,000, or that is in an integral multiple of \$1,000,000 in excess thereof); provided, that if at any time the aggregate amount of Eurocurrency Rate Loans in respect of any Borrowing is reduced, by payment, prepayment, or conversion of part thereof to be less than \$5,000,000, such Eurocurrency Rate Loans shall automatically convert into Base Rate Loans, and on and after such date the right of the Borrower to continue such Loans as, and convert such Loans into, Eurocurrency Rate Loans shall terminate.

(b) The Borrower shall deliver a Notice of Conversion/Continuation to be received by the Administrative Agent not later than (i) noon (New York City time) at least three Business Days in advance of the Conversion/Continuation Date, if the Loans are to be converted into or continued as Eurocurrency Rate Loans denominated in Dollars; (ii) 11:00 a.m. (New York City time) at least four Business Days in advance of the Conversion/Continuation Date, if the Loans are to be converted into or continued as Eurocurrency Rate Loans denominated in an Alternative Currency; and (iii) 11:00 a.m. (New York City time) on the Conversion/Continuation Date, if the Loans are to be converted into Base Rate Loans, specifying: (A) the proposed Conversion/Continuation Date; (B) the aggregate amount of Loans to be converted or continued and, if an Alternative Currency Loan, the currency thereof; (C) the Type of Loans resulting from the proposed conversion or continuation; and (D) other than in the case of conversions into Base Rate Loans, the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to Eurocurrency Rate Loans the Borrower has failed to select timely a new Interest Period to be applicable to such Eurocurrency Rate Loans, then: (i) with respect to such Eurocurrency Rate Loans that are Dollar Loans, the Borrower shall be deemed to have elected to convert such Eurocurrency Rate Loans into Base Rate Loans effective as of the expiration date of such Interest Period; and (ii) with respect to such Eurocurrency Rate Loans that are Alternative Currency Loans, such Loans shall be continued as Eurocurrency Rate Loans in their original currency with an Interest Period of one month. No Eurocurrency Rate Loan may be converted into or continued as a Eurocurrency Rate Loan denominated in a different currency, but instead must be prepaid in the original currency of such Eurocurrency Rate Loan and reborrowed in the other currency except as described in Sections 2.04(e) and 3.02(a).

(d) The Administrative Agent will promptly notify each Bank of its receipt of a Notice of Conversion/Continuation, or, if no timely notice is provided by the Borrower, the Administrative Agent will promptly notify each Bank of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Loans with respect to which the notice was given held by each Bank.

(e) During the existence of a Default or Event of Default, the Borrower may not: (i) elect to have a Dollar Loan made, converted into or continued as a Eurocurrency Rate Loan; or (ii) elect to have an Alternative Currency Loan made or continued for an Interest Period greater than one month; provided, however, that Majority Banks may elect, on the last day of an Interest Period of any Alternative Currency Loan, to redenominate such Alternative Currency Loan into a Dollar Loan in a principal amount equal to the Dollar Equivalent of the amount of such Alternative Currency Loan and to convert such Dollar Loan into a Base Rate Loan.

(f) After giving effect to any conversion or continuation of Loans, unless the Administrative Agent shall otherwise consent, there may not be more than eight different Interest Periods in effect.

2.05 Optional Reduction or Termination of Commitments. The Borrower may at any time and from time to time, upon three Business Days' written notice to the Administrative Agent (which shall promptly notify each Bank thereof) by telecopier, telegram, personal delivery or cable, terminate in whole or in part the unused portions of the Commitments; provided, however, that in each case each partial termination shall be in integral multiples of \$1,000,000; provided, further, that the Commitments may not be reduced at any time to an amount less than the aggregate principal amount of all Borrowings then outstanding; provided, further, that after any such termination, the Commitments may not thereafter be increased in any amount without the consent of all of the Banks.

2.06 Interest.

(a) Interest shall be payable on the outstanding daily unpaid principal amount of each Loan from the date thereof until payment in full at the rates set forth herein both before and after default and before and after maturity and judgment, with interest on overdue interest to bear interest at the rate set forth in Section 2.06(d), to the extent permitted by applicable Laws. Upon any partial prepayment of any Base Rate Loan and upon any conversion of a Eurocurrency Rate Loan, interest accrued through the date of such prepayment shall be payable on the next following April 1, July 1, October 1 or January 1. Upon any partial or full prepayment of any Eurocurrency Rate Loan, interest accrued through the date of such payment, prepayment or conversion shall be payable on such date.

(b) Interest accrued on each Base Rate Loan shall be due and payable on each April 1, July 1, October 1 and January 1, commencing with the first such date upon which Base Rate Loans are outstanding hereunder. The unpaid principal amount of any Base Rate Loan shall bear interest at a fluctuating rate per annum equal to the Base Rate.

(c) Interest accrued on each Eurocurrency Rate Loan with an Interest Period of three months or less shall be payable on the last day of the Interest Period for that Eurocurrency Rate Loan.

Interest accrued on each six month Eurocurrency Rate Loan shall also be paid at the end of the third month of such Interest Period. The unpaid principal amount of any Eurocurrency Rate Loan shall bear interest at a rate per annum equal to the sum of the Eurocurrency Rate for that Eurocurrency Rate Loan plus the Applicable Margin.

(d) Notwithstanding Section (b) or (c) of this Section, during the existence of an Event of Default, the unpaid principal amount of Loans (and to the extent not paid when due, interest thereon and fees) shall bear interest, to the extent permitted by applicable Laws, at a fluctuating interest rate per annum at all times equal to the interest rate otherwise applicable to such Loan (or, if not a Loan, at the interest rate per annum otherwise payable under this Agreement for Base Rate Loans) plus 2.00% per annum, payable upon demand.

2.07 Repayment and Prepayments of Principal.

(a) If not sooner paid, the principal indebtedness hereunder owed to each Bank shall be payable on the Maturity Date of such Bank.

(b) The principal indebtedness hereunder may, at any time and from time to time, be prepaid in whole or in part without premium or penalty, except that: (i) any partial prepayment shall be in an amount not less than \$1,000,000 or any multiple of \$1,000,000 in excess thereof (or the Alternative Currency Equivalent thereof determined on the date notice of prepayment is given); (ii) the Administrative Agent must have received written notice of any prepayment at least one Business Day before the date of prepayment in the case of Base Rate Loans and at least three Business Days before the date of prepayment in the case of Eurocurrency Rate Loans (and the Administrative Agent shall promptly notify each Bank thereof); (iii) each prepayment of principal, except for partial prepayments on Base Rate Loans, shall be accompanied by prepayment of interest accrued through the date of payment on the amount of principal paid; and (iv) in the case of any prepayment of any Eurocurrency Rate Loan, the Borrower shall promptly reimburse each Bank for any loss or cost directly or indirectly resulting from the prepayment, determined as set forth in Section 3.03.

(c) If the Administrative Agent notifies the Borrower at any time that the Dollar Equivalent of the aggregate principal amount of all outstanding Loans exceeds the combined Commitments, by reason of fluctuations in exchange rates or otherwise, the Borrower shall, within two Business Days after receipt of such notice, prepay Loans in an aggregate amount sufficient to reduce the Dollar Equivalent thereof as of the date of such payment to an amount not to exceed the combined Commitments then in effect.

2.08 Fees.

(a) **Facility Fee.** The Borrower shall pay to the Administrative Agent, for the account of the Banks ratably in proportion to their Commitments, a facility fee on the daily average aggregate amount of the Commitments (including both the portion thereof that is used and the portion thereof that is unused), at the rate of (i) 0.040% per annum during each Rating Level I, (ii) 0.050% per annum during each Rating Level II, (iii) 0.060% per annum during each Rating Level III, (iv) 0.080% per annum during each Rating Level IV, and (v) 0.125% per annum during each Rating Level V. Such facility fee shall accrue, with respect to any Bank,

from and including the Restatement Date to but excluding the Maturity Date of such Bank, payable quarterly in advance as of each April 1, July 1, October 1 and January 1 prior to the Maturity Date of such Bank, commencing October 1, 2007. The facility fee provided in this subsection shall be nonrefundable and shall accrue at all times after the Restatement Date, including at any time during which one or more conditions in Section 4 are not met.

(b) **Agency Fee.** The Borrower shall pay an agency fee to the Administrative Agent for the Administrative Agent's own account as agreed upon between the Borrower and the Administrative Agent.

2.09 Payments by the Borrower.

(a) All payments to be made by the Borrower shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein and except with respect to payments of principal of and interest on Alternative Currency Loans, all payments by the Borrower shall be made to the Administrative Agent for the account of the Banks at the Administrative Agent's Payment Office, and shall be made in Dollars and in immediately available funds, no later than 1:00 p.m. (New York City time) on the date specified herein. Except as otherwise expressly provided herein, all payments by the Borrower hereunder with respect to principal of and interest on Alternative Currency Loans shall be made to the Administrative Agent, for the account of the respective Banks to which such payment is owed, at the Administrative Agent's Payment Office in such Alternative Currency and in immediately available funds not later than 1:00 p.m., New York City time, on the date specified herein. The Administrative Agent will promptly distribute to each Bank its Pro Rata Share (or other applicable share as expressly provided herein) of such payment in like funds as received. Any payment received by the Administrative Agent later than 1:00 p.m. (New York City time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue.

(b) Unless the Administrative Agent receives notice from the Borrower prior to the date on which any payment is due to the Banks that the Borrower will not make such payment in full as and when required, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date in immediately available funds and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Borrower has not made such payment in full to the Administrative Agent, each Bank shall repay to the Administrative Agent on demand such amount distributed to such Bank, together with interest thereon at the Federal Funds Rate or, with respect to Alternative Currency Loans, the Overnight Rate for each day from the date such amount is distributed to such Bank until the date repaid.

2.10 Payments by the Banks to the Administrative Agent.

(a) Unless the Administrative Agent receives notice from a Bank on or prior to the Restatement Date or, with respect to any Borrowing after the Restatement Date, at least one Business Day prior to the date of such Borrowing (or prior to the time of a Borrowing, in the case of any Base Rate Loan), that such Bank will not make available as and when required

hereunder to the Administrative Agent for the account of the Borrower the amount of that Bank's Pro Rata Share of the Borrowing, the Administrative Agent may assume that each Bank has made such amount available to the Administrative Agent in immediately available funds in the applicable currency on the Borrowing Date and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent any Bank shall not have made its full amount available to the Administrative Agent in immediately available funds in the applicable currency and the Administrative Agent in such circumstances has made available to the Borrower such amount, that Bank shall on the Business Day following such Borrowing Date make such amount available to the Administrative Agent, together with interest at the Federal Funds Rate or, with respect to Alternative Currency Loans, the Overnight Rate for each day during such period. A notice of the Administrative Agent submitted to any Bank with respect to amounts owing under this Section (a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Administrative Agent shall constitute such Bank's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Administrative Agent on the Business Day following the Borrowing Date, the Administrative Agent will notify the Borrower of such failure to fund and, upon demand by the Administrative Agent, the Borrower shall pay such amount to the Administrative Agent for the Administrative Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing.

(b) The failure of any Bank to make any Loan on any Borrowing Date shall not relieve any other Bank of any obligation hereunder to make a Loan on such Borrowing Date, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on any Borrowing Date.

2.11 Extension of Maturity Date. The Borrower may, upon not less than 30 days' (but not more than 45 days') notice prior to each anniversary of the Restatement Date (the "Current Anniversary Date") to the Administrative Agent (which shall notify each Bank of receipt of such request), propose to extend the Maturity Date for an additional one-year period measured from the Maturity Date then in effect. Each Bank shall endeavor to respond to such request, whether affirmatively or negatively (such determination to be in the sole discretion of such Bank), by notice to the Administrative Agent in writing not less than 20 days (but not more than 30 days) prior to the Current Anniversary Date. The Administrative Agent shall, upon not less than 15 days' notice prior to the Current Anniversary Date, notify the Borrower in writing of the Banks' decisions. No Maturity Date of any Bank shall be extended unless (i) by the date 20 days prior to the Maturity Date then in effect Banks having at least 50% in aggregate amount of the Commitments in effect at the time any such extension is requested shall have elected so to extend their Commitments and (ii) the Administrative Agent shall have received a certificate signed by a Designated Officer dated as of such extension date in form and substance satisfactory to the Administrative Agent stating that the representations and warranties contained in Section 5 are true and correct in all material respects on and as of such date, and that no state of facts constituting a Default or an Event of Default has occurred and is continuing. Any Bank which does not give such notice to the Administrative Agent by the date 20 days prior to the Maturity Date then in effect shall be deemed to have elected not to extend as requested, and the Commitment of each non-extending Bank shall terminate on its Maturity Date determined

without giving effect to such requested extension. If any Bank does not consent to a request for an extension of the Maturity Date, or is deemed not to have consented to the requested extension (each, a “Declining Bank”), and the Maturity Date has been extended for the other Bank(s) (the “Extending Banks”), the Borrower may, prior to the end of the Current Anniversary Date, replace such Declining Bank with one or more third party financial institutions acceptable to the Administrative Agent or increase the Commitment of an Extending Bank, in an amount equal to the amount of the Commitments of the Declining Banks, provided that, as provided in Section 2.13, the Extending Banks shall have the right to increase their Commitments ratably up to the amount of the Declining Banks’ Commitments before the Borrower will be permitted to substitute any other financial institution for the Declining Banks.

2.12 Increased Commitments; Additional Banks.

(a) On a single occasion during each year subsequent to the Restatement Date, the Borrower may, upon at least thirty (30) days’ notice to the Administrative Agent (which shall promptly provide a copy of such notice to the Banks), propose to increase the amount of the Commitments in an aggregate minimum amount of \$25,000,000 and an aggregate maximum amount for all increases pursuant to this Section 2.12 not to exceed \$500,000,000 (the amount of any such increase, the “Increased Commitments”) provided that (i) such Increased Commitments shall become and remain effective only during a Rating Level I, a Rating Level II, a Rating Level III or a Rating Level IV, and (ii) the Administrative Agent shall have received a certificate signed by a Designated Officer dated as of the date of such increase in form and substance satisfactory to the Administrative Agent stating that the representations and warranties contained in Section 5 are true and correct in all material respects on and as of such date and that no Default or Event of Default has occurred and is continuing.

(b) The Borrower may offer the Increased Commitments to: (i) any Bank party to this Agreement; provided, that any Bank offered an Increased Commitment shall have no obligation to accept such Increased Commitment; or (ii) any other financial institution acceptable to the Administrative Agent and which agrees to become a party to this Agreement (an “Additional Bank”); provided that the Commitment of each such Additional Bank or Additional Banks equals or exceeds \$10,000,000. The sum of (1) the aggregate amount of Commitment increases of any existing Banks pursuant to this subsection (b) plus (2) the aggregate amount of any Commitments of Additional Banks shall not in the aggregate exceed the total amount of the Increased Commitments.

(c) An increase in the aggregate amount of the Commitments pursuant to this Section 2.12 shall become effective upon the receipt by the Administrative Agent of an agreement in form and substance satisfactory to the Administrative Agent signed by the Borrower, by each Additional Bank and by each other Bank whose Commitment is to be increased, setting forth the new Commitments of such Banks and setting forth the agreement of each Additional Bank to become a party to this Agreement and to be bound by all the terms and provisions hereof, together with such evidence of appropriate corporate authorization on the part of the Borrower with respect to the Increased Commitments and such opinions of counsel for the Borrower with respect to the Increased Commitments as the Administrative Agent may reasonably request.

2.13 Substitution of Banks. If any Bank declines to extend its Maturity Date pursuant to Section 2.11, the Borrower shall have the right, with the assistance of the Administrative Agent, to seek one or more Eligible Assignees (which may be one or more of the Banks) reasonably satisfactory to the Administrative Agent and the Borrower to purchase the Loans and assume the Commitments of such Bank, and the Borrower, the Administrative Agent, such Bank, and such Eligible Assignees shall execute and deliver an appropriately completed Assignment and Assumption pursuant to Section 10.08 hereof to effect the assignment of rights to and the assumption of obligations by such Eligible Assignees; provided that (i) such requesting Bank shall be entitled to compensation under Section 3 for any costs incurred by it prior to its replacement, (ii) no Default or Event of Default has occurred and is continuing, (iii) the Borrower has satisfied all of its obligations under the Loan Documents relating to such Bank, (iv) in the case of the Commitments of any Banks that have declined to extend their Maturity Date pursuant to Section 2.11, the Banks that have extended their Maturity Date pursuant to Section 2.11 shall on a ratable basis have the right (but no obligation), for a period of seven days following receipt of notice from the Administrative Agent at the request of the Borrower that the Commitments of non-extending Banks may be assumed, to assume the Commitments of such declining Banks before any other Eligible Assignees assume such Commitments, and (v) the Borrower shall have paid the Administrative Agent a \$3,500 administrative fee if such replacement Bank is not an existing Bank.

SECTION 3. PAYMENTS, COSTS

3.01 Eurocurrency Costs. Upon notice from any Bank and subject to compliance with Section 9.09, the Borrower shall promptly, reimburse that Bank for any increase in its costs, including without limitation taxes (and additional amounts equal to increases in taxes attributable to payments by the Borrower of such taxes), assessments or a change in the basis of taxation of payments to such Bank (other than any tax, or changes in the rate of any tax, based upon the income, profits or business of the Bank, or upon any personal property or franchise of the Bank, or any similar tax which may be levied upon the Bank, or any change in the rate of any such similar tax by the United States or any other government having jurisdiction, or any political subdivision or taxing authority of any thereof), fees, charges, and/or special deposit and/or other similar reserve requirements (other than requirements expressly included herein in the determination of the Eurocurrency Rate hereunder) directly or indirectly resulting from or relating to any Eurocurrency Rate Loan due to any circumstance; provided that, the Borrower shall have no obligation to reimburse such Bank for any increase in costs that is attributable to the prepayment by such Bank, in the case of a Eurocurrency Rate Loan, of a time deposit in the Designated Interbank Eurocurrency Market, where the Borrower has not paid or redesignated a corresponding Eurocurrency Rate Loan prior to the end of the term of such Eurocurrency Rate Loan. As used in the preceding sentence, “reserve requirements” shall be calculated after taking into account any compensation received by the Bank through the computation of the Eurocurrency Reserve Percentage or any Eurocurrency fee paid to the Bank. Amounts payable to a Bank under this Section 3.01 shall be determined solely by that Bank upon the assumption that the Bank funded 100% of that Eurocurrency Rate Loan by the acceptance of a time deposit in the Designated Interbank Eurocurrency Market for a corresponding amount and term, regardless of whether the Bank did so in fact. In attributing a Bank’s general costs relating to its Eurocurrency operations to any transaction under this Agreement, or averaging any cost over

a period of time, that Bank may use any reasonable attribution and/or averaging method it deems appropriate and practical. The determination of such amount by the Bank shall be presumed correct in the absence of manifest error.

3.02 Special Eurocurrency Circumstances. If (x) any Regulatory Development relating to the interbank Eurocurrency markets shall at any time in the reasonable opinion of any Bank make it unlawful or impractical for that Bank to fund or maintain a Eurocurrency Rate Loan in the Designated Interbank Eurocurrency Market for a corresponding amount or term, or to continue that funding or maintaining, or to determine or charge interest rates based upon any appropriate Eurocurrency Rate or (y) the Administrative Agent or any Bank determines in connection with any request for a Eurocurrency Rate Loan or a conversion to or continuation thereof that (i) deposits in the relevant currency are not being offered to banks in the applicable offshore interbank market for such currency for the applicable amount and Interest Period of such Eurocurrency Rate Loan, (ii) adequate and reasonable means do not exist for determining the Eurocurrency Rate for such Eurocurrency Rate Loan, or (iii) the Eurocurrency Rate for such Eurocurrency Rate Loan does not adequately and fairly reflect the cost to the Banks of funding such Eurocurrency Rate Loan, the Administrative Agent or that Bank, as applicable, shall promptly notify the Administrative Agent and the Banks who shall notify the Borrower and, notwithstanding any other provision of this Agreement:

(a) the then outstanding principal amounts of any outstanding Eurocurrency Rate Loan shall be automatically converted into a Base Rate Loan and, if, on the date of any such conversion, any such Eurocurrency Rate Loan is an Alternative Currency Loan, it shall be redenominated into a Dollar Loan in a principal amount equal to the Dollar Equivalent of the amount of such Alternative Currency Loan; and

(b) no Eurocurrency Rate Loan may be made thereafter until that Bank determines that to do so would be lawful or practical.

Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing, conversion or continuation of Eurocurrency Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

3.03 Eurocurrency Indemnification. The Borrower hereby indemnifies each Bank against, and agrees to hold each Bank harmless from and reimburse each Bank on demand for all costs, expenses, claims, penalties, liabilities, losses, legal fees and damages (including without limitation any interest paid or that would be paid by a Bank for deposits in Dollars in the Designated Interbank Eurocurrency Market and any loss sustained or that would be sustained by a Bank in connection with the reemployment of funds) incurred or sustained, or that would be incurred or sustained, by each Bank, as reasonably determined by the Bank, as a result of (a) any failure of the Borrower to consummate, or the failure of any condition required for the consummation of, any Eurocurrency Rate Loan on the date or in the amount specified in any notice, requesting or designating a Eurocurrency Rate Loan or (b) the Borrower's prepayment of any Eurocurrency Rate Loan before the last day of its Interest Period. The indemnification shall be determined as though the Bank had funded or would have funded 100%, as the case may be, of the Eurocurrency Rate Loan in the Designated Interbank Eurocurrency Market for a corresponding amount and term.

The determination of such amount by the Bank shall be presumed correct in the absence of manifest error.

3.04 Computation of Interest and Fees. All computations of interest hereunder shall be calculated on the basis of a year of 365 days or 366 days, as the case may be, and the actual number of days elapsed, except that computations of interest on all Eurocurrency Rate Loans (other than Eurocurrency Rate Loans denominated in Sterling) and computations of interest on Base Rate Loans when the Base Rate is calculated by reference to the Federal Funds Rate shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. All computations of fees hereunder shall be calculated on the basis of a year of 360 days and the actual number of days elapsed.

3.05 Holidays. If any payment to be made by the Borrower on a Base Rate Loan shall come due on a day other than a Business Day, payment shall be made on the next succeeding Business Day and the extension of time shall be reflected in computing interest. If any payment to be made by the Borrower on a Eurocurrency Rate Loan shall come due on a day other than a Designated Interbank Eurocurrency Market Day, payment shall be made on the next preceding or succeeding Designated Interbank Eurocurrency Market Day as determined by the Administrative Agent in accordance with the then current banking practice in the Designated Interbank Eurocurrency Market and the adjustment shall be reflected in computing interest.

3.06 Payment Free of Taxes. Subject to compliance with Section 9.09, any payments made by the Borrower hereunder shall be made free and clear of, and without reduction by reason of, any taxes, withholding or other deductions whatsoever.

3.07 Funding Sources. Nothing in this Agreement shall be deemed to obligate any Bank to obtain the funds for any Borrowing in any particular place or manner or to constitute a representation by any Bank that it has obtained or will obtain the funds for any Borrowing in any particular place or manner.

3.08 Failure to Charge Not Subsequent Waiver. Any decision by the Administrative Agent or any Bank not to require payment of any fee or costs, or to reduce the amount of the payment required for any fee or costs or to calculate any fee or costs in any particular manner, for any particular Eurocurrency Rate Loan shall in no way limit the Administrative Agent's or that Bank's right to require full payment of any fee or costs for any other Eurocurrency Rate Loan or to calculate any fee or costs in another manner.

3.09 Other Costs. If, at any time subsequent to the Restatement Date, any Bank shall have reasonably determined that the adoption of any Law regarding capital adequacy, any reserve, special deposit or similar requirements generally applicable to commitments or credit arrangements similar to the Commitments (other than requirements expressly included herein in the determination of the Eurocurrency Rate) hereunder, or any change therein, or any change in the interpretation or administration thereof by any Governmental Agency, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by said Bank or any corporation controlling said Bank with any request or directive regarding capital adequacy, any reserve, special deposit or similar requirement (other than requirements expressly included herein in the determination of the Eurocurrency Rate hereunder) (whether or not having the force of Law)

of any such Governmental Agency, central bank or comparable agency, has or would have the effect of increasing the cost to, or reducing the income received by or imposing any expense (including loss of margin), on any said Bank or any corporation controlling said Bank, or, in the case of any capital adequacy requirement, reducing the rate of return on said Bank's or corporation's capital as a consequence of its obligations hereunder to a level below that which said Bank or corporation could have achieved but for such adoption, change or compliance (taking into consideration said Bank's or corporation's policies with respect to capital adequacy), then from time to time, each affected Bank may notify the Borrower (with a copy to Administrative Agent) of the additional amount or amounts as will compensate said Bank or corporation for such increase, reduction or imposition and, upon demand, the Borrower shall pay said affected Bank or corporation such amount or amounts. In determining such amount, the affected Bank or corporation may use reasonable attribution and/or averaging methods which it deems appropriate and practical. In no event shall the Borrower be liable for any such amounts relating to periods of time more than three months prior to the date upon which the Borrower receives notice from the affected Bank, except to the extent that such periods of time (i) relate to retroactive applications of any such Law or retroactive interpretations or administrations of any such Law or (ii) represent periods during which it is impracticable for any such Bank to calculate any such amounts due; provided, however, that such information shall be provided to the Borrower as soon as practicable. Said affected Bank shall, upon the Borrower's request, provide the Borrower with a statement showing in reasonable detail, the basis for determining the amount charged hereunder.

3.10 Survivability. The Borrower's obligations under this Section 3 shall survive the date on which all Borrowings hereunder were fully paid.

SECTION 4. CONDITIONS

4.01 Restatement Date. This Agreement shall become effective (as of the date first written above) only upon the satisfaction of all of the following conditions precedent:

(a) The Administrative Agent shall have received all of the following, each dated as of the Restatement Date (unless otherwise specified or unless the Administrative Agent otherwise agrees) and all in form and substance satisfactory to the Administrative Agent and legal counsel for the Administrative Agent:

(i) a certificate signed by a Designated Officer (A) stating that the execution, delivery and performance of the Loan Documents by the Borrower was duly authorized by resolution of its board of directors on the date therein specified and that such authorization is still in force and effect, (B) setting forth such resolution adopted by such board of directors, (C) setting forth the name of each person authorized to sign any Loan Document on behalf of the Borrower with specimen signatures of such persons, and (D) stating that the representations and warranties contained in Section 5 are true and correct on and as of the Restatement Date, no Default or an Event of Default has occurred and is continuing, and the Borrower shall be in compliance with all the terms and provisions of the Loan Documents;

- (ii) a current good standing certificate for the Borrower issued by the appropriate Governmental Agency in the jurisdiction of incorporation;
- (iii) a certificate of good standing of the Borrower as a foreign corporation in California;
- (iv) a favorable written opinion of counsel for the Borrower dated as of the Restatement Date and satisfactory to Administrative Agent and as to such matters as Administrative Agent acting on behalf of the Banks may reasonably request;
- (v) a favorable written opinion of counsel for the Administrative Agent dated as of the Restatement Date and satisfactory to the Borrower and as to such matters as the Borrower may reasonably request;
- (vi) such other certificates, documents, consents, or opinions that any Bank may reasonably request; and

(b) The Administrative Agent shall have received, for the account of the Banks:

(i) with respect to each Bank that was a party to the Original Credit Agreement, an upfront fee equal to the sum of (A) 0.010% of such Bank's Original Commitment, and (B) 0.020% of the amount by which such Bank's Commitment exceeds such Bank's Original Commitment; and

(ii) with respect to each Bank that was not a party to the Original Credit Agreement, an upfront fee equal to 0.020% of such Bank's Commitment.

(c) The Joint Lead Arrangers shall have received, for their own account, an arrangement fee as agreed upon between the Borrower, the Administrative Agent, the Joint Lead Arrangers and the Syndication Agent.

4.02 Any Borrowing, Conversion or Continuation. The obligation of the Banks to make any Loan or to convert into or continue any Eurocurrency Rate Loan is subject to the following conditions precedent:

(a) the representations and warranties contained in Section 5 (other than in Sections 5.06 and 5.09) shall be true and correct in all material respects, and shall be deemed made, on and as of the date of the Loan, conversion or continuation as though made on and as of that date, and no state of facts constituting a Default or an Event of Default shall have occurred and be continuing; and, upon its request therefor, the Administrative Agent shall have received, dated as of the date of the Loan, a certificate of a Designated Officer from the Borrower to that effect, with any changes or exceptions thereto being described in a schedule attached to such certificate and with such changes or exceptions being subject to the approval of the Majority Banks;

(b) the Administrative Agent shall have timely received a Notice of Borrowing or a Notice of Conversion/Continuation, as applicable, in compliance with Section 2.

SECTION 5.
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and the Banks 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 Delaware. The chief executive offices of the Borrower are in Pasadena, California. The Borrower is duly qualified or registered to transact business in 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. The Borrower 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 the Borrower are duly authorized, validly issued, fully paid, nonassessable, and issued in compliance with all applicable state and federal securities and other laws.

(c) The Borrower 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 Agency 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 the Borrower of the Loan Documents 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 the Borrower's charter, certificate, articles of incorporation or bylaws, or amendments thereof; (c) result in or require the creation or imposition of any Lien or Right of Others upon or with respect to any property now owned or leased or hereafter acquired by the Borrower; (d) violate any provision of any Laws (including without limitation Regulation U of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination, or award presently in effect having applicability to the Borrower; 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 the Borrower is a party or by which the Borrower or any of its property, is bound or affected; and the Borrower 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 Agency is or will be required to authorize or permit under applicable Laws the execution, delivery, and performance by the Borrower of the Loan Documents.

5.04 Subsidiaries.

(a) Schedule 5.04 hereto correctly sets forth as of December 31, 2006 the names, forms of legal entity and jurisdictions of formation of all Subsidiaries of the Borrower 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 the Borrower, and, to the best knowledge of the Borrower, 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 Agency 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 Bank the following financial statements: (i) the consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at December 31, 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 the Borrower and its Consolidated Subsidiaries as at June 30, 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 the Borrower and its Consolidated Subsidiaries, were prepared in accordance with generally accepted accounting principles applied consistently throughout the periods covered thereby and fairly present the consolidated financial condition and results of operations of the Borrower 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. The Borrower 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. The Borrower has 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 generally accepted accounting principles to be so reflected or disclosed, and (c) Liens or Rights of Others permitted pursuant to Section 7.02.

5.08 Regulated Industries. Neither the Borrower 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 the Borrower's knowledge, threatened against or affecting the Borrower or any of its Subsidiaries or any property of any of them in any court of law or before any Governmental Agency 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 the Borrower's news releases and filings with the Securities and Exchange Commission made or filed on or prior to the Restatement 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 the Borrower, enforceable against the Borrower 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 the Borrower. As of the Restatement Date, neither the Borrower nor any Subsidiary 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 or the Borrower's abilities 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 the Borrower or any Subsidiary contributes, the aggregate present value of the unfunded vested benefits allocable to the Borrower or such Subsidiaries under all such multiemployer plans is not an amount which would materially affect the financial condition or the Borrower's abilities to pay or perform its obligations under the Loan Documents.

5.13 Regulation U. Neither the Borrower 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 Board of Governors of the Federal Reserve System. No part of any Borrowing 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.

5.14 Tax Liability. The Borrower 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 the Borrower or any Subsidiary, 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. The Borrower or 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 the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any Subsidiary infringes upon any rights held by any other Person, where such infringement would create a Material Adverse Effect.

5.16 Environmental Matters. The Borrower conducts in the ordinary course of business a review of the effect of existing Environmental Laws and existing Environmental Claims on its business, operations and properties, and as a result thereof the Borrower 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 the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, 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 the Borrower or such Subsidiary operates.

5.18 Disclosure. No written statement made by the Borrower to the Banks 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 the Borrower has not disclosed to the Banks in writing which materially and adversely affects nor, so far as the Borrower 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 the Borrower and its Subsidiaries, taken as a whole, or the ability of the Borrower to perform the Obligations.

SECTION 6. AFFIRMATIVE COVENANTS

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

6.01 Financial and Business Information. As long as any Borrowing remains unpaid or any other Obligation remains unpaid or unperformed, or any Commitment remains in effect, the Borrower shall, unless the Majority Banks otherwise consent in writing, deliver to the Banks 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 the Borrower, (i) the consolidated balance sheet of the Borrower and its 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 the Borrower and its 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 generally accepted accounting principles consistently applied and certified by the principal financial officer of the Borrower, 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 the Borrower, (i) the consolidated balance sheets of the Borrower and its 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 the Borrower and its 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 generally accepted accounting principles consistently applied, and shall be accompanied by a report and opinion of PricewaterhouseCoopers or other independent public accountants selected by the Borrower and reasonably satisfactory to the Majority Banks, which report and opinion shall be prepared in accordance with generally

accepted auditing standards and shall be subject only to such qualifications and exceptions as are acceptable to the Majority Banks.

6.02 Certificates; Other Information. As long as any Borrowing remains unpaid or any other Obligation remains unpaid or unperformed, or any Commitment remains in effect, the Borrower shall deliver or make available to the Banks via the Borrower's 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 Bank, copies of any material report filed by the Borrower or any of its Subsidiaries with any Governmental Agency unless to do so would violate applicable Laws; and

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

6.03 Notices. The Borrower shall promptly notify the Administrative Agent and each Bank:

(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 the Borrower 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 the Borrower and/or any of its Subsidiaries is taking or proposes to take with respect thereto, and, when known, any action taken by the Internal Revenue Service 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 the Borrower;

(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 the Borrower 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 the Borrower;

(c) promptly upon becoming aware that the holder of any evidence of indebtedness or other security of the Borrower or any of its Subsidiaries that is material to the Borrower and its 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 the Borrower or its Subsidiary 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 the Borrower;

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

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

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 the Borrower), 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 the Borrower and its Subsidiaries, considered as a whole, or upon any right or interest of the Banks under any Loan Document; except that the Borrower 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 the Borrower 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 Agency 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 of the Borrower which in the reasonable judgment of the Board of Directors of the Borrower 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 the Borrower and its Subsidiaries operate except to the extent that the Borrower or a Subsidiary 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 the Borrower and its Subsidiaries operate.

6.08 Compliance with Laws. Comply with the requirements of all applicable Laws and orders of any Governmental Agency, noncompliance with which would result in a Material Adverse Effect, except that the Borrower 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 Banks would be materially impaired thereby.

6.09 Inspection Rights. At any time during regular business hours and as often as reasonably requested, permit any Bank 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 the Borrower and its Subsidiaries and to discuss the affairs, finances, and accounts of the Borrower and its Subsidiaries with any of their officials, customers or vendors, and, upon request, to furnish promptly to each Bank true copies of all material financial information formally made available to the senior management of the Borrower and reasonably identifiable by the Borrower. Nothing herein shall obligate the Borrower to disclose any information to the Banks respecting trade secrets or similar proprietary information constituting products or processes relating to the business of the Borrower or its Subsidiaries or in violation of applicable Laws.

6.10 Keeping of Records and Books of Account. Keep adequate records and books of account reflecting financial transactions in conformity with generally accepted accounting principles applied on a consistent basis and all applicable requirements of any Governmental Agency having jurisdiction over the Borrower or any of its Subsidiaries, except where the failure to comply with generally accepted accounting principles or such applicable requirements would not make the records and books of accounts of the Borrower 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.

SECTION 7. NEGATIVE COVENANTS

As long as any Borrowing remains unpaid or any other Obligation remains unpaid or unperformed, or any commitment to make Loans remains in effect, the Borrower shall not, and

shall cause each of its Subsidiaries to not, unless the Majority Banks otherwise consent in writing:

7.01 Type of Business. Make any substantial change in the present character of the business of the Borrower 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 the Borrower or the Subsidiary owning same;
- (e) Liens in existence on property at the time of its acquisition by the Borrower or its Subsidiary;
- (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 the Borrower and its Subsidiaries 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 Default or 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 the assets (other than Unrestricted Margin Stock), or merge with any other corporation unless the Borrower or one of its Subsidiaries is the surviving corporation except that the sale of all or substantially all of the assets of a Subsidiary of the Borrower, or the merger of any Subsidiary of the Borrower when it is not the surviving corporation shall not violate this Section 7.06 if the assets of that Subsidiary are not material in relation to the assets of the Borrower 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 Board of Governors of the Federal Reserve System or any other regulation of such Board 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.

**SECTION 8.
EVENTS OF DEFAULT AND REMEDIES UPON EVENTS OF DEFAULT**

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 Bank hereunder within three Business Days after the date when due; or

(b) the Borrower fails to perform or observe any other term, covenant, or agreement contained in any Loan Document on its part to be performed or observed 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) the Borrower or any of its Subsidiaries (1) fails to pay the principal, or any principal installment, or any present or future indebtedness for borrowed money, or any guaranty of present or future indebtedness 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 indebtedness for borrowed money, or any guaranty of present or future indebtedness 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 Revolving Credit Agreement dated as of June 15, 2007, by and among the Borrower, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent; or

(e) any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of the Banks 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 Banks, materially adverse to the interest of the Banks; or the Borrower denies that it has any or further liability or obligation under any Loan Document; or

(f) a final judgment against the Borrower 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) any Domestic Subsidiary, any Significant Subsidiary or the Borrower 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 undismissed 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 the Borrower or 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 Banks without notice to or demand upon the Borrower, which are expressly waived by the Borrower and (ii) the Majority Banks may declare the unpaid principal of or unperformed balance of all Obligations due to the Banks 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 Banks 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 Banks hereunder, as provided in Sections 8.02(a) or 8.02(b), the Administrative Agent and the Banks, 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 Banks under the Loan Documents and otherwise may be protected, exercised, or enforced shall be determined by the Majority Banks.

(d) All payments received by the Administrative Agent and the Banks, 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 Banks and thereafter to the Banks pro-rata according to the unpaid principal amount of the Loans held by each Bank. Regardless of how any Bank 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 Banks 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 Banks hereunder or under applicable Laws.

SECTION 9.
THE ADMINISTRATIVE AGENT

9.01 Appointment and Authorization. Each Bank hereby irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Administrative Agent by the terms thereof or are reasonably incidental, as determined by the Administrative Agent, thereto. This appointment and authorization does not constitute appointment of the Administrative Agent as trustee for any Bank and, except as specifically set forth herein to the contrary, the Administrative Agent shall take such action and exercise such powers only in an administrative and ministerial capacity. Without limiting the generality of the foregoing sentence, the use of the term “administrative agent” in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

9.02 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

9.03 Administrative Agent and Affiliates. CUSA (and each successor Administrative Agent) and its Affiliates have the same rights and powers under the Loan Documents as any other Bank and may exercise the same as though CUSA (or any successor Administrative Agent) were not the Administrative Agent; and the term “Bank” or “Banks” includes CUSA in its individual capacity. CUSA (and each successor Administrative Agent) and its respective Affiliates may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with the Borrower and any Affiliate of the Borrower, as if it were not the Administrative Agent and without any duty to account therefor to the Banks. CUSA (and each successor Administrative Agent) need not account to any other Bank for any monies received by it for reimbursement of its costs and expenses as Administrative Agent hereunder, or for any monies received by it in its capacity as a Bank hereunder, except as otherwise provided herein.

9.04 Banks’ Credit Decisions. Each Bank agrees that it has, independently and without reliance upon the Administrative Agent, the Syndication Agent, any other Bank, or the directors, officers, agents, or employees of the Administrative Agent, the Syndication Agent or of any other Bank, and instead in reliance upon information supplied to it by or on behalf of the Borrower and upon such other information as it has deemed appropriate, made its own independent credit analysis and decision to enter into this Agreement. Each Bank also agrees that it shall, independently and without reliance upon the Administrative Agent, the Syndication Agent, any other Bank, or the directors, officers, agents, or employees of the Administrative Agent, the Syndication Agent or of any other Bank, continue to make its own independent credit analyses and decisions in acting or not acting under the Loan Documents. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by the

Administrative Agent, neither the Administrative Agent nor the Syndication Agent shall have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or credit worthiness of the Borrower which may come into the possession of any of the Agent-Related Persons or any of the Syndication Agent, its Affiliates and the officers, directors, employees, agents and attorneys-in-fact of the Syndication Agent and its Affiliates.

9.05 Action by Administrative Agent.

(a) The Administrative Agent may assume that no Event of Default has occurred and is continuing, unless the Administrative Agent has actual knowledge of the Event of Default, has received notice from the Borrower stating the nature of the Event of Default and stating that such notice is a “notice of default”, or has received notice from a Bank stating the nature of the Event of Default and that that Bank considers the Event of Default to have occurred and to be continuing.

(b) The Administrative Agent has only those obligations under the Loan Documents that are expressly set forth therein. Without limitation on the foregoing, the Administrative Agent shall have no duty to inspect any property of the Borrower although the Administrative Agent may in its discretion periodically inspect any property from time to time.

(c) Except for any obligation expressly set forth in the Loan Documents and as long as the Administrative Agent may assume that no Event of Default has occurred and is continuing, the Administrative Agent may, but shall not be required to, exercise its discretion to act or not act, except that the Administrative Agent shall be required to act or not act upon the instructions of the Majority Banks (or of all the Banks, to the extent required by Section 10.02) and those instructions shall be binding upon the Administrative Agent and all the Banks, provided that the Administrative Agent shall not be required to act or not act if to do so would expose the Administrative Agent to significant personal liability or would be contrary to any Loan Document or to applicable law.

(d) If the Administrative Agent may not, pursuant to Section 9.05(a), assume that no Event of Default has occurred and is continuing, the Administrative Agent shall give notice thereof to the Banks and shall act or not act upon the instructions of the Majority Banks (or all of the Banks, to the extent required by Section 10.02), provided that the Administrative Agent shall not be required to act or not act if to do so would expose the Administrative Agent to significant liability or would be contrary to any Loan Document or to applicable law. The Administrative Agent will notify the Banks of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be requested by the Majority Banks in accordance with Section 8; provided, however, that unless and until the Administrative Agent has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Banks.

(e) The Administrative Agent shall have no liability to any Bank for acting, or not acting, as instructed by the Majority Banks (or all the Banks, if required under Section 10.02), notwithstanding any other provision hereof.

9.06 Liability of Administrative Agent. None of the Agent-Related Persons shall be liable for any action taken or not taken by them under or in connection with the Loan Documents, except for their own gross negligence or willful misconduct. Without limitation on the foregoing, any Agent-Related Person:

(a) may treat each Person whose name is recorded in the Register as a Bank hereunder until the Administrative Agent receives notice of the assignment or transfer of such Person's interests hereunder in form satisfactory to the Administrative Agent, signed by that Bank;

(b) may consult with legal counsel, in-house legal counsel, independent public accountants, in-house accountants and other professionals, or other experts selected by it, of with legal counsel, independent public accountants, or other experts for the Borrower, and shall not be liable for any action taken or not taken by it in good faith in accordance with the advice of such legal counsel, independent public accountants, or experts;

(c) will not be responsible to any Bank for any statement, warranty, or representation made in any of the Loan Documents or in any notice, certificate, report, request, or other statement (written or oral) in connection with any of the Loan Documents;

(d) except to the extent expressly set forth in the Loan Documents, will have no duty to ascertain or inquire as to the performance or observance by the Borrower or any other Person of any of the terms, conditions, or covenants of any of the Loan Documents or to inspect the property, books, or records of the Borrower or any of its Subsidiaries or other Person;

(e) will not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, effectiveness, sufficiency, or value of any Loan Document, any other instrument or writing furnished pursuant thereto or in connection therewith;

(f) will not incur any liability by acting or not acting in reliance upon any Loan Document, notice, consent, certificate, statement, or other instrument or writing believed by it to be genuine and signed or sent by the proper party or parties; the Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Banks and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks (for purposes of determining compliance with the conditions specified in Section 4.01, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Administrative Agent to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Bank); and

(g) will not incur any liability for any arithmetical error in computing any amount payable to or receivable from any Bank hereunder, including without limitation payment of principal and interest hereunder, payment of commitment fees, Loans, and other amounts; provided that promptly upon discovery of such an error in computation, the Administrative Agent, the Banks and (to the extent applicable) the Borrower shall make such adjustments as are

necessary to correct such error and to restore the parties to the position that they would have occupied had the error not occurred.

9.07 Indemnification. Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower to do so), pro rata, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including, without limitation, attorney's fees and disbursements and the allocated cost of in-house counsel) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans and the termination, resignation or replacement of the Administrative Agent or replacement of any Bank) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any bankruptcy or other insolvency proceeding or appellate proceeding) related to or arising out of this Agreement or the Loans or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, however, that no Bank shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities resulting solely from such Person's negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including fees and expenses of any counsel (including in-house counsel)) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of the Administrative Agent.

9.08 Successor Administrative Agent. The Administrative Agent may, and at the request of the Majority Banks shall, resign as Administrative Agent upon 30 days' notice to the Banks. If the Administrative Agent resigns under this Agreement, the Majority Banks shall appoint from among the Banks a successor agent for the Banks. If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Banks and the Borrower, a successor agent from among the Banks. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 9 and Section 10.03 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring

Administrative Agent's resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Banks appoint a successor agent as provided for above.

9.09 Withholding Tax. Each Bank that is a "foreign corporation, partnership or trust" within the meaning of the Code shall deliver to the Administrative Agent, prior to becoming a Bank (including after accepting an assignment of an interest herein) and promptly upon becoming aware that any form or other documentation provided pursuant to this Section 9.09 has become invalid, two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Person and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Person by the Borrower pursuant to this Agreement) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Person by the Borrower pursuant to this Agreement) or such other evidence satisfactory to the Borrower and the Administrative Agent that such Person is entitled to an exemption from, or reduction of, U.S. withholding tax. Thereafter and from time to time, each such Person shall (a) promptly submit to the Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to the Borrower and the Administrative Agent of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Person by the Borrower pursuant to this Agreement, (b) promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (c) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Bank, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws that the Borrower make any deduction or withholding for taxes from amounts payable to such Person. If such Person fails to deliver the above forms or other documentation, then the Administrative Agent may withhold from any interest payment to such Person an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction, and, unless such failure shall result from a change in law making it impossible for such Person to provide such forms or other documentation, the Borrower shall not be required to pay any additional amounts as a result of such withholding. If any Governmental Authority asserts that the Administrative Agent did not properly withhold any tax or other amount from payments made in respect of such Person, such Person shall indemnify the Administrative Agent therefor, including all penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, and costs and expenses (including the reasonable fees and out-of-pocket expenses of any legal counsel (including the allocated cost of in-house counsel)) of the Administrative Agent. The obligation of the Banks under this Section shall survive the payment of all Obligations and the resignation or replacement of the Administrative Agent.

9.10 No Other Duties, etc. Anything herein to the contrary notwithstanding, none of the Syndication Agent or 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 Bank.

**SECTION 10.
MISCELLANEOUS**

10.01 Cumulative Remedies; No Waiver. The rights, powers, and remedies of the Administrative Agent or any Bank provided in any Loan Document are cumulative and not exclusive of any right, power, or remedy provided by law or equity. No failure or delay on the part of the Administrative Agent or any Bank in exercising any right, power, or remedy may be, or may be deemed to be, a waiver thereof; nor may any single or partial exercise of any right, power, or remedy preclude any other or further exercise of any other right, power, or remedy. The terms and conditions of Sections 4.01 and 4.02 are inserted for the sole benefit of the Banks and may be waived by the Majority Banks in whole or in part with or without terms or conditions in respect of any Loan, without prejudicing the Bank's rights to assert them in whole or in part in respect of any other Loans.

10.02 Amendments; Consents. No amendment, modification, supplement, termination, or waiver of any provision of this Agreement, and no consent to any departure by the Borrower therefrom, may in any event be effective unless in writing signed by the Administrative Agent with the written approval of the Majority Banks, and then only in the specific instance and for the specific purpose given; and without the approval in writing of all the Banks, 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 (except as provided in Section 2.12) or decrease the amount of any fee payable to any Bank;

(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 (except as provided in Section 2.11);

(c) to amend or modify the provisions of (i) the definitions of "Commitment" or "Majority Banks" in Section 1.01, or (ii) Sections 2.11, 2.12, 10.02, 10.09, 10.11 or Section 8; or

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

provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Majority Banks or all the Banks, 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 10.02 shall apply equally to and be binding upon, all of the Banks.

10.03 Costs, Expenses and Taxes. The Borrower shall pay on demand the reasonable costs and expenses of the Administrative Agent in connection with the negotiation, preparation, execution and delivery, amendment, waiver, refinancing and restructuring of, and reorganization (including a bankruptcy reorganization, if such payment is approved by the bankruptcy court) affecting, the Loan Documents and the reasonable expenses of the Administrative Agent and the Banks in connection with the enforcement of the Loan Documents, and any matter related thereto, including without limitation filing fees, recording fees, title insurance fees, appraisal fees, search fees, and other out-of-pocket expenses and the reasonable fees and out-of-pocket expenses of any legal counsel (including the allocated cost of in-house counsel), independent public accountants, and other outside experts retained by the Administrative Agent or the Banks. The Borrower shall pay any and all documentary and other taxes (other than income or gross receipts taxes generally applicable to banks) and all costs, expenses, fees, and charges payable or determined to be payable in connection with the filing or recording of this Agreement, any other Loan Document, or any other instrument or writing to be delivered hereunder or thereunder, or in connection with any transaction pursuant hereto or thereto, and shall reimburse, hold harmless, and indemnify the Administrative Agent and the Banks from and against any and all loss, liability, or legal or other expense with respect to or resulting from any delay in paying or failure to pay any tax, cost, expense, fee, or charge or that any of them may suffer or incur by reason of the failure of the Borrower to perform any of the Obligations. Any amount payable to the Administrative Agent or the Banks under this Section 10.03 shall bear interest from the date of demand for payment at the rate then in effect for Base Rate Loans.

10.04 Banks' Relationship. Nothing contained in this Agreement or any other Loan Document and no action taken by the Banks and the Borrower pursuant hereto or thereto may, or may be deemed to, make any Bank and the Borrower a partnership, an association, a joint venture, or other entity. The sole relationship between the Banks and the Borrower is that of lenders and borrower, respectively. Each Bank's obligation to make any Loan is several, and not joint or joint and several, and is conditioned upon the performance by all other Banks of their obligations to make Loans. A default by any Bank will not increase the Commitment of any other Bank. Any Bank not in default may, if it desires, assume in such proportion as the non-defaulting Banks may agree the obligations of any Bank in default, but is not obligated to do so.

10.05 Survival of Representations and Warranties. All representations and warranties of the Borrower contained herein or in any other Loan Document (including, for this purpose, all representations and warranties contained in any certificate or other writing required to be delivered by or on behalf of the Borrower pursuant to any Loan Document) will survive the execution and delivery of this Agreement, and, in the absence of actual knowledge by the Banks of the untruth of any representation or warranty, have been or will be relied upon by the Banks, notwithstanding any investigation made by the Banks or on their behalf.

10.06 Notices.

(a) General. Unless otherwise expressly provided in the Loan Documents, all notices, requests, demands, directions and other communications provided for hereunder or under any other Loan Document shall be in writing (including by facsimile transmission). All such written notices shall be mailed, faxed or delivered to the applicable address, facsimile number or (subject to Section 10.21) electronic mail address, 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 the Borrower or the Administrative Agent, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 10.06 or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties; and

(ii) if to any other Bank, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the Borrower and the Administrative Agent.

(b) Timing. All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto; (B) if delivered by mail, four Business Days after deposit in the United States mail, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (subject to the provisions of Section 10.21(c)) when received; provided, however, that notices and other communications to the Administrative Agent and the Banks pursuant to Section 2 shall not be effective until actually received by such Person. In no event shall a voicemail message be effective as a notice, communication or confirmation hereunder.

(c) Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable law, have the same force and effect as manually-signed originals and shall be binding on the Borrower, the Administrative Agent and the Banks. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(d) Reliance by the Administrative Agent and Banks. The Administrative Agent and the Banks shall be entitled to rely and act upon any 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. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.07 Execution in Counterparts. This Agreement and any other Loan Document may be executed in any number of counterparts and any party hereto or thereto may execute any counterpart, each of which when executed and delivered will be deemed to be an original and all of which counterparts of this Agreement or any other Loan Document, as the case may be, taken together will be deemed to be but one and the same instrument. The execution of this Agreement or any other Loan Document by any party hereto or thereto will not become effective until

counterparts hereof or thereof, as the case may be, have been executed by all the parties hereto or thereto.

10.08 Successors and Assigns.

(a) 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 the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Bank (and any attempted assignment or transfer by the Borrower without such consent 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 Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Bank 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 Bank's Commitment and the Loans at the time owing to it or in the case of an assignment to a Bank or an Affiliate of a Bank or an Approved Fund with respect to a Bank, 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 Bank'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 Bank, an Affiliate of a Bank or an Approved Fund with respect to a Bank unless as a result of such assignment, the Borrower would incur an additional cost pursuant to Section 3.06, but the assigning Bank 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 Eligible 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 Bank under this Agreement, and the assigning Bank 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 Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.01, 3.03 and 3.09

with respect to facts and circumstances occurring prior to the effective date of such assignment). Any assignment or transfer by a Bank 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 Bank of a participation in such rights and obligations in accordance with subsection (d) of this Section.

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

(d) Any Bank may at any time, without the consent of, but with notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries (each, a "Participant")) in all or a portion of such Bank'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 Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Bank sells such a participation shall provide that such Bank 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 Bank 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, 3.03 and 3.09 to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of, and be subject to, Section 10.09 as though it were a Bank.

(e) A Participant shall not be entitled to receive any greater payment under Section 3.01, 3.03 or 3.09 than the applicable Bank 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 corporation, partnership or trust" as contemplated by Section 9.09 (a "Foreign Bank") if it were a Bank 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 9.09 as though it were a Bank.

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

(g) As used herein, the following terms have the following meanings:

“Eligible Assignee” means, (a) a Bank; (b) an Affiliate of a Bank; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, 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

“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 business.

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

10.09 Right of Setoff; Sharing of Excess Payments.

(a) The Borrower acknowledges that each Bank and each of its Affiliates have a contractual right of setoff of amounts credited to any deposit account maintained by the Borrower with that Bank or its Affiliates against the Obligations owed to that Bank or its Affiliates. Upon the occurrence of an Event of Default which is then continuing, the Borrower consents to the exercise by each Bank and its Affiliates of its right of setoff, as aforesaid, in accordance with applicable Laws.

(b) Each Bank severally agrees that if that Bank or any of its Affiliates shall, through the exercise of a right of setoff, banker’s lien or counterclaim against the Borrower or by virtue of a voluntary or involuntary payment received or applied, receive payment or reduction of a proportion of the aggregate amount of principal and interest then due hereunder, or amounts due to that Bank or its Affiliates in respect of fees hereunder (collectively, the “Aggregate Amounts Due” to such Bank and such Affiliates), which is greater than the proportion received by any other Bank in respect to the Aggregate Amounts Due to such other Bank, then the Bank and its Affiliates receiving such greater proportionate payment shall purchase participations (which it shall be deemed to have purchased from each seller simultaneously upon the receipt by such seller of its portion of such payment) in the Aggregate Amounts Due to the other Banks so that all such recoveries of Aggregate Amounts Due shall be shared by the Banks in proportion to the Aggregate Amounts Due them. If all or a portion of any such excess payment is thereafter

recovered from any Bank which received the same, the purchase provided for herein shall be rescinded to the extent of such recovery, without interest.

10.10 Indemnification by the Borrower. Whether or not the transactions contemplated hereby are consummated, the Borrower agrees to indemnify, save and hold harmless each Agent-Related Person, each Bank and their respective Affiliates, directors, officers, employees, counsel, agents, advisors and attorneys-in-fact (collectively the “Indemnitees”) from and against: (a) any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than the Administrative Agent, the Syndication Agent or any Bank) 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; (b) 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 Bank) 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, the Syndication Agent and the Banks under this Agreement or any other Loan Document; (c) any administrative or investigative proceeding by any Governmental Agency arising out of or related to a claim, demand, action or cause of action described in subsection (a) or (b) above; and (d) any and all liabilities (including liabilities under indemnities), losses, 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 (all the foregoing, collectively, the “Indemnified Liabilities”); provided that no Indemnitee shall be entitled to indemnification for any claim caused by its own negligence or willful misconduct or for any loss asserted against it by another Indemnitee. The agreements in this Section shall survive the termination of the Commitments and repayment of all the other Obligations.

10.11 Nonliability of Banks. Neither the Administrative Agent nor any Bank undertakes or assumes any responsibility or duty to the Borrower to review, inspect, supervise, pass judgment upon, or inform the Borrower of any matter in connection with any phase of the Borrower’s business, operations, or condition, financial or otherwise. The Borrower shall rely entirely upon its own judgment with respect to such matters, and any review, inspection, supervision, exercise of judgment, or information supplied to the Borrower by the Administrative Agent or any Bank in connection with any such matter is for the protection of the Administrative Agent and the Banks, and neither the Borrower nor any third party is entitled to rely thereon.

10.12 Confidentiality. Each Bank agrees to hold any confidential information which it may receive from the Borrower pursuant to this Agreement in confidence, except for disclosure (a) to its Affiliates, legal counsel, accountants, and other professional advisors to the Bank provided that such advisors and Affiliates are obliged to hold such information in confidence, (b) regulatory officials having jurisdiction over the Bank or its Affiliates, (c) as required by law or

legal process or in connection with any legal proceeding to which the Bank is a party provided that the Borrower is notified prior to or concurrently with any such disclosure, and (d) to the Administrative Agent or another Bank. 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 10.12, to any Participants, Eligible Assignees, potential Participants or potential Eligible Assignees.

10.13 Investment Intent. Each Bank is making the Loans provided for herein for its own account and not with a view to the distribution thereof, subject, nevertheless, to any requirement that its property shall at all times be within its control, and subject further to the Bank's right (reserved hereby) to sell participations in the Loans pursuant to this Agreement.

10.14 Further Assurances. The Borrower shall, at its expense and without expense to the Administrative Agent or any Bank, do, execute, and deliver such further acts and documents as the Administrative Agent from time to time reasonably requires for the assuring and confirming unto them the rights hereby created or intended now or hereafter so to be, or for carrying out the intention or facilitating the performance of the terms of any Loan Document.

10.15 Integration. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof; provided, however, that the foregoing is subject to Section 5.18.

10.16 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial. The Loan Documents shall be governed by, and construed and enforced in accordance with, the laws of California. The Loan Documents were drafted with the joint participation of the Borrower and the Banks and shall be construed neither against nor in favor of either, but rather in accordance with the fair meaning thereof. All judicial proceedings brought against the Borrower with respect to this Agreement may be brought in any state or federal court of competent jurisdiction in the State of California, and by execution and delivery of this Agreement, the Borrower accepts for itself and in connection with its properties, generally and unconditionally, the nonexclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. The Borrower irrevocably waives any right it may have to assert the doctrine of forum non conveniens or to object to venue to the extent any proceeding is brought in accordance with this Section. EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN TRANSACTION OR THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED.

10.17 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

10.18 Headings. Article and section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

10.19 Time of the Essence. Time is of the essence of the Loan Documents.

10.20 Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Borrower in respect of any such sum due from them to the Administrative Agent or the Banks hereunder or under the other Loan Documents shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent from the Borrower in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or the Person to whom such obligation was owing against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent in such currency, the Administrative Agent agrees to return the amount of any excess to the Borrower (or to any other Person who may be entitled thereto under applicable law).

10.21 Website Communications.

(a) The Borrower hereby agrees that it will provide to the Administrative Agent all information, documents and other materials that it is obligated to furnish to the Administrative Agent pursuant to the Loan Documents, including, without limitation, all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) relates to a request for a new, or a conversion of an existing, borrowing or other extension of credit (including any election of an interest rate or interest period relating thereto), (ii) relates to the payment of any principal or other amount due under this Agreement prior to the scheduled date therefor, (iii) provides notice of any default or event of default under this Agreement or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any borrowing or other extension of credit thereunder (all such non-excluded communications being referred to herein collectively as "Communications"), by transmitting the Communications in an electronic/soft medium in a format acceptable to the Administrative Agent to oploanswebadmin@citigroup.com. In addition, the Borrower agrees to continue to provide the Communications to the Administrative Agent in the manner specified in the Loan Documents but only to the extent requested by the Administrative Agent.

(b) The Borrower further agrees that the Administrative Agent may make the Communications available to the Banks by posting the Communications on Intralinks or a substantially similar electronic transmission systems (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 COMMUNICATIONS, OR THE ADEQUACY OF THE PLATFORM AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE COMMUNICATIONS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, 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 THE AGENT PARTIES IN CONNECTION WITH THE COMMUNICATIONS OR THE PLATFORM. IN NO EVENT SHALL THE ADMINISTRATIVE AGENT OR ANY OF ITS AFFILIATES OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, ADVISORS OR REPRESENTATIVES (COLLECTIVELY, “AGENT PARTIES”) HAVE ANY LIABILITY TO BORROWER, ANY BANK OR ANY OTHER PERSON OR ENTITY FOR DAMAGES OF ANY KIND, INCLUDING, WITHOUT LIMITATION, DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF BORROWER’S OR THE ADMINISTRATIVE AGENT’S TRANSMISSION OF COMMUNICATIONS THROUGH THE INTERNET, EXCEPT TO THE EXTENT THE LIABILITY OF ANY AGENT PARTY IS FOUND IN A FINAL NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED PRIMARILY FROM SUCH AGENT PARTY’S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(c) The Administrative Agent agrees that the receipt of the Communications by the Administrative Agent at its e-mail address set forth above shall constitute effective delivery of the Communications to the Administrative Agent for purposes of the Loan Documents. Each Bank agrees that notice to it (as provided in the next sentence) specifying that the Communications have been posted to the Platform shall constitute effective delivery of the Communications to such Bank for purposes of the Loan Documents. Each Bank agrees to notify the Administrative Agent in writing (including by electronic communication) from time to time of such Bank’s e-mail address to which the foregoing notice may be sent by electronic transmission and (ii) that the foregoing notice may be sent to such e-mail address.

Nothing herein shall prejudice the right of the Administrative Agent or any Bank to give any notice or other communication pursuant to any Loan Document in any other manner specified in such Loan Document.

10.22 USA PATRIOT Act Notice. Each Bank (whether a party hereto on the date hereof or hereafter) and the Administrative Agent (for itself and not on behalf of any Bank) hereby notify the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Bank or the Administrative Agent, as applicable, to identify the Borrower in accordance with the USA PATRIOT Act and to provide notice of these requirements, and this notice shall satisfy such notice requirements of the USA PATRIOT Act.

[The remainder of this page is 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 CORPORATION

By _____
Executive Vice President, Finance
and Chief Financial Officer

By _____
Vice President and Treasurer

CITICORP USA, INC., as Administrative Agent and as a Bank

By _____

Name _____

Title _____

S-2

BANK OF AMERICA, N.A., as Syndication Agent and as a Bank

By _____

Name _____

Title _____

S-3

_____, as a Bank

By _____

Name _____

Title _____

MANDATORY COST RATE

1. The Mandatory Cost Rate is an addition to the interest rate to compensate Banks for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority of the United Kingdom (the “Financial Services Authority”) (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
2. On the first day of each Interest Period (or as soon as possible thereafter) the Administrative Agent shall calculate, as a percentage rate, a rate (the “Additional Cost Rate”) for each Bank, in accordance with the paragraphs set out below. The Mandatory Cost Rate will be calculated by the Administrative Agent as a weighted average of the Banks’ Additional Cost Rates (weighted in proportion to the percentage participation of each Bank in the relevant Loan) and will be expressed as a percentage rate per annum.
3. The Additional Cost Rate for any Bank lending from an office in a Participating Member State will be the percentage notified by that Bank to the Administrative Agent. This percentage will be certified by that Bank in its notice to the Administrative Agent to be its reasonable determination of the cost (expressed as a percentage of that Bank’s participation in all Loans made from that office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that office.
4. The Additional Cost Rate for any Bank lending from an office in the United Kingdom will be calculated by the Administrative Agent as follows:

a. in relation to a sterling Loan:

$$\frac{AB + C(B - D) + E \times 0.01}{100 - (A + C)} \quad \text{per cent, per annum}$$

b. in relation to a Loan in any currency other than sterling:

$$\frac{E \times 0.01}{300} \quad \text{per cent, per annum}$$

Where:

- A is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which that Bank is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.
- B is the Eurocurrency Base Rate applicable to such Loan.

- C is the percentage (if any) of Eligible Liabilities which that Bank is required from time to time to maintain as interest bearing Special Deposits with the Bank of England.
- D is the percentage rate per annum payable by the Bank of England to the Administrative Agent on interest bearing Special Deposits.
- E is designed to compensate Banks for amounts payable under the Fees Rules and is calculated by the Administrative Agent as being the average of the most recent rates of charge supplied by the Sterling Reference Banks to the Administrative Agent pursuant to paragraph 7 below and expressed in pounds per £1,000,000.
5. For the purposes of this Schedule:
- (a) “Eligible Liabilities” and “Special Deposits” have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;
 - (b) “Fees Rules” means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
 - (c) “Fee Tariffs” means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and
 - (d) “Tariff Base” has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.
6. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (i.e. 5 per cent. will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.
7. If requested by the Administrative Agent, each Sterling Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Administrative Agent, the rate of charge payable by that Sterling Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Sterling Reference Bank as being the average of the Fee Tariffs applicable to that Sterling Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Sterling Reference Bank.
8. Each Bank shall supply any information required by the Administrative Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Bank shall supply the following information on or prior to the date on which it becomes a Bank:

- (a) the jurisdiction of its funding office; and
- (b) any other information that the Administrative Agent may reasonably require for such purpose.

Each Bank shall promptly notify the Administrative Agent of any change to the information provided by it pursuant to this paragraph.

- 9. The percentages of each Bank for the purpose of A and C above and the rates of charge of each Sterling Reference Bank for the purpose of E above shall be determined by the Administrative Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above and on the assumption that, unless a Bank notifies the Administrative Agent to the contrary, each Bank's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a funding office in the same jurisdiction as its funding office.
- 10. The Administrative Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Bank and shall be entitled to assume that the information provided by any Bank or Sterling Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.
- 11. The Administrative Agent shall distribute the additional amounts received as a result of the Mandatory Cost Rate to the Banks on the basis of the Additional Cost Rate for each Bank based on the information provided by each Bank and each Sterling Reference Bank pursuant to paragraphs 3, 7 and 8 above.
- 12. Any determination by the Administrative Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost Rate, an Additional Cost Rate or any amount payable to a Bank shall, in the absence of manifest error, be conclusive and binding on all parties.
- 13. The Administrative Agent may from time to time, after consultation with the Borrower and the Banks, determine and notify to all parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties.

SCHEDULE 2.01

Bank	Commitment	Pro Rata Share of Commitment
Citicorp USA Inc.	\$ 117,500,000	11.750000000%
Bank of America, N.A.	\$ 117,500,000	11.750000000%
JPMorgan Chase Bank, N.A.	\$ 105,000,000	10.500000000%
Barclays Bank PLC	\$ 105,000,000	10.500000000%
Wachovia Bank, N.A.	\$ 105,000,000	10.500000000%
ABN Amro Bank NV	\$ 85,000,000	8.500000000%
William Street Commitment Corp.	\$ 85,000,000	8.500000000%
KBC Bank	\$ 65,000,000	6.500000000%
Standard Chartered Bank	\$ 65,000,000	6.500000000%
HSBC Bank USA, National Association	\$ 65,000,000	6.500000000%
The Bank of New York	\$ 50,000,000	5.000000000%
Wells Fargo Bank, National Association	\$ 35,000,000	3.500000000%
Total	\$1,000,000,000	100.000000000%

Schedule 2.01-1

SUBSIDIARIES

	JURISDICTION IN WHICH ORGANIZED
2006 SUBSIDIARY	
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

	JURISDICTION IN WHICH ORGANIZED
2006 SUBSIDIARY	
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

	JURISDICTION IN WHICH ORGANIZED
2006 SUBSIDIARY	
94. AVERY DENNISON OFFICE PRODUCTS MANUFACTURING U.K. LTD.	UNITED KINGDOM
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.

<u>2006 SUBSIDIARY</u>	<u>JURISDICTION IN WHICH ORGANIZED</u>
142. INDUSTRIAL DE MARCAS LTDA	COLOMBIA
143. JAC (U.K.) LIMITED	UNITED KINGDOM
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

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, 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. The amount accrued represents the lower end of the current estimated range of \$15 million to \$17 million for costs expected to be incurred. 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 June 18, 2007, the Canadian Department of Justice notified the Company that the Competition Law Division of the Canadian Department of Justice had decided to close its criminal investigation (initiated in July 2004) into competitive practices in the label stock industry without further action, as described below.

On October 19, 2006, the U.S. Department of Justice notified the Company that the U.S. Department of Justice had decided to close its criminal investigation (initiated in April 2003) into competitive practices in the label stock industry without further action, as described below.

On November 15, 2006, the Company announced that it had been notified that the European Commission (“EC”) had closed its investigation (initiated in May 2004) into the Company’s competitive activities in the label stock industry with no action, as described below.

On April 14, 2003, the Company announced that it had been notified that the U.S. Department of Justice (“DOJ”) had initiated a criminal investigation into competitive practices in the label stock industry. The Company cooperated with the now closed investigation.

On April 15, 2003, the U.S. Department of Justice filed a complaint in the U.S. District Court for the Northern District of Illinois (“DOJ Merger Complaint”) seeking to enjoin the proposed merger of UPM-Kymmene (“UPM”) and the Morgan Adhesives (“MACtac”) division of Bemis Co., Inc. (“Bemis”). The DOJ Merger Complaint included references not only to the parties to the merger, but also to an unnamed “Leading Producer” of North American label stock, which is the Company. The DOJ Merger Complaint asserted that “UPM and the Leading Producer have already attempted to limit competition between themselves, as reflected in written and oral communications to each other through high level executives regarding explicit anticompetitive understandings, although the extent to which these efforts have succeeded is not entirely clear to the United States at the present time.” On July 25, 2003, the United States District Court for the Northern District of Illinois entered an order enjoining the proposed merger. UPM and Bemis thereafter agreed to terminate the merger agreement.

On April 24, 2003, Sentry Business Products, Inc. filed a purported class action 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, essentially repeating the underlying allegations of the DOJ Merger Complaint. 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 March 1, 2007, the court heard oral argument on the issue of the appropriateness of class certification. The Company intends to defend these matters vigorously.

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. On January 12, 2007, following the DOJ’s closing of its investigation, the plaintiffs filed a notice of voluntary dismissal of the case without prejudice. On January 17, 2007, the Court entered an order dismissing the case.

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 Company intends to defend these matters vigorously.

On May 25, 2004, officials from the European Commission ("EC"), assisted by officials from national competition authorities, launched unannounced inspections of and obtained documents from the Company's pressure-sensitive materials facilities in the Netherlands and Germany. The investigation apparently sought evidence of unlawful anticompetitive activities affecting the European paper and forestry products sector, including the label stock market. The Company cooperated with the now closed investigation.

On May 18, 2005, Ronald E. Dancer filed a purported class action in the United States District Court for the Central District of California against the Company, Mr. Neal, Karyn Rodriguez (VP and Treasurer) and James Bochinski (then VP, Compensation and Benefits), for alleged breaches of fiduciary duty under the Employee Retirement Income Security Act to the Company's Employee Savings Plan and Plan participants. The plaintiff alleges, among other things, that permitting investment in and retention of Company Common Stock under the Plan was imprudent because of alleged anticompetitive activities by the Company, and that failure to disclose such activities to the Plan and participants was unlawful. Plaintiff seeks an order compelling defendants to compensate the Plan for any losses and other relief. The court approved the parties' stipulation to stay the matter pending the outcome of the government investigation of alleged anticompetitive conduct by the Company. The Company intends to defend this matter 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.

On October 19, 2006, the DOJ notified the Company that the DOJ decided to close its criminal investigation into competitive practices in the label stock industry without further action.

On November 15, 2006, the Company announced that it had been notified that the EC had closed its investigation into the Company's competitive activities in the label stock industry with no action.

On June 18, 2007, the Canadian Department of Justice notified the Company that the Competition Law Division of the Canadian Department of Justice had decided to close its criminal investigation into competitive practices in the label stock industry without further action.

The Board of Directors created an ad hoc committee comprised of independent directors to oversee the foregoing matters.

The Company is unable to predict the effect of these matters at this time, although the effect could be adverse and material.

In 2005, the Company 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. Corrective and disciplinary actions have been taken. Sales of the reflective business in China in 2005 were approximately \$7 million. Based on findings to date, no changes to the Company's previously filed financial statements were warranted as a result of these matters. However, 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 our behavior in detecting, investigating, responding to and voluntarily disclosing these matters to authorities should be viewed favorably.

The Company and its subsidiaries are involved in various other lawsuits, claims and inquiries, most of which are routine to the nature of the business. Based upon current information, the Company believes that the resolution of these other matters will not materially affect us.

Schedule 5.09-4

**LENDING OFFICES AND
ADDRESSES FOR NOTICES**

AVERY DENNISON CORPORATION

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

CITICORP USA, INC.

*Administrative Agent's Payment Office and CUSA's Lending Office
(for payments and Notices of Borrowing and Notices of Conversion/Continuation):*

Citibank, N.A.
Global Loans Operations
2 Penns Way, Suite 200
New Castle, Delaware 19726
Attention: Vincent Farrell
Telephone: 302-894-6032
Facsimile: 302-894-6120

Other Notices:

Domestic and Eurocurrency Lending Office:

Citicorp USA, Inc.
1 Court Square
Long Island City, NY 11120
Attention: Melanie Vora
Telephone: 718-248-5698
Facsimile: 718-240-4844

Notices (other than Notices of Borrowing and Notices of Conversion/Continuation):

Citibank, N.A.
Bank Loan Syndications
2 Penns Way, Suite 200
New Castle, Delaware 19720

Attention: Janet Wallace-Himmler
Telephone: 302-894-6029
Facsimile: 212-994-0961
janet.wallacehimmler@citigroup.com

BANK OF AMERICA, N.A.

Loan repayments, interest, fees:

Bank of America, N.A.
2001 Clayton Rd, Building B, 2nd Floor
Mail Code: CA4-702-02-25
Concord, CA 94520-2405
Attention: Jesse Phalen
Telephone: 925-675-8458
Facsimile: 888-969-9228
Electronic Mail: jesse.c.phalen@bankofamerica.com

Other Notices:

Bank of America, N.A.
333 S. Hope Street, 24th Floor
Mail Code: CA9-193-24-05
Los Angeles, CA 90071
Attention: Bob Troutman
Telephone: 213-621-8765
Facsimile: 213-621-8793
Electronic Mail: bob.troutman@bankofamerica.com
Scott Lambert
Telephone: 213-621-8766
Facsimile: 213-621-8793
Electronic Mail: scott.lambert@bankofamerica.com

[OTHER BANKS]

Schedule 10.06-2

FORM OF NOTICE OF BORROWING

TO: Citicorp USA, Inc., as Administrative Agent

Pursuant to Section 2.03 of that certain First Amended and Restated Revolving Credit Agreement dated as of August 10, 2007 (as from time to time amended, extended, restated, modified or supplemented, the "Credit Agreement;" capitalized terms used herein shall have the meanings assigned to them in the Credit Agreement), among Avery Dennison Corporation (the "Borrower"), the Banks named therein (the "Banks"), Citicorp USA, Inc., as administrative agent (the "Administrative Agent"), and Bank of America, N.A., as syndication agent, this represents the Borrower's request to borrow on _____ from the Banks, according to their respective Pro Rata Share, [\$] [€] [£] _____ as [Base Rate] [Eurocurrency Rate] Loans. [The initial Interest Period for such Eurocurrency Rate is requested to be a _____-month period]. The proceeds of such Loans are to be deposited in the Borrower's account at the Administrative Agent.

The undersigned Designated Officer hereby certifies that [, except as described in a schedule attached hereto (which is subject to the approval of the Majority Banks),] the representations and warranties contained in Section 5 of the Credit Agreement [(other than in Sections 5.06 and 5.09)] are true and correct in all material respects, and are deemed made, on and as of the date of the Loan as though made on and as of that date, and no state of facts constituting a Default or an Event of Default has occurred and is continuing or will result from the proposed borrowing.

DATED:

AVERY DENNISON CORPORATION

By _____

Its _____

Notice Of Borrowing

FORM OF NOTICE OF CONVERSION/CONTINUATION

Citicorp USA, Inc., as Administrative Agent

1. Conversion Selection. Pursuant to Section 2.04 of that certain First Amended and Restated Revolving Credit Agreement dated as of August 10, 2007 (as from time to time amended, extended, restated, modified or supplemented, the "Credit Agreement;" capitalized terms used herein shall have the meanings assigned to them in the Credit Agreement), among Avery Dennison Corporation (the "Borrower"), the Banks named therein (the "Banks"), Citicorp USA, Inc., as administrative agent (the "Administrative Agent"), and Bank of America, N.A., as syndication agent, this represents the Borrower's request to convert [\$] [€] [£] _____ of existing [Base Rate] [Eurocurrency Rate] Loans on _____, 20 _____, into [Eurocurrency Rate] [Base Rate] Loans, as follows:

Amount	Interest Period (Eurocurrency Rate Loans)
[\$] [€] [£] _____	_____ months

2. Continuation Selection. (Eurocurrency Rate Loans). Pursuant to Section 2.04 of the Agreement, please continue [\$] [€] [£] _____ of existing Eurocurrency Rate Loans, the final day of the current Interest Period of which is _____, 20 _____, as follows:

Amount	Requested Interest Period (Eurocurrency Rate Loans)
[\$] [€] [£] _____	_____ months

Notice of Conversion/Continuation

3. Representations and Warranties; No Default. The undersigned Designated Officer hereby certifies that [, except as described in a schedule attached hereto (which is subject to the approval of the Majority Banks),] the representations and warranties contained in Section 5 of the Credit Agreement (other than in Sections 5.06 and 5.09) are true and correct in all material respects, and are deemed made, on and as of the date of the [conversion] [continuation] requested hereby as though made on and as of that date, and no state of facts constituting a Default or an Event of Default has occurred and is continuing or will result from the proposed [conversion] [continuation].

AVERY DENNISON CORPORATION

By _____

Its _____

Notice of Conversion/Continuation

B-2

COMPLIANCE CERTIFICATE

Citicorp USA, Inc., as Administrative Agent

Reference is made to that certain First Amended and Restated Revolving Credit Agreement dated as of August 10, 2007 (as from time to time amended, extended, restated, modified or supplemented, the “Credit Agreement;” capitalized terms used herein shall have the meanings assigned to them in the Credit Agreement), among Avery Dennison Corporation (the “Borrower”), the Banks named therein (the “Banks”), Citicorp USA, Inc., as administrative agent (the “Administrative Agent”), and Bank of America, N.A., as syndication agent.

I, _____, hereby certify that I am a Designated Officer of the Borrower 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 1 ÷ Line 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 B1 ÷ Line B2):	_____ 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:

Compliance Certificate

3. I have reviewed the activities of the Borrower 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, the Borrower 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:

IN WITNESS WHEREOF, I have signed this Compliance Certificate on behalf of Avery Dennison Corporation on this ___ day of _____, 20__.

By _____

Name _____

Title _____

Compliance Certificate

C-2

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 [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). 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 Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, 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, the interest in and to all of the Assignor's rights and obligations under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the facility identified below (including, without limitation, to the extent permitted to be assigned under applicable law, all claims (including, without limitation, contract claims, tort claims, malpractice claims and all other claims at law or in equity, including claims under any law governing the purchase and sale of securities or governing indentures pursuant to which securities are issued), suits, causes of action and any other right of the Assignor against any other Person) (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____ [and is an Affiliate/Approved Fund of [identify Bank]¹]
3. Borrower: Avery Dennison Corporation
4. Administrative Agent: Citicorp USA, Inc., as the administrative agent under the Credit Agreement
5. Credit Agreement: First Amended and Restated Revolving Credit Agreement dated as of August 10, 2007 (as from time to time amended, extended, restated, modified or supplemented) among the Borrower, the Banks, the Administrative Agent, and Bank of America, N.A., as Syndication Agent.

¹ Select as applicable.

6. Assigned Interest:

Aggregate Amount of Commitment/Loans for all Banks*	Amount of Commitment/Loans Assigned*	Percentage Assigned of Commitment/Loans ²
\$ _____	\$ _____	_____ %

[7. Trade Date: _____³

Effective Date: _____, 20____ [TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF THE 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:]⁴

AVERY DENNISON CORPORATION

By: _____

Title:

- * Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.
- ² Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Banks thereunder.
- ³ To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.
- ⁴ To be added only when the consent of the Borrower is required by the terms of the Credit Agreement.

Assignment and Assumption

First Amended and Restated
Credit Agreement
Dated as of August 10, 2007
among Avery Dennison Corporation,
the Banks named therein, Citicorp USA, Inc., as Administrative Agent,
and Bank of America, N.A., as Syndication Agent
STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the 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 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 Bank under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Bank thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Bank thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Bank, and (v) if it is a Foreign Bank, 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 Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Bank, 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 Bank.

Assignment and Assumption

1.3. Assignee's Address for Notices, etc. Attached hereto as Schedule 1 is all contact information, address, account and other administrative information relating to the Assignee.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to or on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

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.

Assignment and Assumption

ADMINISTRATIVE DETAILS

(Assignee to list names of credit contacts, addresses, phone and facsimile numbers, electronic mail addresses and account and payment information)

Assignment and Assumption

AVERY DENNISON CORPORATION
RESTRICTED STOCK UNIT AGREEMENT

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

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

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

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

NOW, THEREFORE, the Company and Employee agree as follows:

ARTICLE I — DEFINITIONS

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

ARTICLE II — TERMS OF AWARD

2.1 RSU Award

As of the date of this Agreement, the Company grants to Employee a RSU Award representing * shares of the Company’s Common Stock, subject to the terms and conditions set forth in this Agreement, the Award Notice and the Plan. Each RSU represents one hypothetical share of Common Stock of the Company. The RSU Award shall be held in book-entry form in the books and records of the Company (or its designee) for the Employee’s RSU account. The RSU Award shall vest as set forth in the Award Notice.

2.2 Restriction Period

(a) No portion of the RSU Award may be sold, transferred, assigned, pledged or otherwise encumbered of by the Employee until all or a portion of the RSU Award becomes vested and the shares are issued. The period of time between the date hereof and the date all or a portion of the RSU Award becomes vested (at which time Employee must be employed by the Company or the RSUs will be forfeited, except as provided in Sections 2.4 through 2.5) is referred to herein as the “Restriction Period.” At the time all or a portion of the RSU Award vests, all or a portion of the RSUs vest, as applicable. Notwithstanding any other provision, the RSUs must be vested before the Company is obligated to issue the shares of Common Stock as described in Section 3.1(e).

(b) Subject to the provisions of this Agreement, if the Employee’s employment with the Company is terminated, the balance of the RSU Award, which has not vested by the time of the Employee’s Termination of Employment, shall be forfeited by the Employee.

2.3 Lapse of Restriction Period

The Restriction Period shall lapse when the RSU Award vests as set forth in the Award Notice (*) or as otherwise set forth in this Agreement.

2.4 Change in Control

In the event of a Change in Control, the restrictions in this Agreement will lapse and be removed, and the RSU Award granted to Employee pursuant to this Agreement will vest as of the date of such Change in Control.

2.5 Death; Disability

If Employee's employment with the Company or its Subsidiaries terminates by reason of Employee's death or Disability, the restrictions imposed upon the RSU Award granted to Employee pursuant to this Agreement will lapse and be removed, and the RSU Award will vest on a prorated time-based formula starting with January 1, 2008, with each month of service representing 1/48th of the Award as of the last day of Employee's employment.

2.6 Adjustments in RSU Award

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

ARTICLE III – ISSUANCE OF COMMON STOCK

3.1 Conditions to and Issuance of Common Stock

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

- (a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;
- (b) The completion of any registration or other qualification of such shares under any state or federal law, or under rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Committee or the Company shall, in its absolute discretion, deem necessary or advisable;
- (c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee or the Company shall, in its absolute discretion, determine to be necessary or advisable;
- (d) The receipt by the Company of full payment or withholding for all related taxes. The Employee shall be liable for any and all taxes, including withholding taxes, arising out of this RSU Award or the vesting of the RSU Award hereunder. The Company shall satisfy such withholding tax obligation by having the Company retain RSUs having a fair market value equal to the Company's withholding obligations.
- (e) Subject to the conditions in this Section, the Company shall issue to the Employee via electronic transfer to the Employee's brokerage account the number of net shares of Common Stock represented by the number of vested RSUs less withholding taxes, as soon as practical following the vesting of same, but in no event later than two and one-half (2-1/2) months after the calendar year in which the RSUs vest. Delivery of these shares of Common Stock shall satisfy the Company's obligations under this Agreement.
- (f) The Employee shall establish an equity account with a broker designated by the Company (currently Charles Schwab) so that the net shares from vested RSUs (after withholding applicable taxes) may be electronically transferred to the Employee's account.

3.2 Shareholder Rights

The Employee shall not have the rights of a shareholder with respect to this RSU Award until shares are transferred to the Employee.

ARTICLE IV — MISCELLANEOUS

4.1 Agreement Subject to Plan

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

4.2 Administration

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

4.3 Notices

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

4.4 Code Section 409A

The RSUs are not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”) and this Agreement shall be interpreted accordingly. However, if at any time the Committee or the Company determines that the RSUs may be subject to Section 409A, the Committee or the Company shall have the right, in its sole discretion, to amend this Agreement as it may determine is necessary or desirable either for the RSUs to be exempt from the application of Section 409A or to satisfy the requirements of Section 409A.

4.5 Construction

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

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

Employee

Avery Dennison Corporation

* _____

By: *
President and Chief Executive Officer

Address*:

By: *
Secretary

* Refer to attached Award Notice

AVERY DENNISON CORPORATION
PERFORMANCE UNIT AGREEMENT

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

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

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

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

NOW, THEREFORE, the Company and Employee agree as follows:

ARTICLE I — DEFINITIONS

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

ARTICLE II — TERMS OF AWARD

2.1 PU Award

As of the date of this Agreement, the Company grants to Employee a PU Award representing * shares of the Company’s Common Stock, assuming that the Company’s results at the end of the performance period produce 100% of the target performance, subject to the terms and conditions set forth in this Agreement, the Award Notice and the Plan. Each PU Award represents one hypothetical share of Common Stock of the Company at 100% target performance. The PU Award shall be held in the books and records of the Company (or its designee) for the Employee’s PU account. The PU Award shall be earned as set forth in this Agreement.

2.2 Performance Period

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

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

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

(c) Subject to the other provisions of this Agreement, if the Employee’s employment with the Company

is terminated, the PU Award, which has not been earned by the time of the Employee's Termination of Employment, shall be forfeited by the Employee.

2.3 Change in Control

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

2.4 Death; Disability

If Employee's employment with the Company or its Subsidiaries terminates by reason of Employee's death or Disability (as defined in any employment agreement or related agreement with the Company, or in the absence of such agreement in the Plan) the PU Award will be earned and vested on a prorated time-based formula starting with January 1, 2008, with each month of service representing 1/36th of the Award (calculated at 100% target performance) as of the last day of Employee's employment.

2.5 Retirement

PU Awards, granted to employees who retire under the Company's pension plan(s), will be earned and vested on a prorated time-based formula starting with January 1, 2008, with each month of service representing 1/36th of the Award (calculated at 100% target performance) as of the Termination of Employment.

2.6 Adjustments in PU Award

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

ARTICLE III — ISSUANCE OF COMMON STOCK

3.1 Conditions to and Issuance of Common Stock

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

- (a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;
- (b) The completion of any registration or other qualification of such shares under any state or federal law, or under rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Committee or the Company shall, in its absolute discretion, deem necessary or advisable;
- (c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee or the Company shall, in its absolute discretion, determine to be necessary or advisable;
- (d) The receipt by the Company of full payment or withholding for all related taxes. The Employee shall be liable for any and all taxes, including withholding taxes, arising out of this PU Award or the vesting of the PU Award hereunder. The Company shall satisfy such withholding tax obligation by having the Company retain PUs having a fair market value equal to the Company's withholding obligations.
- (e) Subject to the conditions in this Section and Section 4.4 below, the Company shall issue via electronic

transfer to the Employee's brokerage account the number of shares of Common Stock that are earned, as determined under Article II, less withholding taxes (net shares) as soon as practical following the certification by the Committee, but in no event later than two and one-half (2-1/2) months after the calendar year in which the PUs are earned and vested. Delivery of these net shares of Common Stock shall satisfy the Company's obligations under this Agreement.

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

3.2 Shareholder Rights

The Employee shall not have the rights of a shareholder with respect to this PU Award until shares are transferred to the Employee.

ARTICLE IV — MISCELLANEOUS

4.1 Agreement Subject to Plan

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

4.2 Administration

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

4.3 Notices

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

4.4 Code Section 409A

The PUs are not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), and this Agreement shall be interpreted accordingly. However, if at any time the Committee or the Company determines that the PUs may be subject to Section 409A, the Committee or the Company shall have the right, in its sole discretion, to amend this Agreement as it may determine is necessary or desirable either for the PUs to be exempt from the application of Section 409A or to satisfy the requirements of Section 409A. For example, if required to comply with the requirements of Section 409A, the Committee or the Company shall delay the issuance and delivery of Common Stock to the Employee (as described in Section 3.1 (e)), if the Employee is a "key employee" (as defined in Section 409A or in associated regulations), for a period of six (6) months from the date of separation from service (for example, in the event of a Retirement (as referred to in Section 2.5)).

4.5 Construction

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

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

Employee

Avery Dennison Corporation

*

By: *
President and Chief Executive Officer

Address*:

By: *
Secretary

* Refer to attached Award Notice

AVERY DENNISON CORPORATION
EMPLOYEE STOCK OPTION AND INCENTIVE PLAN
amended and restated

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

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

ARTICLE 1 DEFINITIONS

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

1.1 Award

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

1.2 Award Agreement

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

1.3 Awardee

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

1.4 Beneficiary

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

1.5 Board

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

1.6 Cause

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

1.7 Change in Control

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

1.8 CEO

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

1.9 Code

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

1.10 Committee

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

1.11 Commission

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

1.12 Common Stock

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

1.13 Company

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

1.14 COO

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

1.15 Covered Employee

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

1.16 Director

“*Director*” shall mean a member of the Board.

1.17 Disability

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

1.18 Disaffiliation

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

1.19 Dividend Equivalent

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

1.20 Early Retirement

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

1.21 Employee

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

1.22 Expiration Date

“*Expiration Date*” shall have the meaning given in Article 4.3.

1.23 Exchange Act

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

1.24 Fair Market Value

“*Fair Market Value*” of a share of Common Stock as of a given date shall be (i) the mean between the highest and lowest selling price of a share of Common Stock during normal business hours on the principal exchange on which shares of Common Stock are then trading, if any, on such date, or if shares were not traded on such date, then the means between the

highest and lowest sales on the nearest date before and the nearest date after such valuation date; or (ii) if Common Stock is not traded on an exchange, the mean between the closing representative bid and asked prices for the Common Stock during normal business hours on such date as reported by NYSE or, if NYSE is not then in existence, by its successor quotation system; or (iii) if Common Stock is not publicly traded, the Fair Market Value of a share of Common Stock as established by the Committee acting in good faith.

1.25 [reserved]

1.26 including or includes

“including” or “includes” shall mean including without limitation, or includes, without limitation.

1.27 Individual Agreement

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

1.28 Involuntary Termination

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

1.29 Non-Qualified Stock Option

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

1.30 Normal Retirement

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

1.31 Option

“Option” shall mean a stock option granted pursuant to this Plan.

1.32 Optionee

“Optionee” shall mean an Employee granted an Option under this Plan.

1.33 Performance Goals

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

1.34 Plan

“Plan” shall mean the Employee Stock Option and Incentive Plan, as amended and restated.

1.35 Qualified Performance-Based Award

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

1.36 Performance Stock

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

1.37 Performance Unit

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

1.38 Restricted Stock

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

1.39 Restricted Stock Unit

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

1.40 Retirement

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

1.41 Rule 16b-3

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

1.42 Secretary

“*Secretary*” shall mean the Secretary of the Company.

1.43 Section 162(m) Exemption

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

1.44 Stock Appreciation Right

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

1.45 Subsidiary

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

1.46 Termination of Employment

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

1.47 Gender and Number

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

ARTICLE 2 SHARES SUBJECT TO PLAN

2.1 Shares Subject to Plan

As of December 31, 2007, there were 2,763,719 shares available for future Awards under the Plan. As of the Effective Date, as defined in Article 11.13 below and subject to stockholder approval, the aggregate number of shares

deliverable pursuant to Awards shall be increased by 4,800,000 for a total of 7,563,719 shares. Shares of Common Stock issued under the Plan may be authorized and unissued shares, previously outstanding shares held as treasury shares, or treasury shares that have been transferred to and held in a grantor trust of the Company.

2.2 Unexercised Options and Other Rights

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

ARTICLE 3 GRANTING OF OPTIONS

3.1 Eligibility

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

3.2 Granting of Options

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

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

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

(iii) Determine the terms and conditions of such Options, consistent with this Plan.

ARTICLE 4 TERMS OF OPTIONS

4.1 Option Agreement

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

4.2 Option Price

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

4.3 Option Term

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

4.4 Option Vesting

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

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

4.5 Exercise of Options after Termination of Employment

(a) *Termination by Death.* Unless otherwise determined by the Committee, if an Optionee has a Termination of Employment by reason of the Optionee's death, any Option held by such Optionee may thereafter be exercised by the Optionee's Beneficiaries, to the extent then exercisable, or on such accelerated basis as the Committee may determine, for a

period of 12 months (or such other period as the Committee may specify in the applicable Award Agreement) from the date of such death or until the Expiration Date thereof, whichever period is the shorter.

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

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

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

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

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

ARTICLE 5 EXERCISE OF OPTIONS

5.1 Partial Exercise

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

5.2 Manner of Exercise

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

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

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

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

ARTICLE 6 STOCK APPRECIATION RIGHTS

6.1 Grant and Exercise

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

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

6.2 Terms and Conditions

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

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

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

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

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

7.1 Administration

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

7.2 Awards and Certificates

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

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

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

(b) Restricted Stock Units, Performance Stock and Performance Units shall represent the right, subject to the terms and conditions of the Award, to receive, at a specified time or times, either a specified number of shares of Common Stock, or a cash payment equal to the Fair Market Value of a specified number of shares of Common Stock, as the Committee or the Company shall determine.

7.3 Terms and Conditions

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

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

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

(c) Except as provided in this paragraph (c) and Articles 7.3(a) and 7.3(b) and the applicable Award Agreement, the Awardee shall have, with respect to shares of Restricted Stock (but not Restricted Stock Units), all of the rights of a stockholder of the Company holding the class or series of Common Stock that is the subject of the Restricted Stock,

including, if applicable, the right to vote the shares and the right to receive any cash dividends. Unless otherwise determined by the Committee and subject to the next sentence, (A) cash dividends on the class or series of Common Stock that are the subject of the Award of Restricted Stock or Restricted Stock Units shall be automatically deferred and reinvested in additional Restricted Stock or Restricted Stock Units, as applicable, held subject to the vesting of the underlying Award, and (B) dividends payable in Common Stock shall be paid in the form of additional Restricted Stock or Restricted Stock Units, as applicable, held subject to the vesting of the underlying Award. Notwithstanding the foregoing or any provision of an Award Agreement, reinvestment of dividends in additional Restricted Stock or Restricted Stock Units shall only be permissible if sufficient shares of Common Stock are available under the Plan for such reinvestment (taking into account then outstanding Awards).

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

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

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

ARTICLE 8 DIVIDEND EQUIVALENTS

8.1 Dividend Equivalents

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

ARTICLE 9 CHANGE IN CONTROL PROVISIONS

9.1 Impact of Event

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

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

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

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

9.2 Definition of Change in Control

For purposes of the Plan, a “Change in Control” shall mean the happening of any of the following events:

(a) An acquisition by any individual, entity or group (within the meaning of Article 13.4(a) or 14.4(b) of the Exchange Act) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); excluding, however, the following: (A) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Article 9.2; or

(b) A change in the composition of the Board such that the individuals who, as of the effective date of the Plan, constitute the Board (such Board shall be hereinafter referred to as the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Article 9.2, that any individual who becomes a member of the Board subsequent to the effective date of the Plan, whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this provision) shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

(c) The consummation of a reorganization, merger or consolidation or sale involving the Company or a disposition of all or substantially all of the assets of the Company (“Corporate Transaction”); excluding, however, such a Corporate Transaction pursuant to which (i) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including a corporation, which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Corporate Transaction, and (iii) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(d) The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(e) Notwithstanding the foregoing, no event shall constitute a Change in Control for purposes of triggering the timing of payment of an Award that constitutes “deferred compensation” subject to Code Section 409A if it is not “a change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation” within the meaning of Code Section 409A.

ARTICLE 10 ADMINISTRATION

10.1 Committee

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

10.2 Powers of Committee

(a) The Committee shall have the authority to conduct the general administration of this Plan in accordance with its provisions. The Committee shall have the power to make Awards and set the terms and conditions for such Awards (including the option price, any vesting condition, restriction or limitation (which may be related to the performance of the Awardee, the Company or any Subsidiary) and any vesting acceleration or forfeiture waiver regarding any Award and the

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

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

10.3 Action by Committee

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

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

10.4 Compensation; Professional Assistance; Good Faith Actions

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

ARTICLE 11 MISCELLANEOUS PROVISIONS

11.1 Not Transferable

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

11.2 Unfunded Status of Plan

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

11.3 General Provisions

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

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

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

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

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

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

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

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

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

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

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

11.4 Amendment, Suspension, or Termination of this Plan

The Board may amend, suspend or terminate the Plan at any time prior to a Change in Control, but no such amendment, suspension or termination shall impair the rights of Awardees under Awards previously granted without the

Awardee's consent, and provided further that no material amendments will be made to the terms of the Plan without the approval of the Company's stockholders.

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

11.5 Adjustments upon Changes in Common Stock

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

- (a) the aggregate number of shares of Common Stock available under Article 2 and Article 7, and the limits on grants of Options under Article 3, grants of Stock Appreciation Rights under Article 6, and grants of Qualifying Performance-Based Awards under Articles 7 and 8;
- (b) the number of shares of Common Stock covered by outstanding Awards;
- (c) the option price of outstanding Options, and
- (d) appropriate and equitable adjustments to other outstanding Awards.

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

11.6 Approval of Plan by Stockholders

This Plan, as amended and restated, was approved by the Board on February 28, 2008, and was submitted for the approval by the Company's stockholders at the annual meeting of stockholders on April 24, 2008.

11.7 Tax Withholding

No later than the date as of which an amount first becomes includible in the gross income of an Awardee for federal income tax purposes with respect to any Award under the Plan, such an Awardee shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Company, withholding obligations may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement; provided, however, that not more than the legally required minimum withholding may be settled with Common Stock. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to such an Awardee. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Common Stock.

11.8 Beneficiaries

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

11.9 Effect of Plan

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

11.10 Titles

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

11.11 Governing Law

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

11.12 Effective Date

This Plan, as amended and restated, was approved by stockholders of the Company on April 24, 2008, and is effective as of that date.

AVERY DENNISON CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions)	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Earnings:				
Income before taxes	\$ 114.2	\$ 112.0	\$ 175.1	\$ 210.8
Add: Fixed charges (1)	40.1	28.4	80.5	51.8
Amortization of capitalized interest	.8	.8	1.6	1.5
Less: Capitalized interest	(1.6)	(1.5)	(3.3)	(3.0)
	\$ 153.5	\$ 139.7	\$ 253.9	\$ 261.1
Fixed charges: (1)				
Interest expense	\$ 29.3	\$ 20.1	\$ 58.8	\$ 35.2
Capitalized interest	1.6	1.5	3.3	3.0
Interest portion of leases	9.2	6.8	18.4	13.6
	\$ 40.1	\$ 28.4	\$ 80.5	\$ 51.8
Ratio of Earnings to Fixed Charges	3.8	4.9	3.2	5.0

Certain prior year amounts have been restated to reflect the change in method of accounting for inventory from last-in, first-out (LIFO) to first-in, first-out (FIFO) for certain businesses operating in the U.S.

- (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
President and Chief Executive Officer

August 7, 2008

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

CERTIFICATION

I, Daniel R. O'Bryant, 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/ Daniel R. O'Bryant

Daniel R. O'Bryant
Executive Vice President, Finance, and
Chief Financial Officer

August 7, 2008

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 June 28, 2008 (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: August 7, 2008

/s/ Dean A. Scarborough _____

Dean A. Scarborough

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 June 28, 2008 (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: August 7, 2008

/s/ Daniel R. O'Bryant

Daniel R. O'Bryant

Executive Vice President, Finance, 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.