

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 3, 2010.

OR

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

For the transition period from _____ to _____

Commission file number: 1-7685

AVERY DENNISON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

95-1492269

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

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

(Address of principal executive offices)

91103

(Zip Code)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 May 1, 2010: 110,440,662

AVERY DENNISON CORPORATION
FISCAL FIRST QUARTER 2010 FORM 10-Q QUARTERLY REPORT
TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION (UNAUDITED)</u>	
<u>Item 1. Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheet April 3, 2010 and January 2, 2010</u>	3
<u>Consolidated Statement of Income Three Months Ended April 3, 2010 and April 4, 2009</u>	4
<u>Condensed Consolidated Statement of Cash Flows Three Months Ended April 3, 2010 and April 4, 2009</u>	5
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Definition of Terms</u>	17
<u>Forward-Looking Statements</u>	17
<u>Overview and Outlook</u>	17
<u>Analysis of Results of Operations for the First Three Months</u>	19
<u>Results of Operations by Segment for the First Three Months</u>	21
<u>Financial Condition</u>	23
<u>Uses and Limitations of Non-GAAP Measures</u>	27
<u>Recent Accounting Requirements</u>	27
<u>Safe Harbor Statement</u>	28
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	28
<u>Item 4. Controls and Procedures</u>	28
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	30
<u>Item 1A. Risk Factors</u>	30
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
<u>Item 3. Defaults Upon Senior Securities</u>	30
<u>Item 4. (Reserved)</u>	30
<u>Item 5. Other Information</u>	30
<u>Item 6. Exhibits</u>	30
<u>Signatures</u>	31
Exhibits	
<u>EX-3.1</u>	
<u>EX-10.14</u>	
<u>EX-10.18.2</u>	
<u>EX-10.31.2</u>	
<u>EX-12</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

(Dollars in millions)	April 3, 2010	January 2, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 143.6	\$ 138.1
Trade accounts receivable, less allowances of \$58.6 and \$56.2 for 2010 and 2009, respectively	963.1	918.6
Inventories, net	519.0	477.3
Current deferred and refundable income taxes	98.0	103.5
Other current assets	103.0	95.7
Total current assets	1,826.7	1,733.2
Property, plant and equipment	3,140.0	3,207.9
Accumulated depreciation	(1,847.1)	(1,853.2)
Property, plant and equipment, net	1,292.9	1,354.7
Goodwill	930.7	950.8
Other intangibles resulting from business acquisitions, net	250.2	262.2
Non-current deferred and refundable income taxes	226.4	236.6
Other assets	465.0	465.3
	\$ 4,991.9	\$ 5,002.8
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term and current portion of long-term debt	\$ 628.3	\$ 535.6
Accounts payable	695.9	689.8
Current deferred and payable income taxes	28.1	40.8
Other current liabilities	509.3	601.5
Total current liabilities	1,861.6	1,867.7
Long-term debt	1,073.7	1,088.7
Long-term retirement benefits and other liabilities	552.5	556.0
Non-current deferred and payable income taxes	122.7	127.8
Commitments and contingencies (see Note 14)		
Shareholders' equity:		
Common stock, \$1 par value, authorized - 400,000,000 shares at April 3, 2010 and January 2, 2010; issued - 124,126,624 shares at April 3, 2010 and January 2, 2010; outstanding - 105,557,660 shares and 105,298,317 shares at April 3, 2010 and January 2, 2010, respectively	124.1	124.1
Capital in excess of par value	722.9	722.9
Retained earnings	1,532.0	1,499.7
Employee stock benefit trust, 4,868,002 shares and 6,744,845 shares at April 3, 2010 and January 2, 2010, respectively	(174.1)	(243.1)
Treasury stock at cost, 13,685,962 shares and 12,068,462 shares at April 3, 2010 and January 2, 2010, respectively	(652.1)	(595.8)
Accumulated other comprehensive loss	(171.4)	(145.2)
Total shareholders' equity	1,381.4	1,362.6
	\$ 4,991.9	\$ 5,002.8

See Notes to Unaudited Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

(In millions, except per share amounts)	Three Months Ended	
	April 3, 2010	April 4, 2009
Net sales	\$ 1,554.7	\$ 1,426.2
Cost of products sold	1,113.9	1,081.1
Gross profit	440.8	345.1
Marketing, general and administrative expense	340.1	304.2
Goodwill and indefinite-lived intangible asset impairment charges	–	832.0
Interest expense	17.5	27.5
Other expense	6.3	97.3
Income (loss) before taxes	76.9	(915.9)
Provision for (benefit from) income taxes	22.2	(17.0)
Net income (loss)	\$ 54.7	\$ (898.9)
Per share amounts:		
Net income (loss) per common share	\$.52	\$ (8.99)
Net income (loss) per common share, assuming dilution	\$.51	\$ (8.99)
Dividends	\$.20	\$.41
Average shares outstanding:		
Common shares	105.4	100.0
Common shares, assuming dilution	106.4	100.0
Common shares outstanding at period end	105.6	105.0

See Notes to Unaudited Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(In millions)	Three Months Ended	
	April 3, 2010	April 4, 2009
Operating Activities		
Net income (loss)	\$ 54.7	\$ (898.9)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	44.1	49.3
Amortization	17.7	21.9
Provision for doubtful accounts	9.0	6.1
Goodwill and indefinite-lived intangible asset impairment charges	–	832.0
Asset impairment and net loss on sale and disposal of assets	.7	25.3
Loss from debt extinguishment	–	21.2
Stock-based compensation	7.5	6.4
Other non-cash expense and loss	9.6	5.7
Other non-cash income and gain	–	(1.1)
Changes in assets and liabilities and other adjustments, net of the effect of business acquisitions	(171.2)	(51.9)
Net cash (used in) provided by operating activities	(27.9)	16.0
Investing Activities		
Purchase of property, plant and equipment, net	(13.7)	(15.0)
Purchase of software and other deferred charges	(5.5)	(8.2)
Proceeds from sale of investments, net	.3	.6
Net cash used in investing activities	(18.9)	(22.6)
Financing Activities		
Net increase in borrowings (maturities of 90 days or less)	90.5	89.8
Payments of debt (maturities longer than 90 days)	(15.1)	(58.1)
Dividends paid	(22.4)	(43.7)
Proceeds from exercise of stock options, net	1.0	.2
Other	(1.5)	(2.9)
Net cash provided by (used in) financing activities	52.5	(14.7)
Effect of foreign currency translation on cash balances	(.2)	(1.2)
Increase (decrease) in cash and cash equivalents	5.5	(22.5)
Cash and cash equivalents, beginning of year	138.1	105.5
Cash and cash equivalents, end of period	\$ 143.6	\$ 83.0

See Notes to Unaudited Condensed Consolidated Financial Statements

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include normal recurring adjustments necessary for a fair statement of Avery Dennison Corporation's (the "Company's") interim results. The unaudited condensed consolidated financial statements and notes in this Form 10-Q are presented as permitted by Article 10 of Regulation S-X. The unaudited condensed consolidated financial statements do not contain certain information included in the Company's 2009 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 2009 Annual Report on Form 10-K.

The first three months of 2010 and 2009 consisted of thirteen-week and fourteen-week periods ending April 3, 2010 and April 4, 2009, respectively. The interim results of operations are not necessarily indicative of future financial results.

Financial Presentation

Certain prior year amounts have been reclassified to conform with the current year presentation.

Note 2. Inventories

Inventories consisted of:

(In millions)	April 3, 2010	January 2, 2010
Raw materials	\$ 233.7	\$ 217.9
Work-in-progress	129.9	119.6
Finished goods	219.1	205.2
Inventories at lower of FIFO cost or market (approximates replacement cost)	582.7	542.7
Inventory reserves	(63.7)	(65.4)
Inventories, net	\$ 519.0	\$ 477.3

Note 3. Goodwill and Other Intangibles Resulting from Business Acquisitions

Goodwill

Changes in the net carrying amount of goodwill from operations for 2010 and 2009, 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 27, 2008	\$ 334.4	\$ 1,211.6	\$ 167.2	\$ 3.5	\$ 1,716.7
Acquisition adjustments ⁽¹⁾	-	30.9	-	-	30.9
Goodwill impairment charges	-	(820.0)	-	-	(820.0)
Translation adjustments	17.0	.3	5.8	.1	23.2
Balance as of January 2, 2010	\$ 351.4	\$ 422.8	\$ 173.0	\$ 3.6	\$ 950.8
Acquisition adjustments ⁽²⁾	-	(.3)	-	-	(.3)
Translation adjustments	(11.5)	(1.3)	(6.9)	(.1)	(19.8)
Balance as of April 3, 2010	\$ 339.9	\$ 421.2	\$ 166.1	\$ 3.5	\$ 930.7
Goodwill Summary:					
Goodwill	\$ 339.9	\$ 1,241.2	\$ 166.1	\$ 3.5	\$ 1,750.7
Accumulated impairment losses	-	(820.0)	-	-	(820.0)
Balance as of April 3, 2010	\$ 339.9	\$ 421.2	\$ 166.1	\$ 3.5	\$ 930.7

(1) Acquisition adjustments in 2009 consisted of opening balance sheet adjustments associated with the DM Label Group ("DM Label") acquisition in April 2008 of \$32.6 and other acquisition adjustments of \$(1.7).

(2) Acquisition adjustments in 2010 consisted of adjustments associated with the Paxar Corporation ("Paxar") acquisition in June 2007.

The Company recorded a non-cash impairment charge of \$820 million for the retail information services reporting unit in the first three months of 2009.

Indefinite-Lived Intangible Assets

In connection with the acquisition of Paxar, the Company acquired approximately \$30 million of indefinite-lived intangible assets, consisting of certain trade names and trademarks, which are not subject to amortization because they have an indefinite useful life. The Company recorded a non-cash impairment charge of \$12 million related to these indefinite-lived intangible assets in the first three months of 2009. The carrying value of these indefinite-lived intangible assets was \$17.8 million and \$17.9 million at April 3, 2010 and January 2, 2010, respectively, which included \$.2 million and \$.1 million of negative currency impact, respectively.

Finite-Lived Intangible Assets

The following table sets forth the Company's finite-lived intangible assets resulting from business acquisitions at April 3, 2010 and January 2, 2010, which continue to be amortized:

(In millions)	April 3, 2010			January 2, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 288.7	\$ 98.8	\$ 189.9	\$ 295.0	\$ 94.8	\$ 200.2
Patents and other acquired technology	53.6	24.7	28.9	53.6	23.5	30.1
Trade names and trademarks	44.7	37.6	7.1	47.0	39.8	7.2
Other intangibles	13.8	7.3	6.5	13.9	7.1	6.8
Total	\$ 400.8	\$ 168.4	\$ 232.4	\$ 409.5	\$ 165.2	\$ 244.3

Amortization expense on finite-lived intangible assets resulting from business acquisitions was \$8.2 million and \$8.6 million for the three months ended April 3, 2010 and April 4, 2009, respectively. As of April 3, 2010, the estimated amortization expense for finite-lived intangible assets resulting from completed business acquisitions for each of the next five fiscal years is expected to be approximately \$32 million in 2010, \$32 million in 2011, \$32 million in 2012, \$31 million in 2013, and \$27 million in 2014.

The weighted-average amortization periods from the date of acquisition for finite-lived intangible assets resulting from business acquisitions are fourteen years for customer relationships, thirteen years for patents and other acquired technology, twelve years for trade names and trademarks, seven years for other intangibles, and thirteen years in total. As of April 3, 2010, the weighted-average remaining useful life of acquired finite-lived intangible assets are nine years for customer relationships, seven years for patents and other acquired technology, five years for trade names and trademarks, four years for other intangibles, and eight years in total.

Note 4. Debt

On April 13, 2010, subsequent to the end of the first quarter of 2010, the Company issued \$250 million senior notes bearing an interest rate of 5.375% per year, due April 2020. Proceeds from the offering, net of underwriting discount and offering expenses, were approximately \$248 million and were used to repay a portion of the indebtedness outstanding under a term loan credit facility of one of the Company's wholly-owned subsidiaries. The outstanding balance of the term loan credit facility of \$325 million was fully repaid in May 2010 using the proceeds from the issuance of the senior notes and commercial paper borrowings.

On March 10, 2009, the Company completed an exchange of approximately 6.6 million units (or 75.15%) of its HiMEDS units. As a result of this exchange, the Company recorded a debt extinguishment loss of approximately \$21 million (included in "Other expense" in the Consolidated Statement of Income) in the first quarter of 2009, which included a write-off of \$9.6 million related to unamortized debt issuance costs.

As of April 3, 2010, the Company was in compliance with its financial covenants.

The fair value of the Company's debt is estimated based on the discounted amount of future cash flows using the current rates offered to the Company for debt of similar remaining maturities. The fair value of the Company's total debt, including short-term borrowings, was \$1.68 billion at April 3, 2010 and \$1.60 billion at January 2, 2010. Fair value amounts were determined primarily based on Level 2 inputs, which are defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Note 5. Pension and Other Postretirement Benefits

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

(In millions)	Pension Benefits				U.S. Postretirement Health Benefits	
	Three Months Ended				Three Months Ended	
	April 3, 2010		April 4, 2009		April 3, 2010	April 4, 2009
	U.S.	Int'l	U.S.	Int'l		
Components of net periodic benefit cost:						
Service cost	\$ 5.4	\$ 2.5	\$ 5.4	\$ 2.8	\$.3	\$.2
Interest cost	10.2	6.4	9.8	6.2	.5	.5
Expected return on plan assets	(12.3)	(6.8)	(12.2)	(6.4)	–	–
Recognized net actuarial loss	4.5	.6	3.3	.5	.5	.4
Amortization of prior service cost	.2	.1	.2	.1	(.5)	(.5)
Amortization of transition asset	–	(.1)	–	(.1)	–	–
Net periodic benefit cost	\$ 8.0	\$ 2.7	\$ 6.5	\$ 3.1	\$.8	\$.6

The Company contributed \$.9 million and \$.8 million to its U.S. pension plans during the three months ended April 3, 2010 and April 4, 2009, respectively. The Company expects to contribute \$2.3 million (and may contribute up to an additional \$25 million) to its U.S. pension plans for the remainder of 2010. Additionally, the Company contributed \$.8 million and \$.7 million to its U.S. postretirement health benefit plan during the three months ended April 3, 2010 and April 4, 2009, respectively. For the remainder of 2010, the Company expects to contribute an additional \$2.3 million to its U.S. postretirement health benefit plan.

The Company contributed \$7.8 million and \$6.4 million to its international pension plans during the three months ended April 3, 2010 and April 4, 2009, respectively. For the remainder of 2010, the Company expects to contribute an additional \$9.8 million to its international pension plans.

During the three months ended April 3, 2010, the Company recognized \$3.5 million related to the Company's matching contribution to participant contributions in the Company's defined contribution plan. This expense was recorded in "Marketing, general and administrative expense" in the unaudited Consolidated Statement of Income and was funded through the issuance of shares from the Company's Employee Stock Benefit Trust.

Note 6. Research and Development

Research and development expense for the three months ended April 3, 2010 and April 4, 2009 was \$22.8 million and \$23.2 million, respectively.

Note 7. Stock-Based Compensation

Net income included stock-based compensation expense related to stock options, performance units ("PUs"), restricted stock units ("RSUs") and restricted stock of \$7.5 million and \$6.4 million for the three months ended April 3, 2010 and April 4, 2009, respectively. Total stock-based compensation expense was included in "Marketing, general and administrative expense" in the unaudited Consolidated Statement of Income and was recorded in corporate expense and the Company's operating segments, as appropriate.

In February 2010, the Company granted its annual stock-based compensation awards to its employees. Awards granted to retirement-eligible employees are treated as though the awards were immediately vested; as a result, the compensation expense related to these awards of \$.6 million and \$.9 million were recognized during the three months ended April 3, 2010 and April 4, 2009, respectively, and were included in the stock-based compensation expense noted above.

As of April 3, 2010, the Company had approximately \$68 million of unrecognized compensation cost related to unvested stock options, PUs, RSUs and restricted stock under the Company's plans. The total unrecognized compensation expense is expected to be recognized over the remaining weighted-average requisite service period of approximately three years for stock options and approximately two years for RSUs, PUs and restricted stock, respectively.

Note 8. 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. Asset impairments are based on the estimated market value of the assets. Charges below are included in "Other expense" in the unaudited Consolidated Statement of Income.

2010

During the first three months of 2010, the Company continued its cost reduction efforts that were initiated in late 2008, and recorded

charges of \$4.9 million, which consisted of \$4.7 million of severance and other employee costs and \$.2 of asset impairment changes. These actions are resulting in a reduction of approximately 230 positions impacting all segments and geographic regions. As of April 3, 2010, approximately 95 of these employees remain with the Company and are expected to leave in 2010. The table below details the accruals and payments related to these actions:

(In millions)	Pressure-sensitive Materials	Retail Information Services	Office and Consumer Products	Other specialty converting businesses	Total
Total severance and other employee costs accrued during the period ended:					
April 3, 2010	\$ 1.5	\$ 2.2	\$.7	\$.3	\$ 4.7
2010 Settlements	(.9)	(.7)	–	–	(1.6)
Balance at April 3, 2010	\$.6	\$ 1.5	\$.7	\$.3	\$ 3.1
Asset Impairment					
Machinery and equipment	\$.2	\$ –	\$ –	\$ –	\$.2
	\$.2	\$ –	\$ –	\$ –	\$.2

2009

In 2009, the Company continued its cost reduction efforts that were initiated in late 2008, resulting in a reduction of approximately 3,335 positions, impairment of certain assets, and lease cancellations. At April 3, 2010, approximately 580 of these employees remain with the Company and are expected to leave in 2010. Pretax charges related to these actions totaled \$129.1 million, including severance and related costs of \$86.8 million, impairment of fixed assets, buildings, land and patents of \$39.9 million, and lease cancellation charges of \$2.4 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	Total
Total severance and other employee costs accrued during the period ended:					
April 4, 2009	\$ 7.6	\$ 5.8	\$.9	\$ 2.8	\$ 17.1
July 4, 2009	13.4	4.6	.3	7.5	25.8
October 3, 2009	3.9	21.0	(.2)	2.3	27.0
January 2, 2010	2.3	6.3	8.0	.3	16.9
Total expense accrued during 2009	27.2	37.7	9.0	12.9	86.8
2009 Settlements	(19.5)	(23.6)	(.3)	(11.0)	(54.4)
2010 Settlements	(5.6)	(5.4)	(4.4)	(1.1)	(16.5)
Balance at April 3, 2010	\$ 2.1	\$ 8.7	\$ 4.3	\$.8	\$ 15.9
Asset Impairments					
Machinery and equipment	\$ 2.7	\$ 10.6	\$.7	\$ 14.0	\$ 28.0
Buildings	.7	2.4	3.9	.9	7.9
Land	.1	–	–	–	.1
Patents	1.9	.2	.4	1.4	3.9
Other					
Lease cancellations	1.7	.7	–	–	2.4
	\$ 7.1	\$ 13.9	\$ 5.0	\$ 16.3	\$ 42.3

Note 9. Financial Instruments and Foreign Currency

The Company enters into certain foreign exchange hedge contracts to reduce its exposure to risk from exchange rate fluctuations associated with receivables, payables, loans and firm commitments denominated in certain foreign currencies that arise primarily as a result of its operations outside the U.S. The Company enters into certain interest rate contracts to help manage its exposure to interest

rate fluctuations. The Company also enters into certain natural gas and other commodity futures contracts to hedge price fluctuations for a portion of its anticipated domestic purchases. The maximum length of time in which the Company hedges its exposure to the variability in future cash flows for forecasted transactions is generally 12 to 24 months.

As of April 3, 2010, the U.S. dollar equivalent notional values of the Company's outstanding commodity contracts and foreign currency contracts were approximately \$14 million and \$.9 billion, respectively.

The Company recognizes all derivative instruments as either assets or liabilities at fair value in the statement of financial position. The Company designates commodity forward contracts on forecasted purchases of commodities and foreign currency contracts on forecasted transactions as cash flow hedges and designates foreign currency contracts on existing balance sheet items as fair value hedges.

On April 1, 2010, the Company entered into a contract to lock in the Treasury rate component of the interest rate on its \$250 million debt issuance, which is discussed in Note 4, "Debt." The mark-to-market value of the contract of \$1.2 million was recorded as a gain in accumulated other comprehensive loss during the three months ended April 3, 2010. On April 9, 2010, subsequent to the end of the first quarter of 2010, the contract settled at a loss of \$.3 million which will be amortized into interest expense over the term of the related debt.

The following table provides the balances and locations of derivatives as of April 3, 2010:

(In millions)	Asset		Liability	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Other current assets	\$ 7.1	Other current liabilities	\$ 6.1
Commodity contracts	Other current assets	.5	Other current liabilities	4.2
Interest rate contract	Other current assets	1.2		
		\$ 8.8		\$ 10.3

The following table provides the balances and locations of derivatives as of January 2, 2010:

(In millions)	Asset		Liability	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Other current assets	\$ 5.0	Other current liabilities	\$ 6.5
Commodity contracts	Other current assets	.5	Other current liabilities	3.5
		\$ 5.5		\$ 10.0

Fair Value Hedges

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

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

(In millions)	Location of Gain (Loss) in Income	Three Months Ended	Three Months Ended
		April 3, 2010	April 4, 2009
Foreign exchange contracts	Cost of products sold	\$ (.8)	\$ (1.1)
Foreign exchange contracts	Marketing, general and administrative expense	15.9	24.2
		\$ 15.1	\$ 23.1

Cash Flow Hedges

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

The following table provides the components of the gain (loss) recognized in accumulated other comprehensive loss on derivatives (effective portion) related to cash flow hedging contracts:

(In millions)	Three Months Ended April 3, 2010	Three Months Ended April 4, 2009
Foreign exchange contracts	\$ (1.0)	\$ (.1)
Commodity contracts	(2.3)	(3.3)
Interest rate contract	1.2	-
	\$ (2.1)	\$ (3.4)

The following table provides the components of the gain (loss) reclassified from accumulated other comprehensive loss (effective portion) related to cash flow hedging contracts:

(In millions)	Location of Gain (Loss) in Income	Three Months Ended April 3, 2010	Three Months Ended April 4, 2009
Foreign exchange contracts	Cost of products sold	\$ (.7)	\$ 2.2
Commodity contracts	Cost of products sold	(1.6)	(2.1)
Interest rate contracts	Interest expense	(1.0)	(3.9)
		\$ (3.3)	\$ (3.8)

As of April 3, 2010, a net loss of approximately \$7 million is expected to be reclassified from accumulated other comprehensive loss to earnings within the next 12 months. See Note 12, "Comprehensive Income (Loss)," for more information.

The amount of gain or loss recognized in income related to the ineffective portion of, and the amounts excluded from, effectiveness testing for cash flow hedges and derivatives not designated as hedging instruments were not significant for the first three months of 2010 and 2009.

Foreign Currency

Transactions in foreign currencies (including receivables, payables and loans denominated in currencies other than the functional currency) decreased net income by \$1.1 million and increased net income by \$4 million for the first three months of 2010 and 2009, respectively. These results exclude the effects of translation of foreign currencies on the Company's financial statements.

In the first three months of 2010 and 2009, no translation gains or losses for hyperinflationary economies were recognized in net income since the Company had no operations in hyperinflationary economies.

Note 10. Taxes Based on Income

The effective tax rate for the first three months of 2010 was approximately 29%. In the first three months of 2009, the effective tax rate of approximately 2%, which applied to a loss, resulted in a tax benefit. The effective tax rate for the first three months of 2010 includes a benefit of approximately \$3 million from discrete events, primarily the release of certain tax contingencies due to statute expirations, statutory tax rate changes and the release of certain valuation allowances. 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.

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 2005.

It is reasonably possible that during the next 12 months, the Company may realize a decrease in its gross uncertain tax positions by approximately \$58 million, primarily as the result of cash payments and closing tax years. The Company anticipates that it is reasonably possible that cash payments of up to \$12 million relating to gross uncertain tax positions could be paid within the next 12 months.

Note 11. Net Income (Loss) Per Share

Net income (loss) per common share amounts were computed as follows:

(In millions, except per share amounts)	Three Months Ended	
	April 3, 2010	April 4, 2009
(A) Net income (loss) available to common shareholders	\$ 54.7	\$ (898.9)
(B) Weighted-average number of common shares outstanding	105.4	100.0
Dilutive shares (additional common shares issuable under employee stock-based awards)	1.0	—
(C) Weighted-average number of common shares outstanding, assuming dilution	106.4	100.0
Net income (loss) per common share (A) ÷ (B)	\$.52	\$ (8.99)
Net income (loss) per common share, assuming dilution (A) ÷ (C)	\$.51	\$ (8.99)

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

In the first three months of 2009, the effect of dilutive securities (for example, employee stock-based awards) was not dilutive because the Company generated a net operating loss. Employee stock-based awards excluded from the computation totaled approximately 12 million shares for the three months ended April 4, 2009.

Note 12. Comprehensive Income (Loss)

Comprehensive income (loss) includes net income (loss), foreign currency translation adjustment, net actuarial loss, prior service cost and net transition assets, net of tax, and the gains or losses on the effective portion of cash flow and firm commitment hedges, net of tax, that are currently presented as a component of shareholders' equity. The Company's total comprehensive income (loss) was \$28.5 million and \$(942.0) million for the three months ended April 3, 2010 and April 4, 2009, respectively.

The components of accumulated other comprehensive loss (net of tax, with the exception of the foreign currency translation adjustment) were as follows:

(In millions)	April 3, 2010	January 2, 2010
Foreign currency translation adjustment	\$ 138.4	\$ 169.2
Net actuarial loss, prior service cost and net transition assets, less amortization	(300.0)	(303.4)
Net loss on derivative instruments designated as cash flow and firm commitment hedges	(9.8)	(11.0)
Accumulated other comprehensive loss	\$ (171.4)	\$ (145.2)

Cash flow and firm commitment hedging instrument activities in other comprehensive loss, net of tax, were as follows:

(In millions)	April 3, 2010	January 2, 2010
Beginning accumulated derivative loss	\$ (11.0)	\$ (15.8)
Net loss reclassified to earnings	3.3	15.2
Net change in the revaluation of hedging transactions	(2.1)	(10.4)
Ending accumulated derivative loss	\$ (9.8)	\$ (11.0)

Note 13. Fair Value Measurement

Recurring Fair Value Measurements

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of April 3, 2010:

(In millions)	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Available for sale securities	\$ 12.0	\$ 12.0	\$ –	\$ –
Derivative assets	8.8	.5	8.3	–
Liabilities:				
Derivative liabilities	\$ 10.3	\$ 4.2	\$ 6.1	\$ –

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of January 2, 2010:

(In millions)	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Available for sale securities	\$ 11.9	\$ 11.9	\$ –	\$ –
Derivative assets	5.5	.5	5.0	–
Liabilities:				
Derivative liabilities	\$ 10.0	\$ 3.5	\$ 6.5	\$ –

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.

Non-recurring Fair Value Measurements

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

The following table summarizes the fair value measurements of assets on a non-recurring basis during the three months ended April 4, 2009:

(In millions)	Total	Fair Value Measurements Using			Total Gains (Losses)
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
Goodwill	\$ 415.0	\$ –	\$ –	\$ 415.0	\$ (820.0)
Indefinite-lived intangible asset	18.0	–	–	18.0	(12.0)
Long-lived assets	4.0	–	1.1	2.9	(12.4)

Long-lived assets with carrying amounts totaling \$16.4 million were written down to their fair values of \$4 million, resulting in an impairment charge of \$12.4 million, which was included in “Other expense” in the unaudited Consolidated Statement of Income for the three months ended April 4, 2009.

Goodwill with a carrying amount of \$1.2 billion was written down to its implied fair value of \$415 million, resulting in a non-cash impairment charge of \$820 million. Additionally, certain indefinite-lived assets with a total carrying value of approximately \$30 million were written down to their implied fair value of \$18 million, resulting in a non-cash impairment of \$12 million. These charges are included in “Goodwill and indefinite-lived intangible asset impairment charges” in the unaudited Consolidated Statement of Income for the three months ended April 4, 2009. Refer to Note 3, “Goodwill and Other Intangibles Resulting from Business Acquisitions,” for further information.

Note 14. Commitments and Contingencies

Legal Proceedings

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

Environmental

As of April 3, 2010, the Company has been designated by the U.S. Environmental Protection Agency (“EPA”) and/or other responsible state agencies as a potentially responsible party (“PRP”) at fourteen waste disposal or waste recycling sites, which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination and for which no settlement of the Company’s liability has been agreed. The Company is participating with other PRPs at such sites, and anticipates that its share of cleanup costs will be determined pursuant to remedial agreements entered into in the normal course of negotiations with the EPA or other governmental authorities.

The Company has accrued estimated 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 that could be identified in the future for cleanup could be higher than the liability currently accrued.

The activity for the first three months of 2010 and full-year 2009 related to environmental liabilities, which include costs associated with compliance and remediation, were as follows:

(In millions)	April 3, 2010	January 2, 2010
Balance at beginning of year	\$ 56.5	\$ 58.5
Purchase price adjustments related to acquisitions	–	2.1
Accruals	.1	1.0
Payments	(1.2)	(5.1)
Balance at end of period	\$ 55.4	\$ 56.5

As of April 3, 2010, approximately \$11 million of the total balance was classified as short-term.

These estimates could change depending on various factors, such as modification of currently planned remedial actions, changes in remediation technologies, changes in site conditions, changes in the estimated time to complete remediation, changes in laws and regulations affecting remediation requirements, as well as other factors.

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. Because 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. As of April 3, 2010, the Company’s product warranty liabilities were approximately \$1.9 million.

Other

On September 9, 2005, the Company 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. The Company leased the Facility under an operating lease arrangement, which contains a residual value guarantee of \$33.4 million.

The Company participates in international receivable financing programs with several financial institutions whereby advances may be requested from these financial institutions. Such advances are guaranteed by the Company. At April 3, 2010, the Company had guaranteed approximately \$17 million.

As of April 3, 2010, the Company guaranteed up to approximately \$17 million of certain foreign subsidiaries’ obligations to their suppliers, as well as approximately \$213 million of certain subsidiaries’ lines of credit with various financial institutions.

As of April 3, 2010, approximately 2 million HiMEDS units with a carrying value of approximately \$109 million remained outstanding. The purchase contracts related to these units obligate the holders to purchase from the Company a certain number of shares in November 2010, dependent upon the stock price at the time. Based upon the Company’s share price as of April 3, 2010, the holders would purchase approximately 2 million shares from the Company.

Note 15. Segment Information

Financial information by reportable segment and other businesses is set forth below. Certain prior year amounts have been restated to reflect a transfer of a business from the Retail Information Services segment to other specialty converting businesses.

(In millions)	Three Months Ended	
	April 3, 2010	April 4, 2009
Net sales to unaffiliated customers:		
Pressure-sensitive Materials	\$ 897.2	\$ 808.8
Retail Information Services	344.8	315.2
Office and Consumer Products	179.9	184.4
Other specialty converting businesses	132.8	117.8
Net sales to unaffiliated customers	\$ 1,554.7	\$ 1,426.2
Intersegment sales:		
Pressure-sensitive Materials	\$ 41.4	\$ 37.4
Retail Information Services	.7	.3
Office and Consumer Products	.2	.3
Other specialty converting businesses	5.8	3.3
Eliminations	(48.1)	(41.3)
Intersegment sales	\$ —	\$ —
Income (loss) before taxes:		
Pressure-sensitive Materials	\$ 87.8	\$ (.2)
Retail Information Services	(.5)	(853.0)
Office and Consumer Products	19.4	23.4
Other specialty converting businesses	2.8	(27.9)
Corporate expense	(15.1)	(30.7)
Interest expense	(17.5)	(27.5)
Income (loss) before taxes	\$ 76.9 ⁽¹⁾	\$ (915.9) ⁽²⁾

- (1) Operating income for the first three months of 2010 included “Other expense” totaling \$6.3, consisting of restructuring costs of \$4.7, asset impairment charges of \$.2, and an accrual for legal settlements of \$1.4. Of the total \$6.3, the Pressure-sensitive Materials segment recorded \$1.9, the Retail Information Services segment recorded \$3.4, the Office and Consumer Products segment recorded \$.7, and the other specialty converting businesses recorded \$.3.
- (2) Operating loss for the first three months of 2009 included “Other expense” totaling \$97.3, consisting of asset impairment charges of \$21.9, restructuring costs of \$17.1, lease cancellation charges of \$.1, an accrual for a legal settlement of \$37, and a loss of \$21.2 from debt extinguishment. Of the total \$97.3, the Pressure-sensitive Materials segment recorded \$48.1, the Retail Information Services segment recorded \$9.6, the Office and Consumer Products segment recorded \$2.7, the other specialty converting businesses recorded \$15.7, and Corporate recorded \$21.2.
- Additionally, operating loss for the Retail Information Services segment for the first three months of 2009 included \$832 of goodwill and indefinite-lived intangible asset impairment charges.

Note 16. Recent Accounting Requirements

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

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

The FASB issued in May 2009, and amended in February 2010, a new accounting standard on subsequent events. This standard defines what qualifies as a subsequent event—those events or transactions that occur following the balance sheet date, but before the financial statements are issued, or are available to be issued. This standard was effective for interim and annual periods ending after June 15, 2009. The Company adopted this accounting standard in the second quarter of 2009.

In April 2009, the FASB issued changes to disclosure requirements regarding fair value of financial instruments, which require disclosure about fair value of financial instruments, whether recognized or not recognized in the statement of financial position, in interim financial information. These changes also require fair value information to be presented together with the related carrying amount and disclosure regarding the methods and significant assumptions used to estimate fair value. These changes were effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company has included the required disclosures in Note 4, "Debt."

The FASB issued in December 2007, and amended in April 2009, a revised accounting standard for business combinations. This standard 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. In general, this standard 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 standard 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. The adoption of this standard has not had a material impact on the Company's financial results of operations and financial condition.

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:

Definition of Terms	17
Forward-Looking Statements	17
Overview and Outlook	17
Analysis of Results of Operations for the First Three Months	19
Results of Operations by Segment for the First Three Months	21
Financial Condition	23
Uses and Limitations of Non-GAAP Measures	27
Recent Accounting Requirements	27
Safe Harbor Statement	28

DEFINITION OF TERMS

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, or GAAP. Our discussion of financial results includes several non-GAAP 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, and the extra week in fiscal year 2009;
- *Segment operating income (loss)* refers to income (loss) before interest and taxes;
- *Free cash flow* refers to cash flow from operations and net proceeds from sale of investments, less net payments for capital expenditures, software and other deferred charges;
- *Operational working capital* refers to trade accounts receivable and inventories, net of accounts payable.

FORWARD-LOOKING STATEMENTS

Certain statements contained in Management’s Discussion and Analysis are “forward-looking statements” and are subject to certain risks and uncertainties. Refer to our “Safe Harbor Statement” contained elsewhere in this report.

OVERVIEW AND OUTLOOK

Overview

Sales

Our sales increased 9% in the first three months of 2010 compared to the same period last year.

Estimated change in sales due to:	Three Months Ended	
	April 3, 2010	April 4, 2009
Organic sales growth (decline)	7%	(15)%
Extra week in fiscal year 2009 (1)	(3)	7
Foreign currency translation	5	(6)
Acquisitions, net of divestitures	–	1
Reported sales growth (decline)	9%	(13)%

(1) Our 2009 fiscal year includes a 53-week period, with the extra week reflected in the first quarter. Normally, each fiscal year consists of 52 weeks, but every fifth or sixth year consists of 53 weeks. The estimated impact of the extra week on growth rates for each period reflected both the number of days, and the impact of holidays in each quarter.

Net Income

Net income increased approximately \$954 million in the first three months of 2010 compared to the same period in 2009, which included an impairment of goodwill and indefinite-lived intangible assets totaling \$832 million.

Positive factors affecting net income included:

- Impairment of goodwill and indefinite-lived intangible assets, which impacted results in the prior year
- Cost savings from productivity improvement initiatives, including savings from restructuring actions
- Higher volume
- Lower accrual for legal settlements
- Lower restructuring, asset impairment, and lease cancellation charges related to cost reduction actions
- Loss on debt extinguishment, which impacted results in the prior year

Negative factors affecting net income included:

- Higher tax expense resulting from higher taxable income and a higher tax rate
- Investments in growth and infrastructure
- Net impact of changes in pricing and raw material costs

Cost Reduction Actions

Q4 2008 — 2010 Actions

In the fourth quarter of 2008, we initiated restructuring actions that are expected to generate approximately \$180 million in annualized savings by the middle of 2010, of which \$75 million, net of transition costs, was realized in 2009, and an incremental \$25 million, net of transition costs, was realized in the first quarter of 2010. We expect to incur approximately \$160 million of total restructuring charges associated with these actions, of which approximately \$110 million represents cash charges.

From the fourth quarter of 2008 through the end of the first quarter of 2010, we recorded approximately \$146 million in pretax charges related to these restructuring actions, consisting of severance and related employee costs, asset impairment charges, and lease cancellation costs. Severance and employee-related costs related to approximately 4,265 positions, impacting all of our segments and geographic regions.

The remainder of the costs associated with these actions are expected to be incurred during 2010.

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

Effective Rate of Taxes on Income

The effective tax rate for the first three months of 2010 was approximately 29%. In the first three months of 2009, the effective tax rate of approximately 2%, which applied to a loss, resulted in a tax benefit. The effective tax rate for the first three months of 2010 includes a benefit of approximately \$3 million from discrete events, primarily the release of certain tax contingencies due to statute expirations, statutory tax rate changes and the release of certain valuation allowances. Refer to Note 10, “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 net 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. 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)	Three Months Ended	
	April 3, 2010	April 4, 2009
Net cash (used in) provided by operating activities	\$ (27.9)	\$ 16.0
Purchase of property, plant and equipment, net	(13.7)	(15.0)
Purchase of software and other deferred charges	(5.5)	(8.2)
Proceeds from sale of investments, net	.3	.6
Free cash flow	\$ (46.8)	\$ (6.6)

Free cash flow in the first three months of 2010 reflected payments of trade rebates, bonuses and severance and other accrued costs related to various restructuring programs; the timing of collections of accounts receivable; and higher inventory purchases to support an increase in sales. These negative factors were partially offset by higher income from operations and the timing of payments of accounts payable, as well as lower net spending on property, plant, and equipment, software, and other deferred charges. See “Analysis of Results of Operations” and “Liquidity” below for more information.

Legal Proceedings

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

2010 Outlook

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

We expect revenue and earnings to increase in 2010, the extent of which is subject, but not limited, to changes in global economic conditions and the amount of higher costs that can be offset with productivity measures and/or price increases.

We expect incremental pension expense of approximately \$10 million.

We anticipate restructuring charges of approximately \$15 million to \$20 million, including the remaining charges associated with the Q4 2008-2010 Actions. We expect to realize an incremental \$70 million of restructuring savings, net of transition costs.

We anticipate lower interest expense (approximately \$75 million) due primarily to retirements of certain indebtedness. Our assumptions on interest expense are subject to changes in market rates through the remainder of the year.

The annual effective tax rate will be impacted by future events including changes in tax laws, geographic income mix, tax audits, closure of tax years, legal entity restructuring, and release of, or accrual for, 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 increased investment in new growth opportunities and infrastructure, including higher spend related to innovation, as well as demand creation in the Office and Consumer Products segment.

We anticipate our capital and software expenditures to be in the range of \$125 million to \$150 million.

ANALYSIS OF RESULTS OF OPERATIONS FOR THE FIRST THREE MONTHS

Income (Loss) Before Taxes

<i>(In millions)</i>	2010	2009
Net sales	\$ 1,554.7	\$ 1,426.2
Cost of products sold	1,113.9	1,081.1
Gross profit	440.8	345.1
Marketing, general and administrative expense	340.1	304.2
Goodwill and indefinite-lived intangible asset impairment charges	–	832.0
Interest expense	17.5	27.5
Other expense	6.3	97.3
Income (loss) before taxes	\$ 76.9	\$ (915.9)

As a Percent of Sales:

Gross profit (margin)	28.4%	24.2%
Marketing, general and administrative expense	21.9	21.3
Income (loss) before taxes	4.9	(64.2)

Sales

Sales increased 9% in the first three months of 2010 compared to the same period last year, due largely to higher sales on an organic basis, partially offset by the impact of the extra week in the first three months of 2009. In addition, foreign currency translation had a favorable impact on the change in sales of approximately \$67 million in the first three months of 2010.

On an organic basis, sales increased 7% in the first three months of 2010, reflecting increased demand across all major regions, with particular strength in the emerging markets, partially offset by the negative impact of pricing.

Refer to “Results of Operations by Segment” for information by reportable segment.

Gross Profit Margin

Gross profit margin for the first three months of 2010 improved compared to the same period last year, reflecting increased volume and the benefits from restructuring and productivity initiatives.

Marketing, General and Administrative Expenses

The increase in marketing, general and administrative expense in the first three months of 2010 compared to the same period last year primarily reflected the impact of foreign currency translation (approximately \$10 million), variable costs associated with higher volume, and investments in growth and infrastructure, partially offset by savings from restructuring and productivity initiatives.

Goodwill and Indefinite-Lived Intangible Asset Impairment Charges

In the first three months of 2009, we recorded non-cash impairment charges of \$832 million for the retail information services reporting unit. Refer to Note 3, “Goodwill and Other Intangibles Resulting from Business Acquisitions,” to the unaudited Condensed Consolidated Financial Statements for more information.

Other Expense

(In millions)	2010	2009
Restructuring costs	\$ 4.7	\$ 17.1
Asset impairment charges and lease cancellation costs	.2	22.0
Other	1.4	58.2
Other expense	\$ 6.3	\$ 97.3

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

In the first three months of 2009, “Other expense” consisted of asset impairment and lease cancellation charges, severance and other employee-related costs resulting in the reduction in headcount of approximately 725 positions across all segments and geographic regions, as well as an accrual for a legal settlement and a loss from debt extinguishment. For more information regarding the debt extinguishment, refer to “Financial Condition” and Note 4, “Debt,” to the unaudited Condensed Consolidated Financial Statements.

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

Net Income (Loss) and Earnings per Share

(In millions, except per share)	2010	2009
Income (loss) before taxes	\$ 76.9	\$ (915.9)
Provision for (benefit from) income taxes	22.2	(17.0)
Net income (loss)	\$ 54.7	\$ (898.9)
Net income (loss) per common share	\$.52	\$ (8.99)
Net income (loss) per common share, assuming dilution	\$.51	\$ (8.99)

(In millions, except per share)	2010	2009
Net income (loss) as a percent of sales	3.5%	(63.0)%

Percent change in:	2010	2009
Net income (loss)	106.1%	(1,414.2)%
Net income (loss) per common share	105.8	(1,384.3)
Net income (loss) per common share, assuming dilution	105.7	(1,402.9)

Provision for (Benefit from) Income Taxes

The effective tax rate for the first three months of 2010 was approximately 29%. In the first three months of 2009, the effective tax rate of approximately 2%, which applied to a loss, resulted in a tax benefit. The effective tax rate for the first three months of 2010 includes a benefit of approximately \$3 million from discrete events, primarily the release of certain tax contingencies due to statute expirations, statutory tax rate changes and the release of certain valuation allowances. Refer to Note 10, "Taxes Based on Income," to the unaudited Condensed Consolidated Financial Statements for further information.

RESULTS OF OPERATIONS BY SEGMENT FOR THE FIRST THREE MONTHS

Pressure-sensitive Materials Segment

(In millions)	2010	2009
Net sales including intersegment sales	\$ 938.6	\$ 846.2
Less intersegment sales	(41.4)	(37.4)
Net sales	\$ 897.2	\$ 808.8
Operating income (loss) (1)	87.8	(.2)

(1) Includes lease cancellation costs in 2009, and restructuring costs, asset impairment charges, and an accrual for legal settlement in both years	\$ 1.9	\$ 48.1
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Net Sales

Sales in our Pressure-sensitive Materials segment increased 11% in the first three months of 2010 compared to the same period last year, reflecting higher sales on an organic basis and the favorable impact of foreign currency translation (approximately \$48 million), partially offset by the impact of the extra week in the first three months of 2009. On an organic basis, sales grew 8% resulting from higher volume driven by increased demand, partially offset by the negative impact of pricing.

On an organic basis, sales in our roll materials business in the first three months of 2010 increased at a mid single-digit rate in both Europe and North America, and by a rate greater than twenty percent in emerging markets (Asia, Eastern Europe, South America) compared to the same period last year.

On an organic basis, sales in our graphics and reflective business increased at a double-digit rate, reflecting a modest increase in promotional spending by businesses in response to improved market conditions, and new product launches.

Operating Income (Loss)

Increased operating income in the first three months of 2010 reflected higher volume and cost savings from restructuring and productivity improvement initiatives, partially offset by the net impact of changes in pricing and raw material costs. In addition, operating income in the first three months of 2010 included lower restructuring and asset impairment charges and a lower accrual for legal settlement compared to the prior year.

Retail Information Services Segment

(In millions)	2010	2009
Net sales including intersegment sales	\$ 345.5	\$ 315.5
Less intersegment sales	(.7)	(.3)
Net sales	\$ 344.8	\$ 315.2
Operating loss (1) (2)	(.5)	(853.0)

(1) Includes an accrual for legal settlement in 2010, asset impairment charges in 2009, and restructuring costs in both years	\$ 3.4	\$ 9.6
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(2) Includes goodwill and indefinite-lived intangible asset impairment charges in 2009	\$ -	\$ 832.0
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Net Sales

Sales in our Retail Information Services segment increased 9% in the first three months of 2010 compared to the same period last year, reflecting higher sales on an organic basis and the favorable impact of foreign currency translation (approximately \$9 million), partially offset by the impact of the extra week in the first three months of 2009. On an organic basis, sales increased 10% due in part to significant inventory reductions by apparel retailers during the first half of 2009, as well as improved end-market demand.

Operating Loss

Decreased operating loss in the first three months of 2010 reflected goodwill and indefinite-lived intangible asset impairment charges in the prior year, as well as lower restructuring costs compared to the prior year. The improvement also reflected increased volume and benefits from restructuring and productivity improvement initiatives.

Office and Consumer Products Segment

<i>(In millions)</i>	2010	2009
Net sales including intersegment sales	\$ 180.1	\$ 184.7
Less intersegment sales	(.2)	(.3)
Net sales	\$ 179.9	\$ 184.4
Operating income ⁽¹⁾	19.4	23.4

⁽¹⁾ Includes asset impairment charges in 2009 and restructuring costs in both years	\$.7	\$ 2.7
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Net Sales

Sales in our Office and Consumer Products segment decreased 2% in the first three months of 2010 compared to the same period last year, reflecting lower sales on an organic basis and the impact of the extra week in the first three months of 2009, partially offset by the favorable impact of foreign currency translation (approximately \$6 million). On an organic basis, sales declined 2% due primarily to continued weak end-market demand and changes in customer programs, partially offset by a reduced rate of inventory destocking in the first quarter of 2010 compared to that in the first quarter of 2009.

Operating Income

Decreased operating income in the first three months of 2010 reflected lower sales and higher investment in consumer promotions and marketing, partially offset by benefits from restructuring and productivity improvement initiatives and lower restructuring costs compared to the prior year.

Other specialty converting businesses

<i>(In millions)</i>	2010	2009
Net sales including intersegment sales	\$ 138.6	\$ 121.1
Less intersegment sales	(5.8)	(3.3)
Net sales	\$ 132.8	\$ 117.8
Operating income (loss) ⁽¹⁾	2.8	(27.9)

⁽¹⁾ Includes asset impairment charges in 2009 and restructuring costs in both years	\$.3	\$ 15.7
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Net Sales

Sales in our other specialty converting businesses increased 13% in the first three months of 2010 compared to the same period last year, reflecting higher sales on an organic basis and the favorable impact of foreign currency translation (approximately \$4 million), partially offset by the impact of the extra week in the first three months of 2009. On an organic basis, sales increased 13% due primarily to increased demand for products for automotive applications, which was down significantly in the first quarter of 2009.

Operating Income (Loss)

Operating income in the first three months of 2010 reflected higher volume, the benefit of productivity improvement initiatives, and lower restructuring costs compared to the prior year.

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

(In millions)	2010	2009
Net income (loss)	\$ 54.7	\$ (898.9)
Depreciation and amortization	61.8	71.2
Provision for doubtful accounts	9.0	6.1
Goodwill and indefinite-lived intangible asset impairment charges	–	832.0
Asset impairment and net loss on sale and disposal of assets	.7	25.3
Loss from debt extinguishment	–	21.2
Stock-based compensation	7.5	6.4
Other non-cash items, net	9.6	4.6
Changes in assets and liabilities and other adjustments, net of the effect of business acquisitions	(171.2)	(51.9)
Net cash (used in) provided by operating activities	\$ (27.9)	\$ 16.0

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

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

In 2009, cash flow from operating activities reflected timing of payments of accounts payable and lower inventory purchases, as well as payments of bonuses and trade rebates, and lower income from operations. These negative factors were partially offset by the timing of collection of accounts receivable.

Cash Flow from Investing Activities for the First Three Months:

(In millions)	2010	2009
Purchase of property, plant and equipment, net	\$ (13.7)	\$ (15.0)
Purchase of software and other deferred charges	(5.5)	(8.2)
Proceeds from sale of investments, net	.3	.6
Net cash used in investing activities	\$ (18.9)	\$ (22.6)

Capital and Software Spending

During the first three months of 2010 and 2009, we invested in various small capital projects companywide. We also invested in projects associated with the expansion in Japan during the first three month of 2009.

Information technology projects during the first three months of 2010 and 2009 included customer service and standardization initiatives.

Cash Flow from Financing Activities for the First Three Months:

(In millions)	2010	2009
Net change in borrowings and payments of debt	\$ 75.4	\$ 31.7
Dividends paid	(22.4)	(43.7)
Proceeds from exercise of stock options, net	1.0	.2
Other	(1.5)	(2.9)
Net cash provided by (used in) financing activities	\$ 52.5	\$ (14.7)

Borrowings and Repayment of Debt

On April 13, 2010, subsequent to the end of the first quarter of 2010, we issued \$250 million senior notes bearing an interest rate of 5.375% per year, due April 2020. Proceeds from the offering, net of the underwriting discount and offering expenses, were approximately \$248 million and were used to repay a portion of the indebtedness outstanding under a term loan credit facility of one of our subsidiaries. The outstanding balance of the term loan credit facility of \$325 million was fully repaid in May 2010 using the proceeds from the issuance of the senior notes and commercial paper borrowings.

In March 2009, we completed an exchange of approximately 6.6 million of our Corporate HiMEDS units, or approximately 75.15% of the outstanding Corporate HiMEDS units. In aggregate, the exchange resulted in the extinguishment of approximately \$331 million of senior notes that are part of the Corporate HiMEDS units, the issuance of approximately 6.5 million shares of Avery Dennison’s common stock (par value \$1.00 per share) with a book value of approximately \$297 million, and the payment of approximately \$43 million in cash to

participating holders who validly tendered their Corporate HiMEDS units. As a result of this exchange, we recorded a debt extinguishment loss of approximately \$21 million, which included a write-off of \$9.6 million related to unamortized debt issuance costs. As of April 3, 2010, approximately two million HiMEDS units with a carrying value of approximately \$109 million remained outstanding. The purchase contracts related to these units obligate the holders to purchase from us a certain number of common shares in November 2010. The actual number of shares will be dependent upon the stock price at the time. Based upon our share price as of April 3, 2010, the holders would purchase approximately 2 million shares from us.

Refer to Note 4, "Debt," to the unaudited Condensed Consolidated Financial Statements for more information.

Dividend Payments

Our dividend per share was \$.20 in first three months of 2010 compared to \$.41 in the first three months of 2009, reflecting our decision to reduce dividend per share in the second half of 2009.

Analysis of Selected Balance Sheet Accounts

Long-lived Assets

Goodwill decreased approximately \$20 million during the first three months of 2010, which primarily reflected the impact of foreign currency translation.

Other intangibles resulting from business acquisitions, net decreased approximately \$12 million during the first three months of 2010, which reflected normal amortization expense (\$8 million), as well as the impact of foreign currency translation (\$4 million).

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

During the first three months of 2010, other assets decreased due to normal amortization and disposals of software and other deferred charges (\$9 million); the impact of foreign currency translation (\$2 million); and other (\$1 million). These decreases were partially offset by purchases of software and other deferred charges (\$6 million) and an increase in cash surrender value of corporate-owned life insurance (\$6 million).

Other Shareholders' Equity Accounts

Our shareholders' equity was approximately \$1.38 billion at April 3, 2010 compared to approximately \$1.36 billion at January 2, 2010. The increase in our shareholders' equity was primarily due to an increase in net income, partially offset by dividend payments and the impact of foreign currency translation.

The value of our employee stock benefit trust decreased \$69 million during the first three months of 2010 due to transfers of common shares from the "Employee stock benefit trust" to "Treasury stock at cost" (\$56 million) reflecting the funding of employee benefit obligations, the issuance of shares under our employee stock option and incentive plans (\$9 million) and a decrease in the market value of shares held in the trust (\$4 million).

Impact of Foreign Currency Translation for the First Three Months:

(In millions)	2010	2009
Change in net sales	\$ 67	\$ (114)
Change in net income	2	(5)

International operations generated approximately 68% of our net sales in the first three months of 2010. 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 effect of currency translation on sales in the first three months of 2010 primarily reflected a positive impact from sales in the currencies of Australia, Brazil, Canada and South Korea.

Effect of Foreign Currency Transactions

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

Analysis of Selected Financial Ratios

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

Operational Working Capital Ratio

Working capital deficit (current assets minus current liabilities), as a percent of annualized net sales, increased in 2010 primarily due to a decrease in short-term and current portion of long-term debt and an increase in net trade accounts receivable, partially offset by an increase in accounts payable and annualized net sales.

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 attributable to our financing and other activities (that affect cash and cash equivalents, deferred taxes, other current assets, and other current liabilities) that tend to be disparate in amount and timing, and therefore, may increase the volatility of the working capital ratio from period to period. Additionally, the items excluded from this measure are not necessarily indicative of the underlying trends of our operations and are not significantly influenced by the day-to-day activities that are managed at the operating level. Refer to “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 Three Months:

(In millions)	2010	2009
(A) Working capital deficit (current assets minus current liabilities)	\$ (34.9)	\$ (257.2)
Reconciling items:		
Cash and cash equivalents	(143.6)	(83.0)
Current deferred and refundable income taxes and other current assets	(201.0)	(208.6)
Short-term and current portion of long-term debt	628.3	812.4
Current deferred and payable income taxes and other current liabilities	537.4	584.9
(B) Operational working capital	\$ 786.2	\$ 848.5
(C) Annualized net sales (quarterly sales, multiplied by 4)	\$ 6,218.8	\$ 5,297.3 ⁽¹⁾
Working capital deficit, as a percent of annualized net sales (A) , (C)	(.6)%	(4.9)%
Operational working capital, as a percent of annualized net sales (B) , (C)	12.6%	16.0%

(1) Adjusted for the extra week in the first quarter of 2009

As a percent of annualized sales, operational working capital in the first three months of 2010 decreased compared to the same period in the prior year. The primary factors contributing to this change, which includes the impact of foreign currency translation, are discussed below.

Accounts Receivable Ratio

The average number of days sales outstanding was 56 days in the first three months of 2010 compared to 59 days in the first three months of 2009, calculated using the trade accounts receivable balance at quarter end divided by the average daily sales for the quarter. The change from prior year in the average number of days sales outstanding reflected an increase in sales and improved collection efforts.

Inventory Ratio

Average inventory turnover was 8.6 in the first three months of 2010 compared to 7.5 in the first three months of 2009, calculated using the annualized cost of sales (quarterly cost of sales, multiplied by 4, adjusted for the extra week in the first quarter of 2009) divided by the inventory balance at quarter end. The change from prior year in the average inventory turnover reflected the timing of inventory purchases and a continued focus on inventory management.

Accounts Payable Ratio

The average number of days payable outstanding was 57 days in the first three months of 2010 compared to 50 days in the first three months of 2009, calculated using the accounts payable balance at quarter end divided by the average daily cost of products sold for the quarter. The change from prior year in the average number of days payable outstanding reflected the timing of inventory purchases and timing of payments.

Capital Resources

Capital resources include cash flows from operations, cash and cash equivalents and debt financing. At April 3, 2010, we had cash and

cash equivalents of approximately \$144 million held in accounts managed by third-party financial institutions. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents; however, there is no assurance that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

Our \$1 billion revolving credit facility, which supports our commercial paper programs in the U.S. and Europe, matures in 2012. Based upon our current outlook for our business and market conditions, we believe that this facility, in addition to the uncommitted bank lines of credit maintained in the countries in which we operate, provide the liquidity to fund our operations.

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

Capital from Debt

Our total debt increased approximately \$78 million in the first three months of 2010 to approximately \$1.70 billion compared to approximately \$1.62 billion at year end 2009, reflecting an increase in commercial paper borrowings to support operational requirements, partially offset by a decrease in long-term borrowings. Refer to “Borrowings and Repayment of Debt” above for further information.

Credit ratings are a significant factor in our ability to raise short-term and long-term financing. The credit ratings assigned to us also impact the interest rates paid and our access to commercial paper and other borrowings. A downgrade of our short-term credit ratings below the current “A-2” and “P2” levels would impact our ability to access the commercial paper markets. If our access to commercial paper markets is limited, our revolving credit facility and other credit facilities are available to meet our short-term funding requirements, if necessary. When determining a credit rating, the rating agencies place significant weight on our competitive position, business outlook, consistency of cash flows, debt level and liquidity, geographic dispersion and management team. We remain committed to retaining an investment grade rating.

Our Credit Ratings as of April 3, 2010:

	Short-term	Long-term	Outlook
Standard & Poor’s Rating Service (“S&P”)	A-2	BBB	Stable
Moody’s Investors Service (“Moody’s”)	P2	Baa2	Negative

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

Legal Proceedings

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

Environmental

As of April 3, 2010, 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 fourteen waste disposal or waste recycling sites, which are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination and for which no settlement of 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 that could be identified in the future for cleanup could be higher than the liability currently accrued.

The activity for the first three months of 2010 and full-year 2009 related to environmental liabilities, which include costs associated with compliance and remediation, were as follows:

(In millions)	April 3, 2010	January 2, 2010
Balance at beginning of year	\$ 56.5	\$ 58.5
Purchase price adjustments related to acquisitions	—	2.1
Accruals	.1	1.0
Payments	(1.2)	(5.1)
Balance at end of period	\$ 55.4	\$ 56.5

As of April 3, 2010, approximately \$11 million of the total balance was classified as short-term.

These estimates could change depending on various factors, such as modification of currently planned remedial actions, changes in remediation technologies, changes in site conditions, changes in the estimated time to complete remediation, changes in laws and regulations affecting remediation requirements, as well as other factors.

Product Warranty

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. Because 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. As of April 3, 2010, our product warranty liabilities were approximately \$1.9 million.

Other

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 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 April 3, 2010, we had guaranteed approximately \$17 million.

As of April 3, 2010, we guaranteed up to approximately \$17 million of certain of our foreign subsidiaries' obligations to their suppliers, as well as approximately \$213 million of certain of our subsidiaries' lines of credit with various financial institutions.

As of April 3, 2010, approximately two million HiMEDS units with a carrying value of approximately \$109 million remained outstanding. The purchase contracts related to these units obligate the holders to purchase from us a certain number of shares in November 2010. The actual number of shares will be dependent upon the stock price at the time. Based upon our share price as of April 3, 2010, the holders would purchase approximately 2 million shares from us.

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, 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.

Limitations associated with the use of our non-GAAP measures include (1) the exclusion of foreign currency translation, the impact of acquisitions and divestitures, and the impact of the extra week in fiscal year 2009 from the calculation of organic sales growth; (2) the exclusion of mandatory debt service requirements, as well as the exclusion of 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 repurchases, acquisitions, etc.) for calculation of free cash flow; and (3) the exclusion of cash and cash equivalents, short-term debt, deferred taxes, other current assets, and other current liabilities, as well as current assets and current liabilities of held-for-sale businesses, for the calculation of operational 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 three months of 2010, certain other accounting and financial disclosure requirements by the Financial Accounting Standards Board and the Securities and Exchange Commission ("SEC") were issued. Refer to Note 16, "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," "might," "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 I, Item 1A, "Risk Factors," to the Company's Annual Report on Form 10-K for the year ended January 2, 2010, 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; 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; collection of receivables from customers; impact of competitive products and pricing; selling prices; business mix shift; volatility of capital and credit markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; ability of the Company to obtain adequate financing arrangements and to maintain access to capital; fluctuations in interest and tax rates; fluctuations in pension, insurance and employee benefit costs; impact of legal proceedings; changes in tax laws and regulations; 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 and natural disasters; and other factors.

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

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 January 2, 2010.

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 judgment 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.

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

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

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

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

ITEM 1A. RISK FACTORS

Our ability to attain our goals and objectives is materially dependent on numerous factors and risks, including but not limited to matters described in Part I, Item 1A, of the Company's Form 10-K for the fiscal year ended January 2, 2010 .

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. The Company did not repurchase any registered equity securities in the first three months of 2010.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. (RESERVED)

Not Applicable

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS

Exhibit 3.1	Restated Certification of Incorporation, as amended as of April 22, 2010
Exhibit 3.2	By-laws, as amended and restated, are incorporated by reference to the current report on Form 8-K, filed April 27, 2010
Exhibit 10.14	2007 Amendment and Restatement of Avery Dennison Corporation Employee Savings Plan
Exhibit 10.18.2	2005 Directors Variable Deferred Compensation Plan, amended and restated
Exhibit 10.31.2	2005 Executive Variable Deferred Retirement 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)

May 12, 2010

**RESTATED CERTIFICATE OF INCORPORATION
OF
AVERY DENNISON CORPORATION**
(Originally Incorporated on February 23, 1977 under the name
AVERY INTERNATIONAL CORPORATION)

ARTICLE I

The name of the Corporation is:

AVERY DENNISON CORPORATION

ARTICLE II

The address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, and the name of its registered agent at that address is United States Corporation Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE IV

(a) The Corporation is authorized to issue two classes of shares to be designated, respectively, "Common Stock" and "Preferred Stock". The total number of shares which the Corporation shall have authority to issue is Four Hundred Five Million (405,000,000) shares, and the aggregate par value of all shares which are to have a par value is Four Hundred Five Million Dollars (\$405,000,000). The total number of shares of Preferred Stock which the Corporation shall have authority to issue is Five Million (5,000,000) shares, and the par value of each share of Preferred Stock is One Dollar (\$1.00). The total number of shares of Common Stock which the Corporation shall have authority to issue is Four Hundred Million (400,000,000) shares, and the par value of each share of Common Stock is One Dollar (\$1.00).

(b) The Preferred Stock may be issued in one or more series, each series to be appropriately designated by a distinguishing letter or title, prior to the issue of any shares thereof.

(c) The Board of Directors is hereby authorized to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, rights and terms or redemption (including sinking fund provisions, if any), the redemption price or prices, the liquidation

preferences, any other designations, preferences and relative, participating, optional or other special rights, and any qualifications, limitations or restrictions thereof, of any wholly unissued series of Preferred Stock, and the number of shares constituting any such unissued series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

(d) Pursuant to the authority conferred by this Article IV upon the Board of Directors of the Corporation, the Board of Directors created a series of 1,300,000 shares of Preferred Stock designated as Series A Junior Participating Preferred Stock by filing a Certificate of Designations of the Corporation with the Secretary of State of the State of Delaware on December 10, 1997 and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Series A Junior Participating Preferred Stock are set forth in Appendix A hereto and are incorporated herein by reference.

ARTICLE V

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind the Bylaws of the Corporation.

ARTICLE VI

[repealed].

ARTICLE VII

The number of directors shall be fixed from time to time by a bylaw or amendment thereof duly adopted by the Board of Directors or by the stockholders.

ARTICLE VIII

The Board of Directors shall be and is divided into three classes, Class I, Class II and Class III. The number of directors in each class shall be the whole number contained in the quotient arrived at by dividing the authorized number of directors by three, and if a fraction is also contained in such quotient then if such fraction is one-third (1/3) the extra director shall be a member of Class III and if the fraction is two-thirds (2/3) one of the extra directors shall be a member of Class III and the other shall be a member of Class II. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that the directors appointed in Article IX herein to Class I shall serve

for a term ending on the date of the first annual meeting next following November 30, 1977, the directors appointed in Article IX herein to Class II shall serve for a term ending on the date of the second annual meeting next following November 30, 1977, and the directors appointed in Article IX herein to Class III shall serve for a term ending on the date of the third annual meeting next following November 30, 1977.

In the event of any increase or decrease in the authorized number of directors, (a) each director then serving as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his current term, or his prior death, retirement, resignation or removal, and (b) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors to such class or classes as shall, so far as possible, bring the number of directors in the respective classes into conformity with the formula in this Article, as applied to the new authorized number of directors.

Notwithstanding any of the foregoing provisions of this Article, each director shall serve until his successor is elected and qualified or until his death, retirement, resignation or removal. No director may be removed during his term except for cause. Should a vacancy occur or be created, the remaining directors (even though less than a quorum) may fill the vacancy for the full term of the class in which the vacancy occurs or is created.

ARTICLE IX

The names and addresses of the initial directors of the Corporation, and the class to which each is hereby appointed, are as follows:

<u>Name</u>	<u>Address</u>	<u>Class</u>
R. Stanton Avery	Avery International Corporation 415 Huntington Drive San Marino, California 91108	III
H. Russell Smith	Avery International Corporation 415 Huntington Drive San Marino, California 91108	III
H. Safford Nye	1275 Oak Grove San Marino, California 91108	III
Austin H. Peck, Jr.	Latham & Watkins 555 South Flower Street Los Angeles, California 90071	II
Lawrence R. Tollenaere	Ameron, Inc. 400 South Atlantic Blvd. Monterey Park, California 91754	II

<u>Name</u>	<u>Address</u>	<u>Class</u>
F. Daniel Frost	Gibson, Dunn & Crutcher 515 South Flower Street Los Angeles, California 90071	II
Dennis S. Avery	City Attorney's Office San Diego, California 92101	I
Paolo N. Rogers	106 Piazza Navona Rome, Italy	I
Charles D. Miller	Avery International Corporation 415 Huntington Drive San Marino, California 91108	I

ARTICLE X

Elections of directors at an annual or special meeting of stockholders need not be by written ballot unless the Bylaws of the Corporation shall so provide.

ARTICLE XI

No action shall be taken by the stockholders except at an annual or special meeting of stockholders.

ARTICLE XII

Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Board of Directors, or by a majority of the members of the Board of Directors, or by a committee of the Board of Directors which has been duly designated by the Board of Directors and whose powers and authority, as provided in a resolution of the Board of Directors or in the Bylaws of the Corporation, include the power to call such meetings, but such special meetings may not be called by any other person or persons; provided, however, that if and to the extent that any special meeting of stockholders may be called by any other person or persons specified in any provisions of the Certificate of Incorporation or any amendment thereto or any certificate filed under Section 151(g) of the Delaware General Corporation Law, then such special meeting may also be called by the person or persons, in the manner, at the times and for the purpose so specified.

ARTICLE XIII

[Intentionally omitted]

ARTICLE XIV

[repealed].

ARTICLE XV

[repealed].

ARTICLE XVI

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation.

ARTICLE XVII

Each reference to this Certificate of Incorporation to any provision of the Delaware General Corporation Law refers to the specified provision of the General Corporation Law of the State of Delaware, as the same now exists or as it may hereafter be amended or superseded.

ARTICLE XVIII

[repealed].

ARTICLE XIX

A director shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that this Article XIX shall not eliminate or limit the liability of a director (i) for any breach of his duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derives an improper personal benefit.

If the General Corporation Law of the State of Delaware is hereafter amended to authorize corporate action further limiting or eliminating the personal liability of directors, then the liability of the director to the Corporation shall be limited or eliminated to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended from time to time. An repeal or modification of this Article XIX by the stockholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

Appendix A
CERTIFICATE OF DESIGNATIONS
of
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
of
AVERY DENNISON CORPORATION
(Pursuant to Section 151 of the
Delaware General Corporation Law)

Avery Dennison Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law at a meeting duly called and held on October 23, 1997:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation, the Board of Directors hereby creates a series of Preferred Stock, par value \$1.00 per share, of the Corporation (the "Preferred Stock") and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series A Junior Participating Preferred Stock:

Section I. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 1,300,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section II. Dividends and Distributions.

A. Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value \$1.00 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock

payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

B. The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

C. Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section III. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

A. Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

B. Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

C. Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled

to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section IV. Certain Restrictions.

A. Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

1. declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;
2. declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;
3. redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or
4. redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

B. The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section V. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section VI. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock,

or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section VII. Consolidation, Merger, Etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section VIII. No Redemption.The shares of Series A Preferred Stock shall not be redeemable.

Section IX. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

Section X. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

2007 AMENDMENT AND RESTATEMENT OF
AVERY DENNISON CORPORATION
EMPLOYEE SAVINGS PLAN

Avery International Corporation, now known as Avery Dennison Corporation (the "Company"), a corporation organized under the laws of the State of Delaware, by resolution of its Board of Directors adopted on January 27, 1985, approved the adoption of The Employee Stock Accumulation Plan of Avery International Corporation which was later renamed The Stock Holding and Retirement Enhancement Plan of Avery Dennison Corporation (the "Plan") for the exclusive benefit of its eligible Employees. By action of the chief executive officer of the Company, the Plan was adopted February 6, 1985 effective as of December 1, 1984. The Plan has been amended in 1986, on August 25, 1987, March 11, 1988, July 14, 1988, January 19, 1989, November 29, 1989, December 19, 1990, December 20, 1990, January 14, 1993, October 3, 1994 and December 18, 1996. The Avery Dennison Corporation Employee Savings Plan (the "Savings Plan") merged into the Plan, effective following the close of business on November 30, 1997 (the "Merger") and in conjunction with the amendment which documented the Merger (the 1997 Amendment and Restatement to the Plan which was adopted on November 25, 1997), the Plan was renamed as the "Avery Dennison Corporation Employee Savings Plan." The Plan was further amended on March 24, 2000, July 12, 2000, October 18, 2000, November 14, 2001, December 6, 2001, April 24, 2002, July 24, 2002, September 30, 2003, December 11, 2003, January 4, 2005 and November 28, 2005.

In order to amend the Plan in certain respects, this 2007 Amendment and Restatement to the Plan has been adopted by the Company on January 25, 2007, effective as of December 1, 2004, unless otherwise provided in the Plan and Exhibit 1 which is attached hereto and incorporated in the Plan by this reference. This 2007 Amendment and Restatement of the Plan constitutes a complete amendment, restatement and continuation of the Plan.

The purposes of the Plan are:

- (1) To permit Participants to share in the Company's success.
- (2) To stimulate and maintain among Participants a sense of responsibility, cooperative effort and a sincere interest in the progress and success of the Company.
- (3) To increase the efficiency of Participants and to encourage them to remain with the Company until retirement from active service.
- (4) To provide security for Participants by establishing a plan under which each Participant's share of Company contributions, his personal contributions, his deferrals and the earnings thereon will be invested and accumulated to create a fund to benefit him in the event of his disability or other termination of employment.

The Plan consists of two plans, a profit-sharing plan and a leveraged ESOP, under a single document. The document consists of Articles I-XVIII and Supplements containing special provisions documenting the merger of plan assets and liabilities with, or the transfer of accounts to,

the Savings Plan prior to the Merger and after the Merger. The provisions of a Supplement apply only to individuals with respect to whom assets and liabilities were transferred to the Savings Plan or this Plan as described in such Supplement.

The profit-sharing portion of the Plan is intended to comply with the provisions of Sections 401, 401(k), 402(a) and other applicable provisions of the Code, similar provisions of the California Revenue and Taxation Code, ERISA and Section 7(e)(4) of the Fair Labor Standards Act of 1938, as amended. Its assets consist of all Accounts other than the ESOP Accounts, the Qualified Accounts (but including Qualified Company Contributions Accounts) and the SHARE Accounts, and includes any Account described in a Supplement as constituting part of the profit-sharing portion of the Plan and all allocations thereto.

The leveraged ESOP portion of the Plan is a stock bonus plan which is intended to form an employee stock ownership plan within the meaning of Section 407(d)(6)(A) of ERISA and Section 4975(d)(3) of the Code. This portion of the Plan is designed to invest in qualifying employer securities within the meaning of ERISA Section 407(d)(5) and Code Section 4975(e)(8) and is intended to comply with the provisions of Sections 401, 402(a), 404(a)(3), 404(a)(9) and 404(k) and other applicable provisions of the Code, similar provisions of the California Revenue and Taxation Code or other applicable state law and ERISA and Section 7(e)(4) of the Fair Labor Standards Act of 1938, as amended. Its assets consist of the SHARE Accounts, the ESOP Accounts and the Qualified Accounts (excluding Qualified Company Contributions Accounts), and includes any Account described in a Supplement as constituting part of the ESOP portion of the Plan and all allocations thereto.

Any Company Stock held by the profit-sharing portion of the Savings Plan and the Plan shall not be considered to be held by a trust which is part of an employee stock ownership plan.

It is also intended that disability payments received by Participants pursuant to the Plan shall qualify for exclusion from income under Section 105 of the Internal Revenue Code.

References to events occurring prior to the date of the Merger with respect to a plan or an account shall be deemed to refer to such plan or account as it existed prior to the Merger but the effect of such references shall be carried forward to the Plan as merged.

ARTICLE I.

DEFINITIONS

Section 1.1. - General

Whenever any of the following terms is used in the Plan with the first letter or letters capitalized, it shall have the meaning specified below unless the context clearly indicates to the contrary.

Section 1.2. - Accounts

“Account” or “Accounts” of a Participant, former Participant or Merged Participant shall mean, as the context indicates, any one or more of his Pretax Savings (“PTS”) Account, his After-tax Savings (“ATS”) Account, his Qualified Account, his Rollover Account, his ESOP

Account, if any, in the Trust Fund established in accordance with Sections 6.1, 4.4, 6.2(b), 15.12, and 6.2(a), respectively.

Section 1.3. - Active Participant

“Active Participant” shall mean a Participant who is an Employee and is not in a Bargaining Unit.

Section 1.4. - Administrator

“Administrator” shall mean Avery Dennison Corporation, acting through its chief executive officer or his delegate.

Section 1.5. - After-Tax Savings (“ATS”) Account

“After-Tax Savings Account” (“ATS Account”) of a Participant, consisting of his Basic ATS Account and his Unmatched ATS Account, shall mean his individual Account in the Trust Fund established in accordance with Section 4.4, each consisting of two sub-accounts, the “Pre-1987 Basic ATS Sub-Account” and the “Pre-1987 Unmatched ATS Sub-Account” (which consist of allocations to his Basic ATS Account and his Unmatched ATS Account, respectively, made prior to January 1, 1987 as a result of transfers thereto attributable to personal after-tax contributions made prior to January 1, 1987 together with earnings thereon) and the “Post-1986 Basic ATS Sub-Account” and “Post-1986 Unmatched ATS Sub-Account” (which consist of allocations to his Basic ATS Account and Unmatched ATS Account, respectively, made after December 31, 1986 which includes transfers thereto attributable to after-tax personal contributions made after December 31, 1986 together with earnings thereon).

Section 1.6. - Annual Addition

(a) “Annual Addition” of a Participant for the Plan Year in question shall mean the sum of

(i) Company contributions and forfeitures allocated to his ESOP Account and Qualified Account for that Plan Year,

(ii) Company contributions and forfeitures allocated to his PTS Account for that Plan Year (excluding any excess amounts determined under Code Section 402(g) which are distributed to him pursuant to Section 18.4(b) not later than the April 15 following the calendar year in which such excess amounts were deferred),

(iii) Company contributions and forfeitures allocated to his accounts under all other qualified defined contribution plans, if any, of the Company and any Company Affiliate for that Plan Year,

(iv) His contributions to his ATS Account under the Plan (excluding any excess amounts distributed to him pursuant to Section 18.4(b)) and his personal contribution under all other qualified defined contribution plans, if any, of the Company and any Company Affiliate for that Plan Year,

(v) Except for purposes of Section 18.4(a)(ii), the sum of

(A) Company contributions allocated after March 31, 1984 to an individual medical account as defined in Code Section 415(l)(1), if any, which is maintained under a qualified pension or annuity plan, and

(B) Company contributions paid or accrued for Plan Years ending after December 31, 1985, if any, and allocated to the separate account of a Key Employee (as defined in Section 14.1(b)(iv)) for the purpose of providing post-retirement medical benefits; and

(vi) Any other amounts described in Treas. Reg. Section 1.415(c)-1(b),

whether or not the allocations or contributions have been recharacterized or distributed pursuant to Sections 3.5, 6.11, 9.2, 9.3, 9.5 or otherwise.

(b) Provided however, that for any Plan Year for which no more than one third of the Company contributions which are deductible under Code Section 404(a)(9) are allocated to Highly Compensated Employees, the Annual Addition of a Participant shall not include

(i) his share of Company contributions for such Plan Year which are deductible under Code Section 404(a)(9)(B), or

(ii) his share of forfeitures of Company Stock acquired with the proceeds of a loan or installment obligation described in Code Section 404(a)(9)(A).

(c) If, in a particular Plan Year, the Company contributes an amount to a Participant's Accounts because of an erroneous forfeiture in a prior Plan Year, or because of an erroneous failure to allocate amounts in a prior Plan Year, the contribution shall not be considered an Annual Addition with respect to the Participant for that particular Plan Year, but shall be considered an Annual Addition for the Plan Year to which it relates. If the amount so contributed in the particular Plan Year takes into account actual investment gains attributable to the period subsequent to the Plan year to which the contribution relates, the portion of the total contribution which consists of such gains shall not be considered as an Annual Addition for any Plan Year.

Section 1.7. - Bargaining Unit

(a) "Bargaining Unit" shall mean a bargaining unit covered by a collective bargaining agreement with the Company

(a) if retirement benefits were the subject of good faith bargaining with respect to such agreement, and

(b) if such agreement does not provide for the coverage under the Plan of Employees in such unit, or

(c) (i) where such collective bargaining agreement has expired but the terms of the agreement continue to apply to the bargaining unit by agreement or by operation of law, or

(ii) when a party to the agreement has unilaterally implemented terms and conditions for the bargaining unit after a good faith impasse in negotiations, and

in either paragraph (i) or (ii), the terms do not provide for coverage under the Plan of Employees in such unit.

Section 1.8. - Basic ATS Account

“Basic ATS Account” of a Participant shall mean the portion of his ATS Account so designated, as described in Section 4.4.

Section 1.9. - Basic PTS Account

“Basic PTS Account” of a Participant shall mean his individual Account established in connection with Section 6.1.

Section 1.10. - Beneficiary

“Beneficiary” shall mean a person or trust properly designated by a Participant, former Participant or Merged Participant to receive benefits, or such Participant’s Spouse or heirs at law, as provided in Article XII or any Supplement.

Section 1.11. - Board

“Board” shall mean the board of directors of Avery Dennison Corporation.

Section 1.12. - Break in Service Year

“Break in Service Year” of an Employee or former Employee shall mean the three hundred and sixty-five day period

(a) which begins on the later of

(i) the date of his last Separation from the Service, or

(ii) if the Employee furnishes to the Administrator such timely information as the Administrator may reasonably require to establish that the Employee’s absence from work is for any of the following reasons or purposes, the second anniversary of the first day of his absence from work

a by reason of pregnancy of the Employee,

b by reason of the birth of a child of the Employee,

c by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee, or

d for purposes of caring for such child for a period beginning immediately following such birth or placement, and

(b) during no part of which he was an Employee or employed by a Company Affiliate.

Section 1.13. - Cash Account

“Cash Account” of a Participant shall mean that portion of his Stock Accounts which has not yet been used to purchase Company Stock.

Section 1.14. - Catch-Up Eligible Participant

“Catch-Up Eligible Participant” for a Plan Year shall mean an Eligible Employee who

- (a) is eligible to make contributions to his PTS Account during such Plan Year (without regard to Code Section 414(v)); and
- (b) will be age 50 or older before the end of such Plan Year.

Section 1.15. - Code

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

Section 1.16. - Company; Company Affiliate

(a) “Company” shall mean Avery Dennison Corporation, Dennison Manufacturing Company, Avery Dennison Office Products Company, any other Company Affiliate which subsequently adopts the Plan as a whole or as to any one or more divisions, in accordance with Section 16.4(c), and any successor company which continues the Plan under Section 16.4(a).

(b) “Company Affiliate” shall mean any employer which, at the time of reference, was with Avery Dennison Corporation, a member of a controlled group of corporations or trades or businesses under common control, or a member of an affiliated service group, as determined under regulations issued by the Secretary of the Treasury or his delegate under Code Sections 414(b), (c), (m) and 415(h) and any other entity required to be aggregated with Avery Dennison Corporation pursuant to regulations issued under Code Section 414(o).

Section 1.17. - Company Stock

“Company Stock” shall mean common stock of Avery Dennison Corporation that, at the time of reference is either:

- (a) “publicly traded” as that term is defined under Treasury Regulation Section 54.4975-7(b)(1)(iv) or any successor regulation thereto, and not subject to a “trading limitation” as that term is defined under Treasury Regulation Section 54.4975-7(b)(10) or any successor regulation thereto or
- (b) not publicly traded (as defined above) but having a combination of voting power and dividend rights equal to or in excess of —

(i) that class of common stock of the Company (or of any other such corporation) having the greatest voting power and

(ii) that class of common stock of the Company (or of any other such corporation) having the greatest dividend rights.

Section 1.18. - Company Stock Fund

“Company Stock” shall mean common stock of Avery Dennison Corporation that, at the time of reference is either:

(a) “publicly traded” as that term is defined under Treasury Regulation Section 54.4975-7(b)(1)(iv) or any successor regulation thereto, and not subject to a “trading limitation” as that term is defined under Treasury Regulation Section 54.4975-7(b)(10) or any successor regulation thereto or

(b) not publicly traded (as defined above) but having a combination of voting power and dividend rights equal to or in excess of —

(i) that class of common stock of the Company (or of any other such corporation) having the greatest voting power and

(ii) that class of common stock of the Company (or of any other such corporation) having the greatest dividend rights.

Section 1.19. - Compensation

(a) “Compensation” of a Participant for any Plan Year shall mean his Statutory Compensation (including differential wage payments described in Code Sections 414(u)(12)(A) and (D)) from a Company for such Plan Year and excluding all reimbursements or other expense allowances, fringe benefits (cash and noncash), moving expenses, deferred compensation, any awards pursuant to the Key Executive Long-Term Incentive Plan, short term disability payments, salary continuation under workers’ compensation and welfare benefits, severance benefits and other payments described in Section 1.64(e), payments described in Sections 1.64(b) and (c) which are paid to the Participant more than thirty days after the date of his severance from employment and amounts described in Section 1.64(d) (except to the extent they are differential wage payments described above) (even if includable in gross income), but in no event greater than the limit under Code Section 401(a)(17) (which, effective as of December 1, 2009, is \$245,000) (adjusted for increases in the cost of living as described in Code Section 401(a)(17)(B)) and, if the Plan Year is less than twelve months, such limit shall be reduced to an amount equal to such limit multiplied by a fraction, the numerator representing the number of months in the Plan Year and the denominator of which is twelve).

(b) The Administrator may elect for any Plan Year and solely for the purposes of Sections 1.20 and 1.22 to amend the Plan to

(i) apply an alternate definition of Compensation; provided, however, that such definition shall satisfy the requirements of Code Section 414(s) and the Regulations thereunder; and/or

(ii) exclude from Compensation of Participants that part thereof deferred under Article III and under cafeteria plans.

Section 1.20. - Contribution Percentage

(a) "Contribution Percentage" for a Plan Year shall mean, with respect to eligible Participants who are Highly Compensated Employees as a group and to eligible Participants who are not Highly Compensated Employees as a group, the average of the decimal numbers obtained, as to each such Participant, by dividing

(i) his allocations described in subsection (b), by

(ii) his Compensation for that portion of the Plan Year during which he was eligible to contribute to his ATS Account or to receive allocations to his ESOP Account.

(b) The allocations described in this subsection are

(i) allocations to his ATS Account, excluding any excess amounts distributed to him pursuant to Section 18.4(b),

(ii) allocations to his ESOP Account under Section 6.3(b),

(iii) allocations to his PTS Account, to the extent that the Administrator elects to take such allocations into account under Section 6.11(b)(ii),

(iv) allocations to his Qualified Matching Account and Qualified Non-Matching Account to the extent the Administrator elects to take such allocations into account under Section 6.11(b), and

(v) allocations deemed to be personal contributions under Section 3.5(b)(v).

(c) (i) For purposes of this Section, all plans required to be taken into account under Code Section 401(m)(2)(B) shall be treated as a single plan.

(ii) This Section shall be applied separately with respect to each "plan," within the meaning of Treas. Reg. Section 1.401(m)-1(b)(4).

(d) The Administrator may elect to expand the Compensation of a Participant taken into account for purposes of subsection (a)(ii) to such amounts received by him for that entire Plan Year; provided, however, that such determination shall be applied uniformly to all Participants for the year in question.

Section 1.21. - Current Obligations

"Current Obligations" shall mean obligations of the Trust arising from extensions of credit to the Trust, in connection with the purchase by the Trust of Leveraged Company Stock, and either

(a) payable in cash within one year from the date of reference pursuant to the terms of the applicable credit agreement, or

(b) specified by the Administrator as subject to current payment with Trust assets available therefor pursuant to the terms of this Plan.

Section 1.21A — DB Eligible Participant

A “DB Eligible Participant” shall mean a Participant who is eligible to accrue benefits under the Associate Retirement Plan for Employees of Avery Dennison Corporation, a component plan under the Dennison Retirement Plan (or any successor thereto).

Section 1.22. - Deferral Percentage

(a) “Deferral Percentage” for a Plan Year shall mean, with respect to eligible Participants who are Highly Compensated Employees as a group and to eligible Participants who are not Highly Compensated Employees as a group, the average of the decimal numbers obtained, as to each such Participant, by dividing

(i) the amount, if any, credited to his PTS Account for that Plan Year in question under this Plan and any other plans which are aggregated with this Plan under Code Section 401(k)(3)(A) (including any excess amounts described in Code Section 402(g) if he is a Highly Compensated Employee but excluding any excess amounts distributed to him pursuant to Section 18.4(b)) (and, to the extent elected by the Administrator under Section 3.5(b) amounts credited to his Qualified Account for that Plan Year), by

(ii) his Compensation for that portion of the Plan Year during which he was eligible to defer Compensation to his PTS Account.

(b) The Administrator may elect to expand the Compensation of a Participant taken into account for purposes of subsection (a)(ii) to such amounts received by him for that entire Plan Year; provided, however, that such determination shall be applied uniformly to all Participants for the year in question.

(c) This Section shall be applied separately with respect to each “plan,” within the meaning of Treas. Reg. Section 1.401(k)-1(b)(4).

Section 1.23. - Deferred Compensation

“Deferred Compensation” of a Participant shall mean an amount contributed by the Company to the Plan for him under Section 5.1(a).

Section 1.24. - Direct Rollover

“Direct Rollover” shall mean a payment by the Plan to an Eligible Retirement Plan designated by a Distributee.

Section 1.25. - Distributee

“Distributee” shall mean

- (a) a Participant, former Participant, Merged Participant,
- (b) the Surviving Spouse or other designated Beneficiary of such a Participant, or
- (c) a Spouse or former Spouse of such a Participant who is an alternate payee under a qualified domestic relations order, as defined in Code Section 414(p).

Section 1.26. - Disability Retirement

“Disability Retirement” of a Participant or Merged Participant shall mean his Separation from the Service as a result of mental or physical disease or condition which entitles the Participant (or would entitle the Participant, after expiration of applicable waiting periods,) to long term disability benefits under the long term disability plan offered to its Employees by the Company or, if such Participant does not participate in such plan, would entitle the Participant to such benefits if he did participate.

Section 1.27. - Disability Retirement Date

“Disability Retirement Date” of a Participant or Merged Participant shall mean the date (prior to his Normal Retirement Date) fixed by the Administrator for his Disability Retirement.

Section 1.28. - Eligible Retirement Plan

(a) “Eligible Retirement Plan” shall mean

- (i) an individual retirement account (described in Code Section 408(a)),
- (ii) an individual retirement annuity (described in Code Section 408(b) other than an endowment contract),
- (iii) an annuity plan (described in Code Section 403(a)),
- (iv) a qualified trust (described in Code Section 401(a)),
- (v) an annuity contract described in Code Section 403(b), or

(vi) an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible employer described in Code Section 457(e)(1)(A) (a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state) and which agrees to separately account for amounts transferred into such plan from the Plan,

that will accept a Distributee’s Eligible Rollover Distribution. This definition shall apply to a Distributee who is a Participant, a Surviving Spouse of a Participant or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p).

(b) In addition, effective January 1, 2008, a Roth IRA (described in Code Section 408A) is an Eligible Retirement Plan that may accept a Distributee's Eligible Rollover Distribution subject to the applicable rules for such rollovers.

(c) This definition of an Eligible Retirement Plan shall also apply in the case of a distribution to a Surviving Spouse, or to a Spouse of former Spouse who is an alternate payee under a qualified domestic relations order, as defined in Code Section 414(p). However, in the case of an Eligible Rollover Distribution to a non-Spouse Beneficiary, Eligible Retirement Retirement shall mean only an individual retirement account described in Code Section 408(a) or an individual retirement annuity described in Code Section 408(b). A Direct Rollover to a non-Spouse Beneficiary must be accomplished through a direct trustee-to-trustee transfer to an Eligible Retirement Plan described in the preceding sentence.

Section 1.29. - Eligible Rollover Distribution

(a) Except as provided in subsections (b) and (c), "Eligible Rollover Distribution" shall mean any distribution of all or any portion of a Participant's, former Participant's or Merged Participant 's Accounts to a Distributee.

(b) "Eligible Rollover Distribution" shall not mean any distribution

(i) that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee 's Beneficiary,

(ii) that is paid for a specified period of ten years or more,

(iii) that is part of a series of distributions during a calendar year to the extent that such distributions are expected to total less than \$200 or a total lump sum distribution which is equal to less than \$200, as described in Treas. Reg. Section 1.401(a)(31) — 1 A-11,

(iv) that is a Hardship withdrawal pursuant to Section 9.2 and Section 9.3,

(v) to the extent such distribution is required under Code Section 401(a)(9) except as provided in subsection (d) and Section 11.4(c),

(vi) that is paid to a Beneficiary under Article XII other than the Surviving Spouse or the spouse or former spouse of the Participant who is an alternate payee under a qualified domestic relations order as defined in Code Section 414(p),

(vii) to the extent such distribution is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities), except as described in subsection (c).

(c) An Eligible Rollover Distribution shall include after-tax contributions only to the extent such distribution is transferred to an Eligible Retirement Plan described in Section 1.28(a)(i), (ii), (iv) or (v). Any such transfers of after-tax contributions to an Eligible Retirement Plan described in Section 1.28(a) (iv) or (v) must be accomplished through a direct trustee-to-trustee transfer which provides for separate accounting for amounts so transferred (including separately

accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not so includable).

(d) A Distributee who receives an amount that would have been a 2009 RMD (as defined in Section 11.4(c)) may direct the Administrator or its delegate to transfer such amount to an Eligible Retirement Plan in a Direct Rollover.

Section 1.30. - Employee; Leased Employee

(a) "Employee" shall mean any person who renders services to the Company in the status of an employee as the term is defined in Code Section 3121(d), including any United States citizen employed by a foreign subsidiary of the Company to which there applies an agreement under Code Section 3121(1) and if no contributions to a funded plan of deferred compensation (whether or not a plan described in Code Sections 401(a), 403(a), or 405(a)) are provided by any other person with respect to the compensation paid to such citizen by the foreign subsidiary. "Employee" shall also include any Included Affiliate Employee and any citizen of a foreign country who is employed by the Company or a Company Affiliate in the United States and is thereby prevented from participating in a thrift or savings plan maintained by the Company or a Company Affiliate for citizens of a foreign country. Except as provided in subsection 1.35(b) and Section 1.36, "Employee" shall not include

(i) Leased Employees treated as Employees of the Company pursuant to Code Sections 414(n) and 414(o),

(ii) employees of a Company Affiliate that is not a Company,

(iii) any person who participates in The Avery Dennison Pension Plan for Key International Expatriate Staff (TCN),

(iv) any person whose services with the Company are performed pursuant to a contract or an arrangement that purports to treat the individual as an independent contractor even if such individual is later determined (by judicial action or otherwise) to have been a common law employee of the Company rather than an independent contractor, or

(v) any employee who is listed on Exhibit 4 of the Plan which is attached hereto and incorporated in the Plan by this reference. The Vice President, Compensation and Benefits of Avery Dennison Corporation is authorized to amend Exhibit 4 as described in this paragraph and Section 1.37.

(b) For purposes of subsection (a), a "Leased Employee" means any individual who is not an Employee of the Company who provides services to the Company if

(i) such services are provided pursuant to an agreement between the Company and any other person,

(ii) such individual has performed such services for the Company or a Company Affiliate on a substantially full-time basis for at least one year, and

(iii) such services are performed under primary direction of control by the Company.

Section 1.31. - ERISA

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

Section 1.32. - ESOP Account

“ESOP Account” of a Participant shall mean his individual account established in accordance with Section 6.2(a), together with such other accounts received by this Plan in a trust-to-trust transfer, as the Administrator shall designate.

Section 1.33. - [Reserved.]

Section 1.34. - Hardship

(a) “Hardship” of a Participant as determined by the Administrator in its discretion on the basis of all relevant facts and circumstances and in accordance with the following nondiscriminatory and objective standards, uniformly interpreted and consistently applied, and without regard to the existence of other resources which are reasonably available to the Participant in question, shall mean any one or more of the following:

(i) Unreimbursed expenses for medical care described in Code Section 213(d) previously incurred by him, his spouse, or his dependent (as described in Code Section 152 and, for Plan Years beginning on or after January 1, 2005, without regard to Code Sections 152(b)(1), (b)(2) and (d)(1)(B)) or necessary for him, his spouse or his dependent to obtain medical care.

(ii) Costs directly related to the purchase (excluding mortgage payments) of a principal residence for him.

(iii) Payment of tuition and related educational fees for the next twelve months of post-secondary education for him, his spouse, children, or his dependents (as so described).

(iv) Payments necessary to prevent his eviction from his principal residence, or foreclosure on the mortgage of his principal residence.

(v) Payments for burial or funeral expenses for his parent, spouse, children or dependents (as so described).

(vi) Expenses for the repair of damage to his principal residence that would qualify for the casualty deduction under Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income).

(vii) Any other event identified by the Commissioner of Internal Revenue in revenue rulings, notices and/or other documents of general applicability for inclusion in the foregoing list.

(viii) Costs and expenses for any of the following which constitute an immediate and heavy financial need of the Participant, if as to him, it is a rare and unusual event.

a Withholding and/or payment of taxes attributable to a Hardship withdrawal.

b Any of the following events if the event described in the last sentence of Section 15.14(b)(viii) has occurred:

1 The purchase or repair of a vehicle for his transportation to and from work at the Company when no other method of such transportation (including rental or lease of a vehicle) is reasonably available.

2 The payment of his taxes when necessary to avoid penalties or seizure of his property.

3 The satisfaction of a substantial judgment, award, fine, levy, garnishment or other liability of his.

4 An increase in the size of, or of living space in, his principal residence, when reasonably necessary for the housing of his immediate family and/or dependents (as so described).

5 Repair or reconstruction of his principal residence due to fire, flood, wind, earthquake, vandalism or other casualty.

6 Any other event of equal seriousness and financial impact.

(b) A financial need shall not constitute a Hardship unless satisfaction thereof requires at least \$1,000.00 (or the entire principal amount of the Participant's PTS Account, if less).

(c) A financial need shall not fail to qualify as immediate and heavy merely because such need was reasonably foreseeable by the Participant or voluntarily incurred by him.

Section 1.35. - Highly Compensated Employee

(a) For any Plan Year, a "Highly Compensated Employee" shall mean any Employee who

(i) in the previous Plan Year had Statutory Compensation in excess of \$80,000 (adjusted as described in Code Section 414(q)(1)), and was in the group consisting of the top twenty percent of Employees when ranked by Statutory Compensation for such previous Plan Year (determined after excluding the Employees described in Code Sections 414(q)(5) and 414(q)(8)), or

(ii) in the previous Plan Year or the current Plan Year was a five percent owner of the Company or a Company Affiliate (within the meaning of Code Section 414(q)(2)),

and any former Employee, who during the Plan Year in which he separated from the Service or during any Plan Year ending on or after his fifty-fifth birthday, was a highly compensated employee, as defined in Code Section 414(q).

(b) For purposes of this Section, "Employee" shall include leased Employees treated as Employees of the Company or a Company Affiliate pursuant to Code Section 414(n) or 414(o) and shall include Employees of a Company Affiliate, but shall not include an Employee who is on a leave of absence throughout the Plan Year, or an Employee who will not attain age 55 before the last day of such Plan Year and who receives Statutory Compensation for the Plan Year in an amount less than 50% of such Employee's average annual Statutory Compensation for the three consecutive calendar years preceding the Plan Year during which such Employee received the greatest amount of Statutory Compensation (or the total period of the Employee's employment by the Company or any Company Affiliate, if less).

Section 1.36. - Hour of Service

(a) "Hour of Service" of an Employee (including a leased Employee pursuant to Code Sections 414(n) and (o)) shall mean the following:

(i) Each hour for which he is paid or entitled to payment by the Company or a Company Affiliate for the performance of services.

(ii) Each hour in or attributable to a period of time during which he performs no duties (irrespective of whether he has had a Separation from the Service) due to a vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or a leave of absence for which he is so paid or so entitled to payment by the Company or a Company Affiliate, whether direct or indirect; provided, however, that no such hours shall be credited to an Employee if attributable to payments made or due under a plan maintained solely for the purpose of complying with applicable workers' compensation, unemployment compensation or disability insurance laws or to a payment which solely reimburses the Employee for medical or medically related expenses incurred by him.

(iii) Each hour for which he is entitled to back pay, irrespective of mitigation of damages, whether awarded or agreed to by the Company or a Company Affiliate.

(iv) Each hour while on an unpaid leave pursuant to the Family and Medical Leave Act of 1993 for which he would have been paid or entitled to payment by the Company or a Company Affiliate had he been performing services.

(b) Hours of Service under subsections (a)(ii) and (a)(iii) shall be calculated in accordance with 29 C.F.R. § 2530.200b-2(b). Each Hour of Service shall be attributed to the Plan Year in which it occurs except to the extent that the Company, in

accordance with 29 C.F.R. § 2530.200b-2(c), credits such Hour to another computation period under a reasonable method consistently applied.

(c) The Hours of Service of an Employee occurring prior to December 1, 1976 shall be determined by the Administrator from reasonably accessible records by means of appropriate calculations and approximations or, if such records are insufficient to make an appropriate determination, by reasonable estimation.

(d) Any reference to "Company" with respect to periods before June 15, 2007 shall include Paxar Corporation and with respect to periods before April 1, 2008 shall include DM Label, Inc. for purposes of Section 1.77.

(e) For each employee of Aramark Facility Services on December 31, 2008 who becomes an Employee on January 1, 2009, any reference to "Company" for periods before January 1, 2009 shall include Aramark Facility Services for purposes of Section 1.77.

Section 1.37. - Included Affiliate Employee

"Included Affiliate Employee" shall mean any person who is employed by a Company Affiliate and would not be an Employee but for the fact that such person or group is listed on Exhibit 4 of the Plan.

Section 1.38. - Leveling Method

The Leveling Method refers to the following two step method of determining the total dollar amount of excess contributions (within the meaning of Reg. Sections 1.401(k)-2(b)(2)(iii) or excess aggregate contributions (within the meaning of Reg. Section 1.401(m)-2(b)(2)(iii)) and apportioning such excess contributions (or excess aggregate contributions) among the Highly Compensated Employees in question so that the appropriate action may be taken by the Administrator as set forth in Section 3.5(b) or Section 6.11(b):

(a) The actual deferral ratio (or actual contribution ratio) of the Highly Compensated Employee with the highest actual deferral ratio (or actual contribution ratio) shall be reduced to equal that of the Highly Compensated Employee with the next highest actual deferral ratio (or actual contribution ratio) and this process shall be repeated until Section 3.5(a) (or Section 6.11(a)) is satisfied.

(b) The amount determined under subsection (a) shall be apportioned among the Highly Compensated Employees such that the allocations of the Highly Compensated Employee with the highest dollar amount of allocations described in Section 1.22(a)(i) (or Section 1.20(b) as applicable) for the Plan Year in question shall be reduced by the amount required to cause the Highly Compensated Employee's allocations to equal the dollar amount of the Highly Compensated Employee with the next highest dollar amount of such allocations and this process shall be repeated to the extent required so that the total reductions equal the amount determined under subsection (a). If a lesser reduction, when added to the dollar amount already reduced, would equal the total dollar amount determined under subsection (a), the lesser reduction shall apply. The Administrator shall then take the appropriate action (i.e., recharacterization, distribution or forfeiture) with respect to such

reductions (together with the required amount of income thereon) as described in Section 3.5(b) (or Section 6.11(b) as applicable).

Section 1.39. - Leveraged Company Stock

“Leveraged Company Stock” shall mean any Company Stock that is acquired by the Trustee with the proceeds of a loan made or guaranteed by the Company or any other party constituting a disqualified person within the meaning of Code Section 4975(e)(2), or any successor statute, as amended from time to time.

Section 1.40. - Merged Participant

“Merged Participant” shall mean any person who is not a Participant but was a participant in

- (a) a plan which merged with, or transferred accounts to the Savings Plan or the Plan as described in the applicable Supplement and/or
- (b) the Savings Plan as described in Supplement H,

for whom the Company maintains one or more Accounts as described in the applicable Supplements.

Section 1.41. - Merger

“Merger” shall mean the merger of the Savings Plan into the Plan as described in the preamble of this Amendment to the Plan.

Section 1.42. - Military Leave

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

Section 1.43. - Normal Retirement

“Normal Retirement” of a Participant or Merged Participant shall mean his Separation from the Service upon his Normal Retirement Date, or after such date (except by death) as permitted under Article XI.

Section 1.44. - Normal Retirement Date

“Normal Retirement Date” of a Participant or Merged Participant shall mean the first day of the month coinciding with or next following his sixty-fifth birthday.

Section 1.45. - Option Stock

“Option Stock” shall mean Company Stock that is distributed to a Qualified Holder if, at the time of distribution, such Company Stock is not publicly traded.

Section 1.46. - Participant

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

Section 1.47. - Pay

“Pay” of a Participant for a Plan Year shall mean his Compensation for a Payday but without regard to any limitation imposed by Code Section 401(a) (17).

Section 1.48. - Payday

“Payday” of a Participant shall mean the regular and recurring established day for payment of Compensation to Employees in his classification or position.

Section 1.49. - Plan

“Plan” shall mean the Avery Dennison Corporation Employee Savings Plan, previously known as The Stock Holding and Retirement Enhancement Plan of Avery Dennison Corporation including, as context requires, the Savings Plan which merged into the Plan, effective following the close of business on November 30, 1997 as described in Supplement H as well as the plans which merged with or transferred assets into the Savings Plan prior to the Merger as described in Supplements A-G and those plans which merged with and into the Plan after the Merger as described in Supplements J-O.

Section 1.50. - Plan Representative

“Plan Representative” shall mean any person or persons designated by the Administrator to function in accordance with the Rules of the Plan.

Section 1.51. - Plan Year

“Plan Year” shall mean the calendar year, resulting in a short Plan Year from December 1 through December 31, 2008.

Section 1.52. - Pretax Savings (“PTS”) Account

“Pretax Savings Account” (“PTS Account”) of a Participant, consisting of his Basic PTS Account and his Unmatched PTS Account together with such other accounts received by this Plan in a trust-to-trust transfer, as the Administrator shall designate, shall mean his individual Account established in accordance with Section 6.1.

Section 1.53. - Qualified Account

“Qualified Account” of a Participant shall mean his individual account in the Trust Fund, if any, established in accordance with Section 6.2(b), pursuant to Sections 3.5 and 6.11,

together with such other accounts received by this Plan in a trust-to-trust transfer, as the Administrator shall designate.

Section 1.54. - Qualified Holder

“Qualified Holder” shall mean the Participant or Beneficiary receiving a distribution of Company Stock from Stock Accounts, any other party to whom such stock is transferred by gift or by reason of death and any trustee of an individual retirement account (as defined under Code Section 408) to which all or any portion of such distributed Company Stock is transferred pursuant to a tax-free “rollover” transaction satisfying the requirements of Code Section 402.

Section 1.55. - Qualified Matching Account

“Qualified Matching Account” of a Participant shall mean the portion of his Qualified Account established in accordance with Section 6.2(b).

Section 1.56. - Qualified Non-Matching Account

“Qualified Non-Matching Account” of a Participant shall mean the portion of his Qualified Account established in accordance with Section 6.2(b).

Section 1.57. - Rollover Account

“Rollover Account” of an Employee shall mean his individual account in the Trust Fund established in accordance with Section 15.12, together with such other accounts received by this Plan in a trust-to-trust transfer, as the Administrator shall designate.

Section 1.58. - Rules of the Plan

“Rules of the Plan” shall mean the rules adopted by the Administrator pursuant to Section 15.1(a)(iii) for the administration, interpretation or application of the Plan.

Section 1.59. - Savings Plan

“Savings Plan” shall mean the Avery Dennison Corporation Employee Savings Plan as it existed prior to the Merger.

Section 1.60. - Separation from the Service

(a) “Separation from the Service” of an Employee shall mean his resignation from or discharge by the Company or a Company Affiliate, or his death, Normal or Disability Retirement but not his transfer among the Company and Company Affiliates.

(b) A leave of absence or sick leave authorized by the Company or a Company Affiliate in accordance with established policies, a vacation period, a temporary layoff for lack of work or a Military Leave shall not constitute a Separation from the Service; provided, however, that

(i) continuation upon a temporary layoff for lack of work, sick leave, vacation or leave of absence for a period in excess of twelve months shall be considered a discharge effective as of the expiration of the twelfth month of such period, and

(ii) failure to return to work upon expiration of any leave of absence, sick leave, or vacation or within three days after recall from a temporary layoff for lack of work, or upon expiration of a Military Leave shall be considered a resignation effective as of the commencement of any such leave of absence, sick leave, vacation, temporary layoff or Military Leave except that if the Employee fails to return to work because he has died or attained age sixty-five, he shall be deemed to have resigned on the date of his death or attainment of age sixty-five, as applicable.

Section 1.61. - Service

“Service” of an Employee, expressed in days, shall mean the period of elapsed time which, or the sum of such periods each of which, is measured from

(a) his first Hour of Service, or his first Hour of Service following a Break in Service Year, as the case may be, to

(b) (i) the first day of his first subsequent Break in Service Year, or

(ii) the first day of the twelve month period immediately preceding the first day of his first subsequent Break in Service Year if the Break in Service Year occurs for the reasons described in Section 1.12(a)(ii).

Section 1.62. - Spousal Consent

“Spousal Consent” to an election, designation or other action of a Participant, former Participant or Merged Participant, shall mean the written consent thereto of the spouse of such Participant, witnessed by a Plan Representative or a notary public, which acknowledges the effect of such election on the rights of the spouse, and, in the case of consent to a Beneficiary designation, with such designation not being changeable without further Spousal Consent unless the prior Spousal Consent expressly permits such changes without the necessity of further consent. Spousal Consent shall be deemed to have been obtained if it is established to the satisfaction of the Plan Representative that it cannot actually be obtained because there is no spouse, or because the spouse could not be located, or because of such other circumstances as the Secretary of the Treasury by regulation may prescribe. Any Spousal Consent shall be effective only with respect to the spouse in question.

Section 1.63. - Spouse; Surviving Spouse

“Spouse” or “Surviving Spouse” of a Participant, former Participant or Merged Participant shall mean the spouse to whom he was married throughout the 365-day period ending on the date of his death; provided, however, that to the extent required by a qualified domestic relations order issued in accordance with Code Section 414(p), a former Spouse shall be treated as a Surviving Spouse.

Section 1.64. - Statutory Compensation

(a) "Statutory Compensation" of a Participant for any Plan Year shall mean his total taxable remuneration received from the Company and all Company Affiliates in that Plan Year for services rendered as an Employee,

(i) and including any elective deferral as defined in Code Section 402(g)(3) and any amounts not includable in gross income by reason of Code Section 125 (cafeteria plan) (whether or not such amount is "deemed Section 125 compensation" within the meaning of Revenue Ruling 2002-27), Code Section 132(f)(4) (qualified transportation fringe benefit) or Code Section 457 (deferred compensation plan of state and local governments and tax-exempt organizations),

(ii) and excluding

a Company and Company Affiliate contributions to a deferred compensation plan (to the extent includable in the Participant's gross income solely by reason of Code Section 415) or to a simplified employee pension plan (to the extent deductible by the Participant) and any distribution from a deferred compensation plan (other than an unfunded, non-qualified plan),

b amounts realized from the exercise of a non-qualified stock option or taxable by reason of restricted property becoming freely tradable or free of a substantial risk of forfeiture, as described in Code Section 83,

c amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option and

d other amounts which receive special tax benefits such as premiums for group-term life insurance (but only to the extent that the premiums are not includable in the gross income of the Employee) except as otherwise provided in subsection (a) and Company or Company Affiliate contributions toward the purchase of an annuity contract described in Code Section 403(b) (whether or not excludable from the Participant's gross income),

but in no event greater than the limit described in Code Section 401(a)(17) (which, effective as of December 1, 2007, is \$225,000) (adjusted for increases in the cost of living described in Code Section 401(a)(17)(B)).

(b) Except as described in subsection (c), Statutory Compensation for the Plan Year must be actually paid or made available to the Participant (or, if earlier, includable in the gross income of the Participant) within the Plan Year and it must be paid or treated as paid prior to his severance from employment within the meaning of Treas. Reg. Section 1.415(a)-1(f)(5). Notwithstanding the foregoing, Statutory Compensation for a Plan Year shall include amounts earned but not paid during the Plan Year solely because of the timing of payroll periods and pay dates if the following requirements are satisfied:

(i) these amounts are paid during the first few weeks of the next Plan Year;

(ii) the amounts are included on a uniform and consistent basis with respect to all similarly situated Participants, and

(iii) no such Statutory Compensation is included in more than one Plan Year.

(c) (i) Notwithstanding subsection (b), any amount described in paragraphs (ii) or (iii) does not fail to be Statutory Compensation for a Participant merely because it is paid after his severance from employment provided that it is paid by the later of 2 1/2 months after his severance from employment or the end of the Plan Year that includes the date of his severance from employment.

(ii) An amount is described in this paragraph if it is

a regular compensation for services during the Participant's regular working hours or compensation for services outside the Participant's regular working hours (such as overtime or shift differential, commissions, bonuses or other similar payments), and

b the payment would have been paid to the Participant prior to his severance from employment if he had continued employment with the Company or Company Affiliate.

(iii) An amount is described in this paragraph if it is

a payment for unused accrued bona fide sick, vacation or other leave, but only if the Participant would have been able to use the leave if his employment had continued, or

b received by the Participant pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid to the Participant at the same time if the Participant had continued in employment with the Company or Company Affiliate and only to the extent it is includible in the Participant's gross income;

provided, however, that such amounts would have been included in the definition of Statutory Compensation if they were paid prior to the Participant's severance from employment with the Company or Company Affiliate.

(d) Statutory Compensation shall include payments to:

(i) an individual who does not currently perform services for the Company or a Company Affiliate by reason of qualified military service (as defined in Code Section 414(u)(1)) to the extent those payments do not exceed the amounts the individual would have received if he had continued to perform services for the Company or Company Affiliate rather than entering into qualified military service; or

(ii) a Participant who is permanently and totally disabled within the meaning of Code Section 22(e)(3) if the conditions described in Treas. Reg. Section 415(c)-2(g)(4)(ii) are satisfied.

(e) Statutory Compensation shall not include the following post-severance payments:

(i) severance payments or parachute payments within the meaning of Code Section 280G(b)(2) if they are paid after severance from employment;
and

(ii) post-severance payments from a nonqualified unfunded deferred compensation plan unless the payments would have been paid at that time without regard to the Participant's severance from employment.

Section 1.65. - Stock Account

A "Stock Account" of a Participant shall mean his ESOP Account and, as required by context, the portion of his Accounts which is invested in the Company Stock Fund, together with such other accounts received by this Plan in a trust-to-trust transfer, as the Administrator shall designate. For purposes of Section 6.10 (including Sections A6.10, E6.10, F6.10 and H6.10), Stock Account shall mean only that portion of a Participant's Stock Account held in Company Stock.

Section 1.66. - Subfund

"Subfund" shall mean one of the investment funds of the Trust Fund which is authorized by the Administrator at the time of reference.

Section 1.67. - Supplement

"Supplement" or "Supplements" shall mean, as the context indicates, any one or more of the Supplements to the Plan which are attached hereto and are incorporated in the Plan by this reference which modify and supplement the Plan in order to document a merger with or transfer of accounts to the Savings Plan or the Plan and the treatment thereof.

Section 1.68. - Suspense Account

"Suspense Account" shall mean the special Trust Fund Account established and maintained pursuant to the provisions of Sections 6.7 and 6.8 for the purpose of holding Leveraged Company Stock (until such Company Stock is released and allocated in accordance with the applicable provisions of this Plan) and cash, and shall include the "Suspense Account" that existed under the Savings Plan.

Section 1.69. - Trust

"Trust" shall mean the trust established pursuant to the Trust Agreement.

Section 1.70. - Trust Agreement

"Trust Agreement" shall mean that certain Avery Dennison Master Defined Contribution Plan Trust Agreement providing for the investment and administration of the Trust Fund. By this reference, the Trust Agreement is incorporated herein.

Section 1.71. - Trust Fund

“Trust Fund” shall mean the fund established under the Trust Agreement by contributions made by the Company, Participants and Merged Participants pursuant to the Plan, and from which any distributions under the Plan are to be made. It shall be composed of separate Subfunds as described in Section 1.66.

Section 1.72. - Trustee

“Trustee” shall mean the Trustee under the Trust Agreement.

Section 1.73. - Unmatched ATS Account

“Unmatched ATS Account” of a Participant shall mean the portion of his ATS Account so designated, as described in Section 4.4.

Section 1.74. - Unmatched PTS Account

“Unmatched PTS Account” of a Participant shall mean his individual Account established in accordance with Section 6.1.

Section 1.75. - Valuation Date

“Valuation Date” shall mean the close of every business day.

Section 1.76. - Vested

“Vested,” when used with reference to a Participant’s or Merged Participant’s Accounts, shall mean non-forfeitable.

Section 1.77. - Years of Vesting Service

(a) Subject to subsection (b), “Years of Vesting Service” of an Employee, measured in years and determined as of the point in time in question, shall mean 1/365th of his days of Service (ignoring any fraction in the result).

(b) “Years of Vesting Service” shall also include all service treated as “Vesting Service” under the provisions of

(i) the Paxar Corporation Employee Savings and Protection Plan as in effect before employer contributions accounts were fully vested thereunder on January 1, 2002, and

(ii) the DM Label, Inc. Salary Savings Plan.

ARTICLE II.

ELIGIBILITY

Section 2.1. - Requirements for Participation

- (a) Present Participants in the Plan shall continue to participate in the Plan.
- (b) Except as provided in subsections (c) and (d), any other person who on the first day of any calendar month
 - (i) is an Employee; and
 - (ii) is not employed in a Bargaining Unit

shall become a Participant on such day.

(c) Any Participant whose participation terminates shall again become a Participant effective as of his first subsequent Hour of Service as an Employee provided that he satisfies subsection (b).

(d) A former Employee who was not an Employee on the first day of the calendar month on which he first met all other eligibility requirements shall become a Participant effective as of his first subsequent Hour of Service as an Employee provided that he satisfies subsection (b).

Section 2.2. - Automatic Enrollment

(a) Except as provided in subsection (b), each eligible Employee shall automatically contribute that whole number percentage of his Compensation to his PTS Account which is set forth in Exhibit 5 of the Plan, effective as of the first Payday following his first Hour of Service unless the Employee affirmatively elects to receive cash or make a contribution to his PTS Account in a different specified amount within the limits of Section 3.1(a) in accordance with Section 2.3. This contribution or election shall be effective for all subsequent Paydays unless the automatic contribution or election to receive cash is superseded by a subsequent election by the Participant, as described in Section 3.2 or 3.3. The Vice President, Compensation and Benefits of Avery Dennison Corporation is authorized to amend Exhibit 5 to reflect new automatic contribution percentages as described in this paragraph.

(b) Solely with respect to each eligible Employee who was an active participant in the Paxar Corporation Employee Savings and Protection Plan or the DM Label, Inc. Salary Savings Plan on December 31, 2008 and becomes a Participant in this Plan as of January 1, 2009, the automatic enrollment provisions of Section 2.2(a) do not apply. Instead, each such Participant shall automatically contribute to his PTS Account that percentage of his Compensation (if any) which he elected to contribute under the Paxar Corporation Employee Savings Plan or the DM Label, Inc. Salary Savings Plan, as applicable, as of December 31, 2008, effective as of his first Payday as a Participant under the Plan unless such Participant affirmatively elects to receive cash or make a contribution in a different specified amount in accordance with Article III of the Plan after January 1,

2009. This contribution election shall be effective for all subsequent Paydays unless it is superseded by a subsequent election of the Participant.

Section 2.3. - Notice of Right to Receive Cash and Election

(a) Initial Notice.

(i) As soon as administratively feasible after the eligible Employee's first Hour of Service, each eligible Employee shall receive written notice of his right to receive cash instead of the automatic contribution to his PTS Account in the applicable amount described in Exhibit 5 or to make a contribution to his PTS Account in a different specified amount. Notwithstanding the foregoing, such written notice shall be treated as provided timely if it is provided as soon as practicable after the first date that the automatic contribution becomes effective for the eligible Employee which is prior to the pay date for the payroll period that includes the date the Employee becomes eligible.

(ii) After receiving the notice, the eligible Employee shall have an effective opportunity to affirmatively elect to receive cash instead of the automatic contribution to his PTS Account or to contribute another specified amount to his PTS Account within the limits of Section 3.1(a). Any such automatic contribution or election to receive cash may be suspended or otherwise changed in accordance with the Rules of the Plan. The opportunity to make these elections will be available during the "opt-out period" established by the Administrator and which shall be at least 30 days long. However, a Participant who makes an affirmative election to make contributions to his PTS Account before the opt-out period expires, may begin such contributions as soon as administratively feasible after his election is filed with the Administrator or its delegate.

(b) Annual Notice. At least 30 days (and not more than 90 days) before the beginning of each Plan Year, each Employee who is covered in the automatic contribution arrangement shall receive written notice of his right to receive cash instead of the automatic contribution or to make a contribution to his PTS Account in a different specified amount in accordance with the requirements set forth in Code Section 414(w)(4).

Section 2.4. - Inactive Status

(a) A Participant who is transferred directly to a Company Affiliate that is not a Company or to a position or classification which is within a Bargaining Unit, shall thereupon cease to be an Active Participant, except where after such transfer such Participant is an Included Affiliate Employee.

(b) All provisions of the Plan shall otherwise continue to apply to such Participant, except that he shall not make PTS contributions under Article III or make ATS contributions under Article IV or share in allocations under Article VI and Section 18.4 while he is not an Active Participant.

(c) If such a Participant is retransferred to a position or classification with the Company which is not within a Bargaining Unit, he shall thereupon again be an Active Participant, may again make PTS contributions under Article III and make ATS contributions under Article IV and shall share in allocations under Article VI and Section 18.4.

(d) A Participant who ceases to be an employee of a Company shall cease to be an Active Participant and shall not be eligible to make PTS contributions under Article III and ATS contributions under Article IV and shall not share in allocations under Article VI and Section 18.4 for periods beginning thereafter. In addition, the Participant shall cease to accrue Years of Vesting Service for any period after he ceases to be an employee of a Company or a Company Affiliate.

ARTICLE III.

PRETAX SAVINGS CONTRIBUTIONS

Section 3.1. - PTS Contributions

(a) Each Participant may elect, in accordance with the Rules of the Plan, to defer to his PTS Account for any Plan Year, the sum of

(i) the lesser of

A the sum of

1 any whole number percentage of his Compensation (which does not exceed the limit established by the Vice President, Compensation and Benefits of Avery Dennison Corporation as set forth in Exhibit 5) for such Plan Year (or other applicable period); provided, however, that such election may, solely for administrative purposes, be treated as a percentage of the Participant's Pay, and

2 any excess credits permitted to be contributed hereto under the Avery Dennison Corporation's Flex Benefits Program, and

B except as provided in subsection (c), the excess of the limit under Code Section 402(g) (as adjusted for any income allocable to such amount through the end of the calendar year) over any amounts described in Code Section 402(g)(3) for such calendar year and not deferred hereunder, and

(ii) any deferrals permitted under subsection (b).

(b) Each Catch-Up Eligible Participant may make additional deferrals to his PTS Account for a Plan Year in the maximum amount permitted under Code Section 414(v) and Treas. Reg. Section 1.414(v)-1 (or any successor thereto). A Participant's election under paragraph 3.1(a)(ii) for any Plan Year shall not take effect until he has received his maximum Company contribution described in Section 6.3(b) for the Plan Year. The Administrator shall apply the rules described in subsection (e) as necessary until the Participant has received his maximum contribution under Section 6.3(b).

(c) (i) For Participants who are DB Eligible Participants, the first six percent of Compensation so deferred shall be held for contribution to the Participant's Basic PTS Account, and the excess, if any, for his Unmatched PTS Account.

(ii) For Participants who are not DB Eligible Participants, the first four percent of Compensation so deferred shall be held for contributions to the Participant's Basic PTS Account, and the excess, if any for his Unmatched PTS Account.

(d) (i) Subject to paragraph (ii), a Participant may elect to contribute the amounts of his Compensation to his PTS Account and ATS Account which is set forth in Exhibit 5 during the periods described therein.

(ii) In order to satisfy nondiscrimination requirements under the Code, a Participant who is a Highly Compensated Employee for the period in question, may elect to contribute the amounts of his Compensation to his PTS Account which is set forth in Exhibit 5 during the periods described therein.

(iii) The Vice President, Compensation and Benefits of Avery Dennison Corporation is authorized to adopt any amendment to Exhibit 5 to reflect new contribution limits under the Plan.

(e) Any election under subsection (a) for a Participant who, in the Plan Year in question, has made his maximum contribution to his PTS Account for such Plan Year, shall automatically convert to an election under Section 4.1(a) in accordance with the Rules of the Plan.

(f) [Reserved.]

Section 3.2. - Suspension of Deferral

A Participant may, upon such prior notice to the Administrator or its designated agent as is required under the Rules of the Plan, elect to suspend deferral of his Compensation.

Section 3.3. - Commencement, Resumption or Change of Deferred Compensation

As permitted under the Rules of the Plan,

(a) a Participant in the Plan who previously declined to defer a percentage of his Compensation may, upon such prior notice to the Administrator or its designated agent as required under the Rules of the Plan, elect to commence deferral of his Compensation under Section 3.1 within the limits thereof;

(b) after he has suspended deferral of his Compensation under Section 3.2, a Participant may, upon notice to the Administrator or its designated agent as required under the Rules of the Plan, elect to resume deferral of his Compensation under Section 3.1 within the limits thereof; and

(c) a Participant may, upon prior notice to the Administrator or its designated agent as required under the Rules of the Plan, elect to change his rate of deferral of his Compensation within the limits of Section 3.1.

Section 3.4. - Deposit in Trust

A Participant's deferrals shall be transmitted to the Trustee in accordance with subsections 5.1(a) and 5.3(a) and shall be invested by the Trustee in accordance with Article VII.

Section 3.5. - Deferral Percentage Fail-Safe Provisions

(a) For each Plan Year, the Deferral Percentage with respect to Participants who are Highly Compensated Employees for the current Plan Year, shall be

- (i) not more than 125 percent of, or
- (ii) not more than two percentage points higher than, and not more than twice,

the Deferral Percentage for such Plan Year with respect to Participants who are not Highly Compensated Employees for the preceding Plan Year (using the definition of such term that was in effect during such preceding Plan Year) ("Prior Year Testing Method"), or such other amount as may be required by Treasury Regulations under Code Section 401(m)(9). The Administrator may elect to apply the Deferral Percentage for the group of Participants who are not Highly Compensated Employees based on the current Plan Year rather than the preceding Plan Year ("Current Year Testing Method Election") and, if such election is made, the election shall be set forth in Exhibit 2. The Current Year Testing Method Election once made shall apply for all subsequent Plan Years unless changed by the Company to the Prior Year Testing Method; provided, however, that a Company's Current Year Testing Method Election may be changed to the Prior Year Testing Method only as described in Treas. Reg. Section 1.401(k)-2(c)(1). To the extent necessary to achieve such result (and notwithstanding Sections 5.1(a) and 6.3(c)) as of the end of each Plan Year, the Administrator shall take or cause to be taken one or more of the actions listed in subsection (b).

(b) In order to achieve the result described in subsections (a), the following actions shall be taken, as provided under Code Section 401(k), the regulations thereunder and the Rules of the Plan, in the order selected by the Administrator and to the extent necessary:

- (i) The Administrator shall make any one or both of the elections provided in Section 1.19(b).
- (ii) To the extent permitted by Code Section 401(a)(4) and Treas. Reg. § 1.401(k)-2(a)(6) (which are incorporated herein by this reference), the Company may make additional contributions

A to the Qualified Non-Matching Accounts, or,

B to be applied to payment of Current Obligations

with the condition that the contributions under subparagraph A, or the shares of Company Stock released from the Suspense Account pursuant to Sections 6.7 and 6.8 by reason of the contributions under subparagraph A, shall be allocated to the Qualified Non-Matching Accounts of certain Participants in inverse order of Compensation received in the Plan Year in question (lowest compensated Participant receiving the first allocation) with each Participant who receives an allocation receiving the maximum allocation permitted by Code

Section 415 and Treas. Reg. Section 1.401(k)-2(a)(6) before any Participant with greater Compensation receives any allocation, until such contribution is fully allocated.

(iii) Amounts otherwise to be credited under Section 6.3(b) to ESOP Accounts for such Plan Year shall be credited instead to Qualified Matching Accounts of the Participants in question.

(iv) Prior to the end of the following Plan Year, the amount of excess contributions within the meaning of Treas. Reg. Section 1.401(k)-2(b)(2) (and any income thereon earned to the earlier of the end of the Plan Year in which such excess contributions were made and the date of distribution computed in a consistent and reasonable manner in accordance with Section 8.2 and Code Section 401(a)(4)) for Participants who were Highly Compensated Employees for the Plan Year shall be allocated according to the Leveling Method and distributed to the Highly Compensated Employees in question in conformance with Treas. Reg. Section 1.401(k)-2(b)(4)(ii).

(v) Within two and one-half months following the end of the Plan Year, the amount of excess deferrals (and any income thereon earned to the earlier of the end of the Plan Year in which such excess contributions were made and the date of recharacterization computed in a consistent and reasonable manner in accordance with Section 8.2 and Code Section 401(a)(4)) for Highly Compensated Employees shall be allocated according to the Leveling Method and recharacterized as personal contributions (and allocated to such Participant's ATS Account which amounts shall continue to be subject to the distribution limitations of Treas. Reg. Section 1.401(k)-1(d)) for purposes of Code Sections 72, 401(a)(4), 401(k)(3) and 6047 only and subject to any Plan limitations on personal contributions made by Highly Compensated Employees (in which event the treatment of such amounts, including the Account under this Plan to which allocated, shall be otherwise unaffected) for the Highly Compensated Employee in question.

(c) The amount of any distributions under subsection (b) with respect to a Participant for a Plan Year shall be reduced by any distributions made pursuant to Section 9.5(a) previously distributed to such Participant for his taxable year ending with or within such Plan Year. The amount of any distributions under Section 9.5(a) for any taxable year of a Participant shall be reduced by amounts distributed to such Participant pursuant to subsection (d) for the Plan Year beginning with or within such taxable year.

ARTICLE IV.

AFTER-TAX SAVINGS CONTRIBUTIONS

Section 4.1. - ATS Contributions

(a) Subject to subsection 3.1(e) and subsections (c) and (d), each Participant may elect (in accordance with the Rules of the Plan) to contribute any whole number percentage of his Compensation to his ATS Account in accordance with the limits described in Section 3.1(d); provided, however, that such election may, solely for administrative purposes, be treated as a percentage of the Participant's Pay. However, he shall not knowingly contribute an amount which would make his Annual Addition for the Plan Year in question exceed the limitations of Section 18.4.

(b) (i) For Participants who are DB Eligible Participants, the excess, if any, of the first six percent of Compensation so elected as ATS Contributions over the contributions to his Basic PTS Account shall be contributed to his Basic ATS Account and the remainder, if any, to his Unmatched ATS Account.

(ii) For Participants who are not DB Eligible Participants, the excess, if any, of the first four percent of Compensation so elected as ATS Contributions over the contributions to his Basic PTS Account shall be contributed to the his Basic ATS Account and the remainder, if any, to his Unmatched ATS Account.

(c) Any contributions which are invested in the Company Stock Fund pursuant to Section 7.1(a) shall be applied to pay Current Obligations such that pursuant to Sections 5.1(b)(ii) and 7.1(b) shares of Company Stock equal in value to the amount of such contribution shall be allocated to his ATS Account.

(d) If any amount is contributed hereunder inadvertently making the Participant's Annual Addition exceed the maximum permissible amount for the Plan Year in question, the provisions of Section 18.4 shall apply.

(e) [Reserved.]

(f) [Reserved.]

(g) [Reserved.]

Section 4.2. - Change, Commencement, Discontinuance or Resumption of ATS Contributions

A Participant may elect to change his rate of contributions within the limits of Section 4.1, or commence, discontinue or resume contributions under Section 4.1. Such elections shall be made in accordance with the Rules of the Plan.

Section 4.3. - Withholding of ATS Contributions

A Participant's contributions to his ATS Account under Section 4.1(a) shall be withheld each Payday from his Compensation.

Section 4.4. - ATS Account

The Administrator shall maintain an ATS Account consisting of a Basic ATS Account and an Unmatched ATS Account, for each Participant contributing to the Plan. To this Account shall be credited his contributions (as described in Section 4.1(b)), debited his withdrawals under Sections 9.2 and 6.11(b) and debited or credited investment gains and losses and Annual Addition adjustments.

Section 4.5. - Deposit in Trust

A Participant's ATS contributions shall be transmitted to the Trustee as of the earliest date on which such contributions can reasonably be segregated from the general assets of the Company, but not later than the 15th business day of the month following the month in which the

contributions are received or withheld by the Company and shall be invested by the Trustee in accordance with Article VII.

ARTICLE V.

CONTRIBUTIONS OF THE COMPANY

Section 5.1. - Determination of Annual Contribution

(a) (i) Subject to paragraph (ii) and Section 18.4, for each Payday, the Company shall contribute to the Plan for each Participant an amount for his PTS Account which is the amount of Deferred Compensation elected by such Participant under Section 3.1 or 3.3.

(ii) Any contributions which are invested in the Company Stock Fund shall be applied to pay Current Obligations such that pursuant to Sections 5.1(b)(ii) and 7.1(b) shares of Company Stock equal in value to the amount of such contributions shall be allocated to the PTS Account of such Participant.

(b) (i) Subject to Section 16.1(b), the Company shall be obligated to contribute such amounts, and at such times, as shall be necessary to provide the Trust with funds sufficient to pay any Current Obligations (including principal, interest and any acquisition charges) incurred for the purpose of acquiring Company Stock to be held in the Trust Fund.

(ii) For each Plan Year the Company shall make contributions in an amount such that the number of shares of Leveraged Company Stock released from the Suspense Account pursuant to Sections 6.7 and 6.8 is sufficient to allow the allocations required by Sections 6.3(b) and 7.1(b).

Section 5.2. - Maximum Annual Contribution

The Company's contribution for any Plan Year shall not exceed the maximum amount deductible by the Company for such Plan Year under Code Sections 404(a)(3)(A) and 404(a)(9) and, in any event, shall be less than that amount which would initially result in an Annual Addition of any Participant which exceeds the maximum permissible amount under Section 18.4(a).

Section 5.3. - Contribution Date

(a) The Company's contributions

(i) under Section 5.1(a) shall be made as of the earliest date on which such contributions can reasonably be segregated from the general assets of the Company but not later than the 15th business day of the month following the month in which the deferral is withheld by the Company under Section 3.1 or 3.3, and

(ii) under Section 5.1(b) shall be made on or before the date upon which the Company's federal income tax return is due (including extensions thereof) for its taxable year in question

and shall be transmitted to the Trustee and held in the Trust Fund.

- (b) If the Company makes a contribution after the end of the Plan Year for which the contribution is made
- (i) the Company shall notify the Trustee in writing that the contribution is made for such Plan Year,
- (ii) the Company shall claim such payment as a deduction on its federal income tax return for its taxable year, and
- (iii) the Administrator and the Trustee shall treat the payment as a contribution by the Company to the Trust actually made on the last day of such taxable year.

Section 5.4. - Form of Contributions

The Company's contributions to the Trust Fund shall be paid in cash, Company Stock or such other property as the Board may from time to time determine; provided, however, that Company contributions shall be paid in cash to the Trust Fund to the extent necessary to discharge the Current Obligations of the Trust.

ARTICLE VI.

PARTICIPATION IN COMPANY CONTRIBUTIONS AND FORFEITURES

Section 6.1. - PTS Account

The Administrator shall maintain for each Participant a PTS Account, consisting of a Basic PTS Account and an Unmatched PTS Account, to which shall be credited the amounts determined under Section 5.1(a), debited amounts withdrawn under Section 3.5(b), 9.3, 9.5, 9.6 and 10.3 and to which shall be debited or credited the amounts determined under Section 8.2 and 18.4.

Section 6.2. - ESOP Account; Qualified Account

(a) The Administrator shall maintain an ESOP Account for each Participant to which shall be credited the amounts allocated thereto under Sections 6.3(b) and 18.4 and to which shall be credited or debited amounts determined under Section 8.2.

(b) The Administrator shall maintain a Qualified Account for each Participant consisting of a Qualified Matching Account and a Qualified Non-Matching Account to which shall be credited the amounts allocated thereto under Sections 6.11(b)(iii), (iv) and (vi) and 3.5(b)(ii) and (iii) and to which shall be credited or debited amounts deferred under Section 8.2.

Section 6.3. - Allocation of Company Contributions and ESOP Stock

(a) Except as provided in Section 18.4(a), Company contributions under Section 5.1(a)(i) shall be allocated as provided therein.

(b) (i) For Participants who are DB Eligible Participants, except as provided in Section 18.4(a), for each Payday, there shall be allocated to the ESOP Account of each DB Eligible Participant the number of shares (including fractional shares) of Company Stock,

valued under Section 8.1(b) in accordance with the Rules of the Plan, equal to the sum of fifty percent of the total of his contributions to the Basic ATS Account and Basic PTS Account for such Payday; provided, however, that no such allocations shall be made with respect to deferrals as described in Section 3.1(b).

(ii) For Participants who are not DB Eligible Participants, except as provided in Section 18.4(a), for each Payday, there shall be allocated to the ESOP Account of each such Participant the number of shares (including fractional shares) of Company Stock, valued under Section 8.1(b) in accordance with the Rules of the Plan, equal to the sum of one hundred percent of the total of his contributions to the Basic ATS Account and Basic PTS Account for such Payday; provided, however, that no such allocations shall be made with respect to deferrals as described in Section 3.1(b).

Section 6.4. - Allocation of Cash Dividends

Any cash dividends received by the Trustee on Company Stock shall, at the direction of the Administrator and in its sole discretion,

(a) If received on shares of Company Stock allocated to Stock Accounts, shall be immediately vested and

(i) be used to make payments on any installment contract or loan used to acquire Leveraged Company Stock in accordance with Code Section 404(k)(2)(A)(iv); provided, however, that such dividends shall not be so used unless the requirement of Section 6.8(c) is satisfied,

(ii) be paid in cash to Participants or their Beneficiaries,

(iii) be paid to the Plan and distributed to Participants not later than ninety days after the last day of the Plan Year in which paid in accordance with Code Section 404(k)(2)(A)(ii),

(iv) be paid to the Plan and allocated to the applicable Cash Accounts, or

(v) at the election of such Participants or their Beneficiaries,

(A) be payable as provided in paragraphs (ii) or (iii) or

(B) be paid to the Plan, reinvested in Company Stock and allocated to the applicable Stock Accounts, and

(b) if received on shares of Company Stock allocated to the Suspense Account,

(i) be used to make payments on any installment contract or loan used to acquire Leveraged Company Stock in accordance with Code Section 404(k)(2)(A)(iii), or

(ii) be allocated to the Suspense Account.

Section 6.5. - Allocation of Stock Dividends

Stock dividends received by the Trustee on Company Stock shall be credited to Stock Accounts and to the Suspense Account in proportion to the shares of Company Stock therein. Any cash received by the Trustee (in connection with such a stock dividend) in lieu of fractional shares shall be allocated under Section 6.4.

Section 6.6. - [Reserved]

Section 6.7. - Suspense Account

At such time as any Leveraged Company Stock is acquired for the Trust Fund, the Administrator shall open and maintain a Suspense Account for the purpose of holding unallocated Leveraged Company Stock until such Company Stock is released and allocated in accordance with the provisions of Section 6.8.

Section 6.8. - Release and Allocation of Leveraged Company Stock

(a) All Leveraged Company Stock acquired for the Trust Fund shall be held in the Suspense Account until released and allocated in accordance with the provisions of this Section. Leveraged Company Stock acquired in a particular transaction shall be released from the Suspense Account as follows:

(i) Subject to the requirements of Treasury Regulation Section 54.4975-7(b)(8)(ii) and subsection (ii) below, for each Plan Year until the loan or installment obligation is fully repaid, the number of shares of Leveraged Company Stock released from the Suspense Account shall equal the number of unreleased shares immediately before such release for the then current Plan Year multiplied by a fraction, the numerator of which is the amount of principal paid on such loan during such current Plan Year and the denominator of which is the sum of said numerator plus the principal to be paid on such loan in all future years during the duration of the term of such loan (determined without reference to any possible extensions or renewals thereof). Notwithstanding the foregoing, in the event such loan or obligation shall be repaid with the proceeds of a subsequent loan, such repayment shall not operate to release all such Leveraged Company Stock but rather such release shall be effected pursuant to the foregoing provisions of this Section on the basis of payments of principal on such substitute loan.

(ii) To the extent that paragraph (i) is not applicable by its terms by reason of Treasury Regulation Section 54.4975-7(b)(8)(ii), or if the Administrator irrevocably so elects at the time of the first payment on the loan, then paragraph (i) shall be applied with respect to all payments on such loan by deeming all references to "principal" therein to be references to "principal and interest."

(iii) If the release is determined with reference to principal payments only, the following three additional rules apply.

(A) The loan must provide for annual payments of principal and interest at a cumulative rate that is not less rapid at any time than level annual payments of such amounts for 10 years.

(B) Interest included in any payment is disregarded only to the extent that it would be determined to be interest under standard loan amortization tables.

(C) Subsection (iii)(C) above is not applicable from the time that, by reason of a renewal, extension or refinancing, the sum of the expired duration of the exempt loan, the renewal period, the extension period and the duration of a new exempt loan exceeds 10 years.

(b) The Company shall specify, and advise the Trustee with respect to

(i) the amount (if any) of each Company contribution (together with the earnings thereon) that is to be applied towards the payment of Current Obligations,

(ii) the amount (if any) of cash dividends on Company Stock held in the Stock Accounts that is to be applied towards the payment of Current Obligations, and

(iii) the amount (if any) of cash dividends on Company Stock held in the Suspense Account that is to be applied towards the payment of Current Obligations.

(c) Cash dividends paid on Company Stock held in Stock Accounts may be applied towards the payment of any installment contract or loan used to acquire Leveraged Company Stock; provided, however, that such dividends shall be so applied only if Leveraged Company Stock with an aggregate fair market value equal to or greater than the amount of such cash dividends is allocated to Participant's Stock Accounts; provided, further, that such allocation shall be made with respect to the Plan Year in which such cash dividends would have been allocated to Participants' Cash Accounts.

Section 6.9. - Application of Forfeitures

Amounts forfeited in any Plan Year under Sections 12.2(a)(iii), 13.2 and 15.8 shall be applied under Section 5.1(b) to reduce the Company's contribution for such Plan Year and shall be allocated under Section 6.3(b) as if part of such contribution for such Plan Year. Alternatively and as determined by the Administrator, any portion of such forfeitures may be used to pay reasonable administrative expenses of the Plan.

Section 6.10. - Diversification

(a) A Participant may elect to have up to the entire amount credited to his Stock Account applied, pursuant to Article VII and the Rules of the Plan, to investment in such (three or more) Subfunds as are designated for such purpose under the Rules of the Plan (and notwithstanding any contrary, otherwise applicable, Rule of the Plan). Such elections shall be made on such forms or such other documents or communications as are prescribed by the Administrator.

(b) (i) A Participant may elect to have up to the entire amount credited to his SHARE Stock Account (described in Supplement I) diversified in accordance with subsection (a) if he has attained age 50.

(ii) A Participant not described in paragraph (b)(i) who has completed at least three Years of Vesting Service shall be permitted to diversify his SHARE Account according to the following schedule:

Plan Year	Percentage of SHARE Account invested in Company Stock
December 1, 2007 to November 30, 2008	33%
December 1, 2008 to December 31, 2008	66%
Effective January 1, 2009 and all subsequent Plan Years	100%

(c) An alternate payee under a qualified domestic relations order or Beneficiary of a deceased Participant may diversify his SHARE Account at any time.

Section 6.11. - Contribution Percentage Fail-Safe Provisions

(a) For each Plan Year, the Contribution Percentage with respect to Participants who are Highly Compensated Employees for the current Plan Year, shall be

- (i) not more than 125 percent of, or
- (ii) not more than two percentage points higher than, and not more than twice,

the Contribution Percentage for such Plan Year with respect to Participants who are not Highly Compensated Employees for the preceding Plan Year (using the definition of such term that was in effect during such preceding Plan Year) (“Prior Year Testing Method”), or such other amount as may be required by Treasury Regulations under Code Section 401(m)(9). The Administrator may elect to apply the Contribution Percentage for the group of Participants who are not Highly Compensated Employees based on the current Plan Year rather than the preceding Plan Year (“Current Year Testing Method Election”) and, if such election is made, the election shall be set forth in Exhibit 2. The Current Year Testing Method Election once made shall apply for all subsequent Plan Years unless changed by the Company to the Prior Year Testing Method; provided, however, that a Company’s Current Year Testing Method Election may be changed to the Prior Year Testing Method only as described in Treas. Reg. Section 1.401(m)-2(c)(1).

(b) In order to achieve the result described in subsections (a) and (c) (and notwithstanding Sections 5.1(a) and 6.3(b), as of the end of each Plan Year, the Administrator shall take or cause to be taken any of the following actions, in the order selected by the Administrator, (but after application of Section 3.5) and to the extent necessary:

- (i) The Administrator shall make any one or both of the elections provided in Section 1.19(b).
- (ii) Allocations to PTS Accounts shall be taken into account for purposes of calculating the Contribution Percentage.

(iii) To the extent permitted by Code Section 401(a)(4) and Treas. Reg. § 1.401(m)-2(a)(6) (which are incorporated herein by this reference), the Company may make an additional contribution

A to the Qualified Non-Matching Accounts, or

B to be applied to payment of Current Obligations

with the condition that the contributions under subparagraph A, or the shares of Company Stock released from the Suspense Account pursuant to Sections 6.7 and 6.8 by reason of the contributions under subparagraph A, shall be allocated to the Qualified Non-Matching Accounts of Participants in inverse order of Compensation received in the Plan Year in question (lowest compensated Participant receiving the first allocation) with each Participant who receives an allocation receiving the maximum allocation permitted by Code Section 415 and Treas. Reg. Section 1.401(m)-2(a)(6) before any Participant with greater Compensation receives any allocation, until such contribution is fully allocated.

(iv) To the extent permitted by Code Section 401(a)(4), amounts otherwise to be credited under Section 6.3(b) to ESOP Accounts for such Plan Year shall be credited instead to Qualified Matching Accounts of the Participants in question.

(v) Prior to the end of the following Plan Year, the amount of excess aggregate contributions within the meaning of Treas. Reg. Section 1.401(m)-2(b)(2) (and any income thereon earned to the earlier of the end of the Plan Year in which such excess aggregate contributions were made and the date of distribution (or forfeiture) computed in a consistent and reasonable manner in accordance with Section 8.2 and Code Section 401(a)(4) for Participants who were Highly Compensated Employees for the Plan Year shall be allocated according to the Leveling Method. To the extent Vested (and, with respect to matching contributions, in conformity with Treas. Reg. Section 1.401(m)-2(b)(3)(v)(B)), this amount shall then be distributed to the Highly Compensated Employees in question and, to the extent not Vested, shall be forfeited and reapplied under Section 6.9.

(vi) To the extent permitted by Code Section 401(a)(4) and Treas. Reg. § 1.401(m)-2(a)(6) (which are incorporated herein by this reference), amounts credited in accordance with paragraph (iv) to Qualified Matching Accounts for such Plan Year shall instead be allocated in disproportionately higher amounts to Participants who are not Highly Compensated Employees and in disproportionately lower amounts to Participants who are Highly Compensated Employees using the same aggregate dollar amounts that would otherwise have been allocated pursuant to Section 6.3(b).

Section 6.12. - Reemployment Rights after Qualified Military Service

(a) Solely for purposes of this Section 6.12, the following definitions shall apply:

(i) "Qualified Military Service" shall mean any service in the uniformed services (as defined in chapter 43 of title 38, United States Code) by any individual if such individual is entitled to reemployment rights under such chapter with respect to such service.

(ii) "Compensation" shall mean

a Compensation the Employee would have received during his period of Qualified Military Service if the Employee were not in Qualified Military Service, determined based on the rate of pay the Employee would have received from the Company but for absence during his period of Qualified Military Service, or

b if the Compensation the Employee would have received during his period of Qualified Military Service was not reasonably certain, the Employee's average Compensation from the Company during the 12-month period immediately preceding the Qualified Military Service (or, if less, the period of employment immediately preceding the Qualified Military Service).

(b) A Participant who leaves the Company as a result of Qualified Military Service and returns to employment with the Company may elect during the period described in subsection (c) to make additional deferrals to his PTS Account and contributions to his ATS Account under the Plan in the amount determined under subsection (d) or such lesser amount, as elected by the Participant.

(c) The period determined under this subsection shall be the period which begins on the date of the Employee's reemployment with the Company after his Qualified Military Service that extends until the lesser of

(i) the product of 3 and the period of Qualified Military Service, and

(ii) 5 years.

(d) The amount described in this subsection is the maximum amount of deferrals to the Participant's PTS Account and contributions to his ATS Account that the Participant would have been permitted to make in accordance with the limitations described in subsection (f)(i) during the Participant's period of Qualified Military Service if the Participant had continued to be employed by the Company during such period and received Compensation. Proper adjustment shall be made for any contributions actually made during the Participant's period of Qualified Military Service.

(e) If the Participant elects to make deferrals to his PTS Account and/or contributions to his ATS Account under subsection (b), the Company shall make such a matching contribution to his ESOP Account with respect to such deferrals and/or contributions as would have been required under the Plan had such deferrals and/or contributions actually been made during the period of such Qualified Military Service.

(f) If any deferral or contribution is made by a Participant or the Company pursuant to this Section,

(i) such deferral or contribution shall not be subject to any otherwise applicable limitation contained in Code Section 402(g), 404(a) or 415 and shall not be taken into account in applying such limitations to other deferrals, contributions or benefits under the Plan or any other plan, with respect to the Plan Year in which the deferral or contribution is made,

(ii) such deferral or contribution shall be subject to the limitations described in paragraph (i) with respect to the Plan Year to which the deferral or contribution relates in accordance with the rules prescribed by the Secretary of the Treasury,

(iii) the Plan shall not be treated as failing to meet the requirements of Code Section 401(a)(4), 401(k)(3), 401(k)(11), 401(k)(12), 401(m), 410(b) or 416 by reason of the making of (or the right to make) such deferral or contribution.

(g) The Company shall not credit earnings on any deferral or contribution made under this Section before such deferral or contribution is actually made.

(h) A Participant reemployed under subsection (b) shall be treated as not incurring a Break in Service Year by reason of his period of Qualified Military Service. For purposes of calculating the Participant's Years of Vesting Service, the Participant shall be credited with an Hour of Service for each hour which would have been credited to him but for his Qualified Military Service.

ARTICLE VII.

INVESTMENT OF ACCOUNTS

Section 7.1. - Subfunds

(a) As permitted under the Rules of the Plan, a Participant's or Merged Participant's Accounts (other than the initial contribution to his ESOP Account) shall be invested in any whole number percentage among the Subfunds as the Participant or Merged Participant shall elect.

(b) Contributions under Sections 4.1(c) and 5.1(a)(ii) invested in the Company Stock Fund shall be invested in that number of shares of Company Stock (valued pursuant to Section 8.1(b)(i)), released from the Suspense Account or otherwise held by the Trust which is equal in value to the amount to such contributions.

(c) As permitted under the Rules of the Plan, a Beneficiary may elect to have his Accounts held and invested under any investment option or options available under subsection (a) or to change any such prior such election as described in Section 7.3.

(d) The Plan is a plan which is described in ERISA Section 404(c) under which each Participant or Beneficiary shall exercise control over the assets in his Accounts and shall be provided the opportunity to choose, from a broad range of investments, the manner in which the assets in his Accounts are invested. The Participant or Beneficiary shall not be deemed to be a fiduciary by reason of his exercise of control and no person who is otherwise a fiduciary shall be liable for any loss or by reason of any breach which results from such exercise of control, whether by the Participant's or Beneficiary's affirmative direction or failure to direct an investment. In addition, no Participant's or Beneficiary's Account shall bear any loss or have any responsibility or liability for any investment directed by any other Participant or Beneficiary with respect to his Accounts.

Section 7.2. - Investment of New Contributions

Subject to Section 7.1 and in accordance with the Rules of the Plan, each Participant may designate the proportions in which new contributions to his Accounts (other than the initial contribution to his ESOP Account) are to be allocated among the Subfunds.

Section 7.3. - Investment Transfers

Subject to the Rules of the Plan, each Participant, Merged Participant or Beneficiary may change the investment elections made under Sections 7.1 and 7.2 by electing to have the assets in his Accounts (other than the Participant's initial contribution to his ESOP Account) invested in any Subfund transferred to any other Subfund.

Section 7.4. - Transfer of Assets

In accordance with the Rules of the Plan, the Administrator shall direct the Trustee to make such transfers of money or other property among the Subfunds as may be necessary to effect the aggregate of the transfer transactions (after the Administrator has caused the necessary entries to be made in the Participant's, Merged Participant's or Beneficiary's Accounts in the Subfunds and has reconciled offsetting transfer elections).

Section 7.5. - Effect of Non-Election

The Administrator has established one or more investment funds under subsection 7.1 which shall be "qualified default investment alternatives" within the meaning of ERISA Section 404(c)(5) and ERISA Regulation Section 2550.404c-5(e). In the absence of an investment election by a Participant or Beneficiary, his contributions (and contributions made on his behalf) (including earnings thereon) shall be invested, as determined by the Administrator. Each Participant and Beneficiary shall be treated as exercising control over the assets in his Accounts with respect to the amount of contributions and earnings which are invested in a qualified default investment alternative. In addition, no person who is otherwise a fiduciary shall be liable for any loss or by reason of any breach which results from such Participant's or Beneficiary's exercise of control. Each applicable Participant and Beneficiary shall receive a notice in accordance with ERISA Section 404(c)(5)(B) and ERISA Regulation Section 2550.404c-5(c)(3) explaining his right to designate how his contributions (and contributions made on his behalf) and earnings thereon will be invested and how, in the absence of any investment election by the Participant or Beneficiary, such contributions and earnings will be invested in one or more qualified default investment alternatives.

ARTICLE VIII.

VALUATION OF THE TRUST FUND AND ACCOUNTS

Section 8.1. - Determination of Values

(a) As of each Valuation Date, the Administrator shall determine the fair market value of each asset in each Subfund other than Company Stock in compliance with the principles of Section 3(26) of ERISA and regulations issued pursuant thereto, based upon information reasonably available to it including data from, but not limited to, newspapers and financial publications of general circulation, statistical and valuation services, records of securities exchanges, appraisals by

qualified persons, transactions and bona fide offers in assets of the type in question and other information customarily used in the valuation of property for purposes of the Code. The value of any real property held in the Trust Fund determined as of the end of any Plan year shall be considered to remain unchanged until the end of the fourth quarter of the following Plan Year. With respect to securities for which there is a generally recognized market, the published selling price on or nearest to such valuation date shall establish the fair market value of such security. Fair market value so determined shall be conclusive for all purposes of the Plan and Trust.

(b) (i) Subject to the special valuation rules set forth in paragraphs (ii) and (iii), Company Stock contributed by the Company to the Trust Fund shall be initially valued at its fair market value as of the date of contribution. Any Company Stock acquired by the Trust Fund with cash shall be initially valued at the purchase price paid by the Trust. Thereafter, such Company Stock shall be valued as of each Valuation Date.

(ii) In the case of Leveraged Company Stock, the following special valuation rules shall apply:

A For purposes of valuing such Leveraged Company Stock in any transaction between the Plan and any “disqualified person” as that term is defined in Code Section 4975(e)(2), fair market value shall be determined as of the date of the transaction in good faith by the Administrator in accordance with Section 3(18) of ERISA.

B For purposes of a Participant’s exercise of his put option rights (if applicable) under Article XVII, such Leveraged Company Stock shall be valued as of the end of the most recent Plan Year.

(iii) Notwithstanding the foregoing provisions, in all cases the valuation provisions of this Section, including the selection of a valuation date for any purpose under this Plan, shall be interpreted and applied in a manner consistent with the applicable requirements under Code Sections 409 and 4975(e)(7), the Treasury Regulations issued thereunder, and any related or successor statutes or regulations, that must be satisfied in order to qualify for the prohibited transaction exemption under Code Section 4975(d)(3). In this connection, all valuations of Company Stock contributed to or acquired by the Plan which at the time of such valuation is not readily tradable on an established securities market within the meaning of Code Section 401(a)(28) shall be made by an independent appraiser (within the meaning of Code Section 170(a)(1)), whose name shall be reported to the Internal Revenue Service.

Section 8.2. - Allocation of Values

The difference between the total value of the assets of each Subfund except the Company Stock Fund, as determined under Section 8.1, and the total of the Accounts therein, shall be allocated by the Administrator among such Accounts in proportion to their respective stated values as of such Valuation Date, such values and determinations being made without taking into account ATS, PTS or Company contributions attributable to the Valuation Date; provided, however, that gains and losses shall not be allocated with respect to amounts being held in suspense under Section 18.4(b).

Section 8.3. - Applicability of Account Values

The value of an Account, as determined as of a given date under this Article, plus any amounts subsequently credited thereto under Sections 3.5, 4.4, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.8, 6.11, 8.2, 15.8 and 18.4 (or applicable Supplements) less any amounts withdrawn under Sections 9.2, 9.3, 9.5, 9.6 and 10.3 (or applicable Supplements) or transferred to suspense under Section 18.4(b), shall remain the value thereof for all purposes of the Plan and Trust until revalued hereunder.

ARTICLE IX.

VESTING AND WITHDRAWALS

Section 9.1. - Vesting of Accounts

(a) Each Participant's or Merged Participant's interest in each of his Accounts other than his ESOP Account shall be Vested at all times, except as otherwise provided in any Supplement to the Plan.

(b) Except as provided in Section 14.3(a) and subsection (c), a Participant's or Merged Participant's ESOP Account shall not be Vested until he completes three Years of Vesting Service at which time it shall become fully Vested. Upon any amendment of this vesting schedule, a Participant with at least three Years of Vesting Service may elect to have his Vested percentage calculated pursuant to the vesting schedule which would have been in effect but for this amendment.

(c) The interest of a Participant or Merged Participant in his ESOP Account shall become fully Vested upon the earliest to occur of

- (i) his death (including his death while performing qualified military service, as required under Code Section 401(a)(37)),
- (ii) his sixty-fifth birthday, or
- (iii) the termination or discontinuation of the Plan under Section 16.1,

if he is then an affected Employee or employed by a Company Affiliate.

(d) (i) The Administrator shall designate on Exhibit 3 to the Plan which is attached hereto and incorporated in the Plan by this reference the "Affected Participants" as defined in paragraph (ii) who shall become fully Vested in their Accounts upon their severance from employment with the Company.

(ii) "Affected Participants" are Participants who cease to be Employees and active Participants under the Plan as a result of a sale or other acquisition of a Company (or any portion thereof).

Section 9.2. - Unrestricted Withdrawals

(a) Subject to the Rules of the Plan, once each Plan Year and, if the Administrator determines that a Hardship (including, for this purpose, an event described in Section 1.34(a)(viii)b) has occurred, and on one additional occasion in such Plan Year, a

Participant who is an Employee may withdraw up to one hundred percent of his ATS Account (and not less than \$1,000 or if less, the entire amount of his ATS Account) and Company Contributions Account (as described in Supplement H) and such other Accounts described in any Supplement, as permitted under the Rules of the Plan.

(b) A Participant who makes a withdrawal under subsection (a) shall not be permitted to make any contributions to the Plan and shall not receive a contribution under subsection 6.3(b) for three months or such other periods as are specified in the Rules of the Plan.

Section 9.3. - Restricted Withdrawals

(a) Any Participant who is an Employee shall be permitted to make a cash withdrawal, in any whole percentage increment or dollar amount, of up to one hundred percent of the unwithdrawn principal amount in his PTS Account and up to the total amount of his Rollover Account, on account of Hardship, subject to the conditions of Section 9.4

(b) Application for withdrawals shall be made on such forms as the Administrator prescribes and may be made at any time. A withdrawal shall become effective in accordance with the Rules of the Plan.

Section 9.4. - Conditions for Hardship Withdrawal

Hardship withdrawals shall be subject to the following conditions:

(a) A Participant's aggregate Hardship withdrawals shall not exceed the lesser of

(i) the lesser of

a the amount by which

1 the aggregate amount of

A the principal amount of his PTS Account together with income allocable thereto credited as of December 31, 1988,

B the total amount of his Qualified Account credited as of December 31, 1988 (including income allocable thereto as of such date), and

C the total amount of his Rollover Account exceeds

2 the greater of

A the unpaid amount due on his outstanding loan or loans, if any under subsection (c)(i), or

B the amount of any previous distributions of his PTS Account, and

b the amount which is necessary to satisfy the Hardship (including any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution), or

(ii) the amount which cannot be satisfied from other resources which are reasonably available to the Participant.

(b) The conditions of subsections (c) and (d) shall be satisfied.

(c) The conditions of this subsection are:

(i) the Participant shall obtain all currently available distributions (including distributions under Section 6.4 but not other Hardship distributions) and all nontaxable loans currently available under all plans within the meaning of Treas. Reg. Section 1.401(k)-1(d)(3)(iv)(F) maintained by the Company or any Company Affiliate; and

(ii) the Participant shall not be permitted to make further deferrals of Compensation or voluntary contributions under the Plan or other plan within the meaning of Treas. Reg. Section 1.401(k)-1(d)(3)(iv)(F) (whether or not qualified) maintained by the Company or any Company Affiliate for six months thereafter.

(d) The conditions of this subsection, if any, shall be those prescribed by the Commissioner of Internal Revenue through the publication of revenue rulings, notices, and/or other documents of general applicability, as an alternate method under which a Hardship distribution will be deemed to be necessary to satisfy an immediate and heavy financial need.

(e) A Participant whose deferrals have been suspended under subsection (c) nevertheless shall be included in determinations under Sections 1.20 and 1.22 if he would otherwise be so included.

(f) [Reserved.]

(g) [Reserved.]

(h) The Participant's remaining PTS Account or Rollover Account balance, or, if none, the withdrawal itself shall be reduced by the amount of any administrative expenses charged to the Trust Fund by reason of the withdrawal.

Section 9.5. - Withdrawal by Reason of Contribution Limitations

The Administrator may permit a Participant to make a lump sum withdrawal from his PTS Account in the event of

(a) a deferral in excess of the limitation of Section 3.1(a)(i)(B), in the amount of principal and interest or loss (including any interest or loss during the gap period,

in accordance with Treas. Reg. Section 1.402(g)-1(e)(5) through November 30, 2008) allowed by Code Section 402(g)(2)(A)(ii),

(b) a deferral in excess of the limitation of Section 3.5, in the amount of principal and interest allowed by Code Section 401(k)(8) (in which case the Participant shall be deemed to notify the Administrator of such excess amounts made to the Plan and any other plans of the Company or a Company Affiliate),

(c) the circumstances specified in Code Sections 401(k)(2)(B)(i) and 401(k)(10).

(d) the circumstances specified in Section 18.4(b).

See also Section 10.3.

Section 9.6. - Withdrawals Upon Attainment of Age Fifty-Nine and One Half

A Participant or a Merged Participant who remains in the employ of the Company after attaining age fifty-nine and one-half may elect in accordance with the Rules of the Plan to receive a distribution of all or any portion of his Qualified Account or his PTS Account in one lump sum. Such distributions shall not be made more frequently than at twelve month intervals.

Section 9.7. - Qualified Accounts and Stock Accounts

No withdrawals from Qualified Accounts are permitted, except pursuant to Sections 9.4 and 9.6. No withdrawals or loans from Stock Accounts are permitted.

Section 9.8. - Withdrawals from Subfunds

The Rules of the Plan shall designate the order of withdrawal from the available Subfunds when a Participant makes a withdrawal from his Accounts under Sections 9.2, 9.3, 9.5 or 9.6.

ARTICLE X.

EMPLOYMENT AFTER NORMAL RETIREMENT DATE

Section 10.1. - Continuation of Employment

(a) A Participant or a Merged Participant may, subject to subsection (b) and Section 18.3, remain in the employ of the Company or a Company Affiliate after attaining his Normal Retirement Date.

(b) Notwithstanding subsection (a), the Company reserves the right to require a Participant or a Merged Participant to retire in accordance with Section 12(c) of the Age Discrimination in Employment Act of 1967, as amended, Section 12942 of the California Government Code, and other applicable state law.

Section 10.2. - Continuation of Participation

A Participant retained in the employ of the Company after his Normal Retirement Date under Section 10.1 shall continue as an Active Participant herein.

Section 10.3. - Mandatory In-Service Distributions

(a) A Participant or a Merged Participant who is a five percent owner (as defined in Code Section 416) of the Company or a Company Affiliate with respect to the Plan Year ending in the calendar year in which such Participant attains age 70 1/2 shall commence the receipt of the entire amount credited to his Accounts in accordance with Section 11.3(a), (b), (c), and (d)(ii) on the April 1 following the end of the calendar year in which he attains age 70 1/2, except as provided in subsection 11.3(f).

(b) A Participant or a Merged Participant not described in subsection (a) who attains age 70 1/2 after December 31, 1995 and before January 1, 1999 may elect to commence the receipt of the entire amount credited to his Accounts beginning on a date during the period which begins on or after January 1 of the calendar year in which he attains age 70 1/2 and ends on the April 1 of the immediately following calendar year or he may elect to defer such distributions until the April 1 following the calendar year in which his Separation from the Service occurs.

(c) A Participant or a Merged Participant not described in subsection (a) who attains age 70 1/2 prior to January 1, 1996 and was required to receive one or more distributions of his Accounts by December 31, 1996 because he had reached his "required beginning date," as the term was defined under Code Section 401(a)(9) prior to January 1, 1997, may elect to defer such distributions until the April 1 following the calendar year in which his Separation from the Service occurs.

ARTICLE XI.

BENEFITS UPON RETIREMENT

Section 11.1. - Normal or Disability Retirement

Subject to the provisions of Section 10.1, a Participant or a Merged Participant shall retire upon his Normal or Disability Retirement Date.

Section 11.2. - Rights Upon Normal or Disability Retirement

Upon a Participant's or Merged Participant's Normal or Disability Retirement, he shall be entitled to receive the entire amount credited to his Accounts in accordance with Section 11.3.

Section 11.3. - Distribution of Accounts

(a) Subject to Section 15.17, if the entire amount credited to a Participant's, former Participant's or Merged Participant's Accounts (including the value of any shares credited to his Stock Accounts if any and including any "Accounts" described in any applicable Supplement) does not exceed \$1,000 (excluding his Rollover Account to the

extent it consists of rollover contributions described in Code Section 411(a)(11)(D)), such Participant shall receive such amount in one lump sum in the form of cash and/or the Participant's promissory note under Section 15.14 (except that at the option of such Participant his Stock Accounts, if any, and the portion of his Accounts invested in the Company Stock Fund will be paid in the form of Company Stock).

(b) Subject to Section 15.17, if the entire amount credited to a Participant's, former Participant's or Merged Participant's Accounts (including the value of any shares credited to his Stock Accounts, if any and including any "Accounts" described in any applicable Supplement) exceeds \$1,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)), such Participant may elect to receive such amount under one of the following options (except that any Participant promissory note under Section 15.14 shall be distributed in kind):

(i) Payment of such amount in one cash lump sum (except that at the option of such Participant his Stock Accounts, if any, and the portion of his Accounts invested in the Company Stock Fund will be paid in the form of Company Stock).

(ii) Payment of such amount directly from the Trust Fund (as adjusted for gains and losses), in uniform annual or more frequent installments of at least \$100 (as to which such Participant (or his Spouse, if applicable) may elect whether the recalculation rule of Code Section 401(a)(9)(D) shall apply and provided, however, that the first installment may be larger than the remaining installments) to such Participant over a period not longer than the lesser of

a the joint and last survivor expectancy of him and his Spouse, if any, reasonably determined from the expected return multiples prescribed in Treas. Reg. § 1.401(a)(9)-9, or

b the period determined under Treas. Reg. §1.401(a)(9)-5 which satisfies the minimum distribution incidental death benefit requirement of Code Section 401(a)(9)(G);

provided, however, if such Participant fails to make such an election, his Accounts shall be distributed as provided in paragraph (i).

(c) Distribution under subsection (a) or (b) shall be made or commence not later than the earliest to occur of

(i) sixty days after the end of the Plan Year in which such Normal Retirement occurs, or

(ii) if he is not a five percent owner (as defined in Code Section 416) of the Company or a Company Affiliate with respect to the Plan Year ending in the calendar year in which he attains age 70 1/2, the later of

a the April 1 following the calendar year in which his Separation from Service occurs, or

by the April 1 following the calendar year in which he attains age 70 1/2, or

(iii) if he is such an owner, the April 1 following the calendar year in which he attains age 70 1/2,

except as provided in subsection (d).

(d) At any time before distribution under subsection (b) is made or commences, the Participant or Merged Participant may elect to defer such distribution until such later date as he shall then or subsequently specify; provided, however,

(i) such date shall be no later than the date referred to in paragraph (c)(ii) or (c)(iii), and

(ii) if no such date is specified, such amount shall be distributed in one lump sum on the date specified in paragraph (c)(ii) or (c)(iii).

(e) Notwithstanding paragraphs (d)(i) and (d)(ii), for a Participant or Merged Participant who is a five percent owner (as defined in Code Section 416) of the Company or a Company Affiliate and has made an election permitted under Code Section 242(b) of the Tax Equity and Fiscal Responsibility Act of 1982, the date referred to in paragraph (c)(iii) shall be the later of the April 1 following the calendar year in which his Separation from the Service occurs or the April 1 following the calendar year in which he attains age 70 1/2.

(f) A five percent owner (as defined in Code Section 416) of the Company or a Company Affiliate described in Section 10.3(a) or a Participant or Merged Participant described in Section 10.3(b) or (c) may elect to receive the required minimum distribution for each year until his retirement as determined under Treas. Reg. Section 1.401(a)(9).

(g) Each Participant, former Participant or Merged Participant shall make a separate distribution or transfer election under Section I11.3 of Supplement I with respect to his SHARE Account in accordance with the Rules of the Plan.

Section 11.4. - Distribution Requirements

(a) Subsections (b) and (c) shall apply to distributions under Articles XI, XII and XIII.

(b) Each Participant's, former Participant's or Merged Participant's Accounts will be distributed in a manner which satisfies Code Section 401(a)(9) and the regulations thereunder including the incidental death requirement of Code Section 401(a)(9)(G) all of which shall take precedence over any inconsistent provisions of the Plan. Code Section 401(a)(9) provides the following requirements:

(i) A Participant's, former Participant's or Merged Participant's total Vested Account balance shall be distributed or begin to be distributed no later than the Participant's required beginning date as set forth in paragraphs 11.3(c)(ii) and (iii) and shall

be paid over a period not extending beyond the life expectancy of such Participant or the joint life expectancy of the Participant and his Beneficiary.

(ii) If payments have commenced prior to the Participant's, former Participant's or Merged Participant's death, payment of the Participant's Accounts shall be made in such manner that the remaining interest after his death is distributed at least as rapidly as under the method being used as of the date of the Participant's death.

(iii) If a Participant, former Participant or Merged Participant dies before distributions begin, his total vested Account balance shall be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death unless paragraph (iv) applies.

(iv) If any portion of a Participant's, former Participant's or Merged Participant's Account balance is payable over the life of his Beneficiary, such distribution shall begin no later than December 31 of the calendar year immediately following the calendar year of the Participant's death provided, however, if any portion of the Participant's, former Participant's or Merged Participant's Account balance is payable over the life of his Surviving Spouse, such distributions shall begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70^{1/2}, if later.

(c) (i) In accordance with paragraph (iii) below, each Participant, former Participant or Merged Participant shall be entitled to elect to commence distribution of his ESOP Account not later than one year after the close of the Plan Year

A in which the Participant separates from service by reason of his attainment of Normal Retirement Date, Disability Retirement or death or

B which is the fifth Plan Year following the Plan Year in which the Participant otherwise separates from service, except that this clause shall not apply if the Participant is reemployed by the Company before distribution is required to begin under this clause.

(ii) Unless the Participant elects otherwise, the distribution of the Participant's ESOP Account will be in substantially equal periodic payments (not less frequently than annually) over a period not longer than the greater of 5 years or, in the case of a Participant with an account balance in excess of \$800,000, 5 years plus 1 additional year (but not more than 5 additional years) for each \$160,000 or fraction thereof by which such balance exceeds \$800,000.

(iii) This subsection (c) shall not apply until the close of the Plan Year in which the loan (described in Code Section 404(a)(9)) to acquire Company Stock is repaid in full.

(d) Notwithstanding subsection (b), a Participant or Beneficiary who would have been required to receive required minimum distributions for 2009 but for the

enactment of Code Section 401(a)(9)(H) ("2009 RMDs") and who would have satisfied that requirement by receiving distributions that are

(i) equal to the 2009 RMDs, or

(ii) one or more payments in a series of substantially equal distributions (that include the 2009 RMDs) made at least annually and expected to last for the life (or life expectancy) of the participant, the joint lives (or joint life expectancy) of the Participant and the Participant's designated Beneficiary, or for at least 10 years,

shall not receive those distributions for 2009 unless the Participant or Beneficiary chooses to receive such distributions. Participants and Beneficiaries described in the preceding sentence shall be given the opportunity to elect to receive the distributions described in the preceding sentence. As described in Section 1.29(d), if a Participant or Beneficiary receives a 2009 RMD, it shall be treated as an Eligible Rollover Distribution.

ARTICLE XII.

BENEFITS UPON DEATH

Section 12.1. - Designation of Beneficiary

(a) Each Participant, former Participant and Merged Participant shall have the right to designate, revoke and redesignate Beneficiaries hereunder and to direct payment of the Vested amount credited to his Accounts to such Beneficiaries.

(b) Designation, revocation and redesignation of Beneficiaries must be made in writing in accordance with the Rules of the Plan on a form provided by the Administrator and shall be effective upon delivery to the Administrator.

(c) A married Participant, former Participant or Merged Participant may not designate any Beneficiary other than his Spouse without obtaining Spousal Consent thereto.

(d) Upon the dissolution of marriage of a Participant, former Participant or Merged Participant, any designation of the Participant's former spouse as a Beneficiary shall be treated as though the Participant's former spouse had predeceased the Participant unless

(i) the Participant executes another Beneficiary designation that complies with this Section and the Rules of the Plan and clearly names such former spouse as a Beneficiary following such dissolution, or

(ii) a Qualified Domestic Relations Order presented to the Administrator prior to distribution being made on behalf of the Participant explicitly requires the Participant to maintain the former spouse as the Beneficiary.

In any case in which the Participant's former spouse is treated under the Participant's Beneficiary designation as having predeceased the Participant, no heirs or other beneficiaries of the former spouse who are not also heirs or beneficiaries of the Participant shall receive benefits from the Plan

as a Beneficiary of the Participant except as provided otherwise in the Participant's Beneficiary designation.

Section 12.2. - Distribution on Death

(a) Subject to Sections 12.3 and 15.17 (if applicable), upon the death of a Participant, former Participant or Merged Participant, the Vested amount credited to his Accounts (including the Vested value of shares credited to his Stock Accounts, if any) (as determined under Section 9.1), shall be paid in one lump sum (in the form of cash or stock to the extent permitted by Section 11.3(b)(i)) not later than ninety days following such Participant's death (or such longer reasonable period as is permitted under Treas. Reg. §1.401(a)-20 A-3(b)(1)) to his then Surviving Spouse, if any, except to the extent to which such Surviving Spouse has consented under Section 12.1(c) to the designation of other Beneficiaries, and otherwise (such as if such Participant had not designated a Beneficiary before his death), to the person or persons of highest priority who survives such Participant by at least thirty days determined as follows:

(i) First, to his then surviving highest priority Beneficiary or Beneficiaries, if any.

(ii) Second, to his then surviving heirs at law, if any, as determined in the reasonable judgment of the Administrator under the laws governing succession to personal property of the last jurisdiction in which such Participant was a resident.

(iii) Third, the Plan to be applied to reduce the Company's contribution under Section 6.9 and/or to pay reasonable administrative expenses of the Plan.

(b) Members of a class shall cease to be entitled to benefits upon the earlier of the Administrator's determination that no members of such class exist or the Administrator's failure to locate any members of such class, after making reasonable efforts to do so, within one year after the members of that class became entitled to benefits hereunder had members existed.

(c) If payment has commenced prior to the Participant's, former Participant's or Merged Participant's death, payment of such Participant's Accounts shall be made in such manner that the remaining interest is distributed at least as rapidly as under the method being used as of the date of such Participant's death.

(d) Each Beneficiary shall make a separate distribution or transfer election (if applicable) with respect to the deceased Participant's SHARE Account in accordance with Sections I12.2 and I12.3 of Supplement I and the Rules of the Plan.

Section 12.3. - Election of Other Payment Methods

(a) Subject to subsection (c), but notwithstanding any other provision of this Article and in lieu of the lump sum payment otherwise provided for in this Article, if the deceased Participant's Vested Account balance exceeds \$5,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)), payments under this Article to the Spouse of a Participant, former

Participant or Merged Participant shall be made under such option available under Section 11.3 as such Spouse shall designate.

(b) Subject to subsection (c), but notwithstanding any other provision of this Article, a Participant, former Participant or Merged Participant may elect on the form provided by the Administrator for Beneficiary designations that, in lieu of the lump sum payment otherwise provided for in this Article payments under this Article to his Beneficiary shall be made under such option available under Section 11.3 as such Participant shall designate in such form provided that upon the Participant's death, his Vested Account balance exceeds \$5,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)). If a Beneficiary receiving installment payments under this Section dies, the balance then due shall be paid in cash in one lump sum to the then surviving person with highest priority under Section 12.2(a).

(c) If a Participant, former Participant or Merged Participant dies before distribution of his Accounts commences, then

(i) such Accounts must be distributed within five years of the Participant's, former Participant's or Merged Participant's death, or

(ii) if any portion of such Accounts is payable to or for the benefit of a Beneficiary, such portion shall be distributed over the life or the life expectancy of such Beneficiary with distributions commencing

a within one year of such Participant's death, or,

b if the Beneficiary is such Participant's Spouse, no later than the date on which the Participant or Merged Participant would have attained age seventy and one half (but if such Spouse dies before distributions to such Spouse commence, then such Spouse shall be treated as the Participant for purposes of this Section 12.3(c)), or

c on such other date as is allowed by law.

ARTICLE XIII.

BENEFITS UPON RESIGNATION OR DISCHARGE

Section 13.1. - Distributions on Resignation or Discharge

(a) Subject to Section 15.17, a Participant or Merged Participant who has a Separation from the Service due to resignation or discharge shall receive,

(i) if the Vested amount credited to his Accounts (including the Vested value of shares credited to his Stock Accounts, if any and including any "Accounts" described in any applicable Supplement) does not exceed \$1,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)), such amount in one lump sum (in the form of cash, the Participant's promissory note under Section 15.14 and/or stock to the extent permitted by Section

11.3(b)(i)) not later than six months after the end of the Plan Year in which such Separation from the Service occurs, or, if earlier, within sixty days after the end of the Plan Year in which his fifty-fifth birthday occurs, or

(ii) if the Vested amount credited to his Accounts (including the Vested value of shares credited to his Stock Accounts, if any and including any "Accounts" described in any applicable Supplement) exceeds \$1,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)), he shall receive such amount as described in subparagraph (ii)a or, if he has attained age 55 of the time of his Separation from the Service and so elects, he shall receive such amount as described in subparagraph (ii)b (except that any Participant promissory note under Section 15.14 shall be distributed in kind):

a Payment of such amount in one cash lump sum (except that at the option of such Participant his Stock Accounts, if any, and the portion of his Accounts invested in the Company Stock Fund will be paid in the form of Company Stock).

b Payment of such amount directly from the Trust Fund (as adjusted for gains and losses), in uniform annual or more frequent installments of at least \$100 (as to which such Participant (or his Spouse, if applicable) may elect whether the recalculation rule of Code Section 401(a)(9)(D) shall apply and provided, however, that the first installment may be larger than the remaining installments) to such Participant over a period not longer than the lesser of

1 the joint and last survivor expectancy of him and his Spouse, if any, reasonably determined from the expected return multiples prescribed in Treas. Reg. § 1.401(a)(9)-9, or

2 the period determined under Treas. Reg. §1.401(a)(9)-5 which satisfies the minimum distribution incidental death benefit requirement of Code Section 401(a)(9)(G);

with such distribution being made or commencing no later than April 1 following the calendar year in which he attains age 70^{1/2}.

(b) Each Participant or Merged Participant shall make a separate distribution or transfer election (if applicable) under Section I13.1 of Supplement I with respect to his SHARE Account in accordance with the Rules of the Plan.

Section 13.2. - Forfeitures

(a) If a Participant has a Separation from the Service due to resignation or discharge, the portions of his ESOP Account which are not Vested shall be forfeited upon the earlier of his receipt of his distribution under this Article or his completion of five consecutive Break in Service Years. Pending application under Section 6.9, forfeitures shall be held in suspense and shall not be commingled with amounts held in suspense under Section 18.4.

(b) If a Participant has a Separation from the Service prior to becoming Vested in any portion of his ESOP Account under Section 9.1, a distribution shall be deemed to have occurred upon such Separation from the Service for purposes of subsection (a).

Section 13.3. — Restoration of Forfeitures

If a Participant whose ESOP Account is not then fully Vested

- (a) has a Separation from the Service,
- (b) suffers a forfeiture under Section 13.2 of the portion of such Account which is not Vested,
- (c) again becomes an Employee or employed by a Company Affiliate before he has five consecutive Break in Service Years, and
- (d) repays to the Plan the full amount, if any, distributed to him from such Accounts before the end of his fifth consecutive Break in Service Year or, if earlier, the fifth anniversary of his reemployment,

then the amount forfeited under Section 13.2 by such Participant and any interest thereon shall be restored to his ESOP Account, applying forfeitures pending application under Section 6.9 and Company contributions, in that order, as necessary.

ARTICLE XIV.

TOP-HEAVY PROVISIONS

Section 14.1. — Top-Heavy Determination

(a) Solely in the event that this Plan ever becomes Top-Heavy, as defined herein, the provisions of this Article shall apply.

(b) Solely for the purposes of this Article, the following definitions shall be used:

(i) “Aggregation Group” shall mean

a each plan of the Company or a Company Affiliate in which a Key Employee is a Participant (including any such plan which has been terminated if such plan was maintained by the Company or a Company Affiliate during the Plan Year ending on the Determination Date for the Plan Year in question) but excluding a plan meeting the requirements of Code Section 401(k)(11); provided, however, that such plan allows only contributions required under Code Section 401(k)(11) and

b each other plan of the Company or a Company Affiliate which enables any plan described in paragraph a to meet the requirements of Code Section 401(a)(4) or 410.

(ii) "Determination Date" shall mean, with respect to any Plan Year, the last day of the preceding Plan Year, or in the case of the first Plan Year, the last day of such Plan Year.

(iii) "Controlled Group Employee" shall mean any person who renders services to the Company or a Company Affiliate in the status of an employee as the term is defined in Code Section 3121(d).

(iv) "Key Employee" shall mean a Controlled Group Employee, a former Controlled Group Employee or the Beneficiary of a former Controlled Group Employee, if, in the Plan Year containing the Determination Date, such Controlled Group Employee or former Controlled Group Employee is or was

a an officer of the Company or a Company Affiliate whose Statutory Compensation for the Plan Year in question exceeds \$130,000 (adjusted as described in Code Section 415(d)) (not more than fifty Controlled Group Employees or, if less, the greater of three Controlled Group Employees or ten percent of the Controlled Group Employees shall be treated as officers),

b a five percent owner (within the meaning of Code Section 416(i)(1)(B) and (C)) of the Company or a Company Affiliate, or

c a one percent owner (within the meaning of Code Section 416(i)(1)(B)(ii)) of the Company or a Company Affiliate whose Statutory Compensation for the Plan Year in question exceeds \$150,000.

(v) "Non-Key Employee" shall mean any Controlled Group Employee who is not a Key Employee.

(vi) The Plan shall not be Top Heavy for any Plan Year in which the Plan consists solely of a cash or deferred arrangement which meets the requirements of Code Section 401(k)(12) and matching contributions with respect to which the requirements of Code Section 401(m)(11) are satisfied. Subject to the foregoing, the Plan shall be Top-Heavy if, as of any Determination Date, the aggregate of the Accounts of Key Employees under all plans in the Aggregation Group (or under this Plan and such other plans as the Company elects to take into account under Code Section 416(g)(2)(A)(ii)) exceeds sixty percent of the aggregate of the Accounts for all Key Employees and Non-Key Employees. In making this calculation as of a Determination Date,

a each Account balance as of the most recent valuation date occurring within the Plan Year which includes the Determination Date shall be determined,

b an adjustment for contributions due as of the Determination Date shall be determined,

c the Account balance of any Controlled Group Employee or former Controlled Group Employee shall be increased by the aggregate distributions made as a result of such Controlled Group

Employee's Separation from the Service (including his severance from employment) during the one-year period ending on the Determination Date; provided, however, if any distribution is made to a Controlled Group Employee for any other reason, such Employee's Account balance shall be increased by the aggregate of such distributions during the five-year period ending on the Determination Date,

d the Account balance of

1 any Non-Key Employee who was a Key Employee for any prior Plan Year, and

2 any former Controlled Group Employee who performed no services for the Company or a Company Affiliate during the one-year period ending on the Determination Date,

shall be ignored, and

e if there have been any rollovers to or from any Account, the balance of such Account shall be adjusted, as required by Code Section 416(g)(4)(A).

Notwithstanding the foregoing, this Plan shall be Top-Heavy if, as of any Determination Date, it is required by Code Section 416(g) to be included in an Aggregation Group which is determined to be a Top-Heavy Group.

(vii) "Top-Heavy Group" shall mean any Aggregation Group if, as of the Determination Date, the sum of

a the present value of the cumulative accrued benefits for all Key Employees under all defined benefit plans in such Aggregation Group, and

b the aggregate of the accounts of all Key Employees under all defined contribution plans in such Aggregation Group

exceeds sixty percent of a similar sum determined for all Key Employees and Non-Key Employees.

(viii) "Statutory Compensation" shall have the meaning set forth in Code Section 414(q)(4) for purposes of paragraph (b)(iv).

Section 14.2. — Minimum Benefits

(a) For any Plan Year in which the Plan is Top-Heavy, the sum of the allocations to the ESOP Account and the PTS Account of any Employee who is a Non-Key Employee at the end of such Plan Year and is entitled to an allocation to such Accounts under Section 6.3 shall not be less than that determined under subsection (b).

(b) The allocation determined under this subsection shall be a percentage of the Statutory Compensation of such Non-Key Employee which is not less than the lesser of

(i) three percent, or

(ii) that percentage reflecting the ratio of

A the allocations under Section 6.3 to

B Statutory Compensation (not in excess of the limit in effect under Code Section 401(a)(17) as adjusted for increases in the cost of living)

for the Key Employee with respect to whom such ratio is highest for such Plan Year. See also Section 14.1(b)(viii).

(c) For purposes of determining the minimum contribution under subsection (b), the following contributions shall be included:

(i) contributions under any plan in the Aggregation Group to the maximum extent permitted by Code Section 416(g)(4)(H),

(ii) contributions to PTS Accounts (including elective deferrals under a plan in the Aggregation Group) on behalf of Key Employees, and

(iii) contributions to ESOP Accounts (including any matching contributions as defined in Code Section 401(m)(4)(A) under a plan in the Aggregation Group).

Section 14.3. — Vesting

(a) For any Plan Year in which the Plan is Top-Heavy, the Vested percentage of the ESOP Account of each Participant or Merged Participant who completes an Hour of Service in such Plan Year shall be the percentage of such Account shown on the following table:

Years of Vesting Service	Vested Percentage
1 (or less)	0%
2	20%
3	100%

(b) The Vested percentage of a Participant's ESOP Account shall be not less than the Vested percentage determined as of the last day of the last Plan Year in which the Plan was Top-Heavy.

(c) For any Plan Year in which the Plan is not Top-Heavy which follows one or more Plan Years for which the Plan has been Top-Heavy, Section 9.1 shall again become applicable as an amendment to the Plan; thus, each Participant or Merged Participant who has had his Vested percentage computed under subsection (a) and who has completed at least one Year of Vesting Service shall be permitted to elect to have his Vested percentage computed in accordance with subsection (a) for such Plan Year and any subsequent Plan Year in which the Plan is no longer Top-Heavy. Such Participant or Merged Participant may make such election within an election period beginning no later than the first day of the first Plan Year in which the Plan is no longer Top-Heavy and ending no later than the later of

(i) the sixtieth day of such Plan Year, or

(ii) a date which is sixty days after the day such Participant is issued written notice of his right to make such election by the Administrator.

ARTICLE XV.

ADMINISTRATIVE PROVISIONS

Section 15.1. — Duties and Powers of the Administrator

(a) The Administrator shall administer the Plan in accordance with the Plan and ERISA and shall have full discretionary power and authority:

(i) To engage actuaries, attorneys, accountants, appraisers, brokers, consultants, administrators, physicians or other firms or persons and (with its officers, directors and Employees) to rely upon the reports, advice, opinions or valuations of any such persons except as required by law;

(ii) To adopt Rules of the Plan that are not inconsistent with the Plan or applicable law and to amend or revoke any such rules;

(iii) To construe the Plan and the Rules of the Plan;

(iv) To determine questions of eligibility of Participants and the entitlement to distributions of Participants, former Participants, Merged Participants, Beneficiaries and all other persons;

(v) To determine entitlement to allocations of contributions and forfeitures of Participants, Merged Participants, former Participants, Beneficiaries, and all other persons;

(vi) To make findings of fact as necessary to make any determinations and decisions in the exercise of such discretionary power and authority;

(vii) To appoint claims and review officials to conduct claims procedures as provided in Section 15.6; and

(viii) To delegate any power or duty to any firm or person engaged under paragraph (i) or to any other person or persons.

(b) Every finding, decision, and determination made by the Administrator shall, to the full extent permitted by law, be final and binding upon all parties, except to the extent found by a court of competent jurisdiction to constitute an abuse of discretion.

Section 15.2. — Expenses of Administration

(a) The Company shall indemnify and hold each Employee functioning under Section 15.1(a) or person serving on an investment committee established in accordance with the Trust Agreement harmless from all claims, liabilities and costs (including reasonable attorneys' fees) arising out of the good faith performance of his functions hereunder.

(b) The Company may obtain and provide for any such Employee and investment committee member described in subsection (a), at the Company's expense, liability insurance against liabilities imposed on him by law.

(c) The Plan shall pay reasonable administrative expenses of the Plan, including, but not limited to, expenses of any such Employee and investment committee member described in subsection (a) and legal fees incurred for services related to the administration of the Plan (including the amending of the Plan); provided, however, that the Company may elect, in its sole and absolute discretion, to pay such administrative expenses from its own assets.

(d) Notwithstanding subsection (c), reasonable administrative fees incurred by the Plan in conjunction with Participant loans, withdrawals, distributions and the evaluation of the qualified status of a domestic relations order, as defined in Code Section 414(p), may be charged to the Accounts of the Participant in question in accordance with the Rules of the Plan.

Section 15.3. — Payments

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

Section 15.4. — Statement to Participants

In accordance with the requirements set forth in ERISA Section 105(a)(1)(A), as of the end of each Plan Year quarter, each Participant (including an alternate payee under a qualified domestic relations order which assigns a portion of the Participant's Account balance to the alternate payee or a Beneficiary of a deceased Participant who is eligible to receive the deceased Participant's Accounts) shall be provided with a statement reflecting the balances of his Accounts and such other information required by ERISA Section 105.

Section 15.5. — Inspection of Records

Copies of the Plan and any other documents and records which a Participant or Merged Participant is entitled by law to inspect shall be open to inspection by such Participant or Merged Participant or such Participant's or Merged Participant's duly authorized representatives at any reasonable business hour at the principal office of the Company, any Company work site at which at least fifty Employees regularly perform services and such other locations as the Secretary of Labor may require.

Section 15.6. — Claims Procedure

- (a) A claim by a Participant, former Participant, Merged Participant, Beneficiary or any other person shall be presented to the claims official appointed by the Administrator in writing within the maximum time permitted by law or under the regulations promulgated by the Secretary of Labor or his delegate pertaining to claims procedures.
- (b) The claims official shall, within a reasonable time, consider the claim and shall issue his determination thereon in writing.
- (c) If the claim is granted, the appropriate distribution or payment shall be made from the Trust Fund or by the Company.
- (d) If the claim is wholly or partially denied, the claims official shall, within ninety days (or such longer period as may be reasonably necessary), provide the claimant with written notice of such denial, setting forth, in a manner calculated to be understood by the claimant
- (i) the specific reason or reasons for such denial,
 - (ii) specific references to pertinent Plan provisions on which the denial is based,
 - (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and
 - (iv) an explanation of the Plan's claim review procedure.
- (e) The Administrator shall provide each claimant with a reasonable opportunity to appeal the claims official's denial of a claim to a review official (appointed by the Administrator in writing) for a full and fair review. The claimant or his duly authorized representative
- (i) may request a review upon written application to the review official (which shall be filed with it),
 - (ii) may review pertinent documents, and
 - (iii) may submit issues and comments in writing.

(f) The review official may establish such time limits within which a claimant may request review of a denied claim as are reasonable in relation to the nature of the benefit which is the subject of the claim and to other attendant circumstances but which, in no event, shall be less than sixty days after receipt by the claimant of written notice of denial of his claim.

(g) The decision by the review official upon review of a claim shall be made not later than sixty days after his receipt of the request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred twenty days after receipt of such request for review.

(h) The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific references to the pertinent Plan provisions on which the decision is based.

(i) The claims official and the review official shall have full discretionary power and authority to construe the Plan and the Rules of the Plan, to determine questions of eligibility, vesting and entitlements and to make findings of fact as under Section 15.1 and, to the extent permitted by law, the decision of the claims official (if no review is properly requested) or the decision of the review official on review, as the case may be, shall be final and binding on all parties except to the extent found by a court of competent jurisdiction to constitute an abuse of discretion.

Section 15.7. — Conflicting Claims

If the Administrator is confronted with conflicting claims concerning a Participant's former Participant's or Merged Participant's Accounts, the Administrator may interplead the claimants in an action at law, or in an arbitration conducted in accordance with the rules of the American Arbitration Association, as the Administrator shall elect in its sole discretion, and in either case, the attorneys' fees, expenses and costs reasonably incurred by the Administrator in such proceeding shall be paid from such Participant's Accounts.

Section 15.8. — Effect of Delay or Failure to Ascertain Amount Distributable or to Locate Distributee

(a) If an amount payable under Article XI, XII or XIII cannot be ascertained or the person to whom it is payable has not been ascertained or located within the stated time limits and reasonable efforts to do so have been made, then distribution shall be made not later than sixty days after such amount is determined or such person is ascertained or located, or as prescribed in subsection (b).

(b) If, within one year after a Participant or Merged Participant has a Separation from the Service, the Administrator, in the exercise of due diligence, has failed to locate him (or if such Separation from the Service is by reason of his death, has failed to locate the person entitled to his Vested Accounts under Section 12.2), his entire distributable interest in the Plan shall be applied to reduce the Company's contribution under Section 5.1; provided, however, that if such Participant (or in the case of his death, the person entitled thereto under Section 12.2) makes proper claim therefor under Section 15.6, the amount so

forfeited shall be restored to such Participant's Account or Accounts, as the case may be, applying forfeitures pending application, Company contributions and unallocated earnings and gains of the Trust Fund, in that order, as necessary.

Section 15.9. — Service of Process

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

Section 15.10. — Limitations Upon Powers of the Administrator

The Plan shall not be operated so as to discriminate in favor of Highly Compensated Employees. The Plan shall be uniformly and consistently interpreted and applied with regard to all Participants, former Participants and Merged Participants in similar circumstances. The Plan shall be administered, interpreted and applied fairly and equitably and in accordance with the specified purposes of the Plan.

Section 15.11. — Effect of Administrator Action

Except as provided in Section 15.6, all actions taken and all determinations made by the Administrator in good faith shall be final and binding upon all Participants, former Participants, Merged Participants, the Trustee and any person interested in the Plan or Trust Fund.

Section 15.12. — Contributions to Rollover Accounts

- (a) An Employee may make a contribution to his Rollover Account established by the Administrator for such purpose if such contribution meets the requirements of this Section and is in accordance with the Rules of the Plan.
- (b) Such contribution will meet the requirements of this Section if
- (i) it is made by the Employee to the Trust in cash in a lump sum, and
 - (ii) the amount contributed by the Employee consists of
 - a a direct rollover of an Eligible Rollover Distribution from an Eligible Retirement Plan or
 - b a distribution consisting entirely of an Eligible Rollover Distribution from an Eligible Retirement Plan.
- (c) In addition, such contribution will meet the requirements of this Section if
- (i) the contribution is made within 60 days (or such other period as is permitted by Code Section 402(c)(3)(B)) following the day on which the Eligible Employee received the distribution from the Eligible Retirement Plan described in subsection (b)(ii)b,
 - (ii) such distribution was in the form of cash, and

(iii) such distribution constituted an Eligible Rollover Distribution within the meaning of Code Section 402(c)(4).

(d) The Administrator may require the Employee to supply information sufficient to determine if his contribution meets the requirements of this Section. If the Administrator determines that such contribution does not meet the requirements of this Section, the contribution shall not be permitted.

(e) The Plan may also accept the direct transfer from a plan qualified under Code Section 401(a) of an amount which if paid to the Employee instead of the Plan would have constituted a lump sum distribution within the meaning of Code Section 402(e). The transferred amount shall be credited to the Employee's Rollover Account.

(f) An Employee who makes a contribution to his Rollover Account pursuant to this Section prior to the date that he satisfies the eligibility requirements described in Article II shall generally be treated as a Participant for purposes of the Plan provisions relating to the maintenance, valuation, investment and distribution of Accounts; provided however, that such Employee shall not be treated as an Active Participant for purposes of eligibility to receive an allocation of any Company contributions under the Plan prior to the date he actually becomes an Active Participant in the Plan.

(g) If the Administrator accepts a contribution or transfer pursuant to this Section and later determines that it was improper to do so, in whole or in part, the Plan shall refund the necessary amount to the Employee.

Section 15.13. — Transfers to Rollover Accounts

(a) The Administrator may, in its discretion, permit the Plan to accept a direct transfer from a qualified trust (described in Code Section 401(a)) of a Participant's benefits under such trust. Benefits transferred on behalf of a Participant to the Plan under this Section shall be credited to such Participant's Rollover Account or such other Accounts of the Participant as are designated by the Administrator.

(b) A plan-to-plan transfer under this Section shall satisfy the requirements of Code Sections 411(d)(6) and 414(l) and the Treasury Regulations thereunder.

(c) If the Administrator causes the Plan to accept a plan-to-plan transfer pursuant to this Section and the Administrator later determines that such transfer was improper, in whole or in part, the Plan shall return to the transferor, or plan the necessary amounts.

Section 15.14. — Loans to Participants or Former Participants

(a) A Participant, Merged Participant, former Participant, Spouse or Beneficiary ("Borrower") may borrow against his PTS Account, Qualified Account, ATS Account and/or other Accounts with the approval of the Administrator in accordance with the provisions of subsection (b).

(b) The Administrator shall establish by Rules of the Plan the requirements for loans from the Trust Fund and conditions therefor. Such Rules of the Plan shall be consistent with the following requirements:

(i) The Borrower must be a "party in interest" within the meaning of ERISA Section 3(14) on the date the loan is made.

(ii) Loans shall not be made available to an individual who is a shareholder-employee (as defined in Code Section 4975(f)(6)(C)) of the Company or a Company Affiliate or a member of the family (as defined in Code Section 267(c)(4)) of a shareholder-employee.

(iii) The minimum amount which a Borrower may borrow at any one time under this Section is \$1,000.00.

(iv) The maximum amount which a Borrower may borrow from the Trust Fund shall be an amount which when added to the outstanding balance of all other loans from the Plan and from other qualified plans of the Company or a Company Affiliate does not exceed the lesser of

a \$50,000 reduced by the excess (if any) of

1 the highest outstanding balance of loans from the Plan during the one year period ending on the day before the date on which the loan is made, over

2 the outstanding balance of loans from the Plan on the date on which such loan was made; or

b half of his Vested interest in all of his Accounts, including any Accounts maintained for him pursuant to any Supplement.

(v) Loans shall not be made to a Borrower under this Section more frequently than at six-month intervals. A Borrower may not have more than two loans outstanding at any time.

(vi) Such loans must be available to all Borrowers on a reasonably equivalent basis.

(vii) The Vested percentage of a Borrower's PTS Account, Qualified Account, ATS Account or other Account which is made available for borrowing shall not be higher for Participants, Merged Participants or former Participants who are Highly Compensated Employees, officers or shareholders than for other Borrowers.

(viii) Such loans shall be made upon promissory notes (or such other documents or communication as authorized by the Administrator) providing for substantially level amortization (with regular payments by payroll deduction each Payday for a Participant or by direct payments if the Participant does not have a sufficient paycheck on any Payday). A Merged Participant, former Participant, Spouse or Beneficiary shall make arrangements for

regular direct payments on such loans with the Administrator or its delegate as provided in the Rules of the Plan.

(ix) Each such loan shall be secured by the lesser of the amount of the loan or half of the Vested interest in the Borrower's Accounts, including any Accounts maintained for the Borrower pursuant to any Supplement, and such portion of his Accounts which is credited after the date of the loan. For purposes of Articles XI, XII and XIII, the distributable balance of such Accounts shall be reduced by the unpaid balance of the loan secured by such Accounts.

(x) Each such loan shall bear a reasonable interest rate, which shall be commensurate with the interest rates charged by persons in the business of lending money for loans which would be made under similar circumstances. The Administrator may adopt a national or regional rate of interest for this purpose.

(xi) Each such loan shall be repaid within five years unless the loan is used to acquire any dwelling unit which within a reasonable time is to be used as a principal residence of the Borrower.

(xii) The promissory note on any such loan (or such other document or communication which evidences the loan) shall be an investment of the affected Accounts of the Borrower receiving such loan and not an investment of the Trust Fund generally.

(xiii) At such time as the Administrator determines in its discretion in a uniform and nondiscriminatory manner, a Borrower may suspend his installment payments on any loan under the Plan for a period not longer than one year if the Borrower takes an authorized leave of absence from the Company, either without pay from the Company or at a rate of pay (after income and employment tax withholding) that is less than the amount of the installment payment required under the terms of his Plan loan; provided, however, that the loan must be repaid by the latest date permitted under Code Section 72(p)(2)(B) and the installments due after the leave (or, if earlier, after the first year of the leave) must not be less than those required under the terms of the original loan.

(xiv) At such time as the Administrator determines in its discretion in a uniform and nondiscriminatory manner, a Borrower who leaves the Company as a result of service in the uniformed services (as defined in chapter 43 of title 38, United States Code), whether or not Qualified Military Service as defined in paragraph 6.12(a)(i) may suspend his installment payments on any loan under the Plan during any part of such service and such suspension shall not be taken into account for purposes of Code Section 72(p), 401(a), or 4975(d)(1).

(xv) The Administrator shall allow a grace period for a Borrower to make delinquent installment payments on his loan(s) under the Plan, at such time as the Administrator in its discretion determines in a uniform and nondiscriminatory manner; provided, however, that the grace period shall not extend beyond the last day of the calendar quarter following the calendar quarter in which the required installment payment was due.

(xvi) A Participant whose Account contains a promissory note pursuant this Section 15.14 may not elect to receive a distribution of his Accounts under Article XI or XIII after his Separation from Service until such note has been satisfied or defaulted.

Section 15.15. — Distributions Pursuant to Qualified Domestic Relations Orders and Certain Offsets

(a) Notwithstanding any other provision of the Plan to the contrary except subsection (b), upon receipt by the Administrator of a domestic relations order, as defined in Code Section 414(p), which, but for the time of required payment to the alternative payee, would be a qualified domestic relations order as defined in Code Section 414(p), the amount awarded to the alternate payee shall promptly be paid in the manner specified in such order; provided, however, that no such distribution shall be made prior to the Participant's Separation from the Service if such distribution could adversely affect the qualified status of the Plan.

(b) (i) Notwithstanding subsection (a) or any other provision of the Plan to the contrary, upon receipt by the Administrator of a judgment, order, decree or settlement agreement described in paragraph (ii) which expressly provides for an offset against all or part of an amount ordered or required to be paid to the Plan against a Participant's Accounts under the Plan, such Participant's Accounts shall be reduced or offset by the amount specified in such judgment, order, decree or settlement agreement and such amount shall promptly be paid to the Plan.

(ii) The judgment, order, decree or settlement agreement described in paragraph (i) must arise from

a a judgment of conviction for a crime involving the Plan,

b a civil judgment (including a consent order or decree) entered by a court in an action brought in connection with a violation (or alleged violation) of Part 4 of ERISA, or

c a settlement agreement between the Secretary of Labor or the Pension Benefit Guaranty Corporation and the Participant, in connection with a violation (or alleged violation) of Part 4 of ERISA by a fiduciary or any other person.

Section 15.16. — Correction of Administrative Error; Special Contribution

Notwithstanding any other provision of the Plan to the contrary, the Administrator shall take any and all appropriate actions to correct errors in the administration of the Plan, including, without limitation, errors in the allocation of contributions, forfeitures, and income, expenses, gains and losses to the Accounts of the Participants, Merged Participants, former Participants or Beneficiaries under the Plan. Such corrective actions may include debiting or crediting a Participant's, Merged Participant's, former Participant's or Beneficiary's Accounts or allocating special contributions made by the Company to the Plan for purposes of correcting any failure to make contributions on a timely basis or properly allocate contributions, forfeitures, or income, expenses, gains and losses. The Administrator shall determine the amount of any such special contributions required to be made by the Company, which may be made in such approximate amounts as the Administrator, acting in its sole discretion, shall determine. In no event shall any

corrective action taken by the Administrator under this Section reduce any Participant's, Merged Participant's, former Participant's or Beneficiary's accrued benefit in violation of Section 411(d)(6) of the Code and the Treasury Regulations thereunder.

Section 15.17. — Direct Rollovers

(a) Notwithstanding any provision of the Plan to the contrary, a Distributee may elect, at the time and in the manner prescribed by the Administrator under the Rules of the Plan, to have all or any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan designated by the Distributee in a Direct Rollover.

(b) If a distribution is one to which Code Sections 401(a)(11) and 417 do not apply, such distribution may commence less than 30 days after the notice required under Reg. Section 1.411(a)-11(c) is given, provided that

(i) the Administrator clearly informs the Participant that the Participant has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and

(ii) the Participant, after receiving the notice, affirmatively elects a distribution.

ARTICLE XVI.

**TERMINATION, DISCONTINUANCE,
AMENDMENT, MERGER, ADOPTION OF PLAN**

Section 16.1. — Termination of Plan; Discontinuance of Contributions

(a) The Plan is intended as a permanent program but the Board shall have the right at any time to declare the Plan terminated completely as to the Company or as to any division, facility or other operational unit thereof. Discharge or layoff of Employees of the Company or any unit thereof without such a declaration shall not result in a termination or partial termination of the Plan except to the extent required by law. In the event of any termination or partial termination:

(i) An allocation of amounts being held under Section 18.4(b) shall be made in accordance with Section 18.4(c).

(ii) For each Participant or Merged Participant who is then an Employee or employed by a Company Affiliate with respect to whom the Plan is terminated, the interest in his ESOP Account, if any, including his interest in the forfeitures (which shall be applied under Section 6.9), shall become fully Vested.

(iii) The Administrator shall direct the Trustee to liquidate the necessary portion of the Trust Fund and distribute it, less a proportionate share of the expenses of termination, to the persons entitled thereto in proportion to their Accounts.

(iv) Provided that the Company or a Company Affiliate does not maintain another defined contribution plan other than an employee stock ownership plan (as defined in Code Section 4975(e)(7)), such distributions shall be made in the manner prescribed by

Section 13.1(a), assuming for such purpose that each person entitled to a distribution under the Plan is a Participant or Merged Participant who has had a Separation from the Service due to resignation or discharge on the date of termination.

(b) [Reserved.]

Section 16.2. — Amendment of Plan

As limited in Section 16.1 of the Plan and Section 7.02 of the Trust Agreement, complete or partial amendments or modifications to the Plan (including retroactive amendments to meet governmental requirements or prerequisites for tax qualification) may be made from time to time by Avery Dennison Corporation; provided, however, that no amendment shall decrease the Vested percentage of any Participant, former Participant or Merged Participant has in his Accounts or his accrued benefit. Amendments shall be adopted by the Board; provided, however, that the chief executive officer of Avery Dennison Corporation may adopt amendments as necessary to bring the Plan into conformity with legal requirements or to improve the administration of the Plan, provided that no such amendment involves an increase in cost of benefits provided by the Plan.

Section 16.3. — Retroactive Effect of Plan Amendment

(a) No Plan amendment, including this amendment, unless it expressly provides otherwise, shall be applied retroactively to increase the Vested percentage of a Participant or Merged Participant whose Separation from the Service preceded the date such amendment became effective unless and until he becomes or again becomes a Participant and additional contributions are allocated to him.

(b) No Plan amendment, unless it expressly provides otherwise, shall be applied retroactively to increase the amount of service credited to any person for purposes of Plan participation, vesting or any other Plan purpose with respect to his participation or employment before the date such amendment became effective.

(c) Except as provided in subsections (a) and (b), all rights under the Plan shall be determined under the terms of the Plan as in effect at the time the determination is made.

Section 16.4. — Consolidation or Merger; Adoption of Plan by Other Companies

(a) In the event of the consolidation or merger of the Company with or into any other business entity, or the sale by the Company or its owner of its assets, the successor may continue the Plan by adopting the same by resolution of its board of directors or agreement of its partners or proprietor and, if deemed appropriate, by executing a proper supplemental agreement to the Trust Agreement with the Trustee. If, within ninety days from the effective date of such consolidation, merger or sale of assets, such new corporation, partnership or proprietorship does not adopt the Plan, the Plan shall be terminated in accordance with Section 16.1. If a Company ceases to be a Company Affiliate then, as of the date of the change in the controlled group, the employees of such entity shall cease to be eligible to participate in the Plan.

(b) The Plan shall not be merged or consolidated with any other plan, nor shall its assets or liabilities be transferred to any other plan, unless each Participant, Merged Participant or former Participant in this Plan would have immediately after the merger, consolidation or transfer (if the plan in question were then terminated) accounts which are equal to or greater in amount than his corresponding Accounts under this Plan had the Plan been terminated immediately before the merger, consolidation or transfer.

(c) Any Company Affiliate may, with the approval of the Board or its delegate, adopt the Plan as a whole company or as to any one or more divisions in accordance with the Rules of the Plan.

ARTICLE XVII.

SALE OF COMPANY STOCK

Section 17.1. — Option to Sell Shares of Company Stock

Solely in the event that a Participant, former Participant or Merged Participant receives a distribution consisting in whole or in part of Company Stock that at the time of distribution thereof is not publicly traded, then such distributed Company Stock shall be made subject to a put option in the hands of a Qualified Holder, with such put option to be subject to the following provisions:

(a) During the sixty day period following any distribution of such Company Stock, a Qualified Holder shall have the right to require the Company to purchase all or any portion of said distributed Company Stock held by said Qualified Holder. A Qualified Holder shall exercise such right by giving written notice, within the aforesaid sixty day period, to the Company of the number of shares of distributed Company Stock that such Qualified Holder intends to sell to the Company. The purchase price to be paid for any such Company Stock shall be its fair market value determined as of the most recent valuation in accordance with the valuation rules specified in Section 8.1.

(b) If a Qualified Holder shall fail to exercise his put option right under subsection (a), he shall have the right to exercise such option in the first sixty day period of the next following Plan Year. If a Qualified Holder shall fail to exercise his put option in the next succeeding Plan Year, such option right shall expire and the Qualified Holder shall have no further right to require the Company to purchase such distributed Company Stock.

(c) In the application of subsections (a) and (b), the period during which a put option is exercisable does not include any time when a distributee is unable to exercise it because the party bound by the put option is prohibited from honoring it by applicable federal or state law.

(d) In the event that a Qualified Holder shall exercise a put option under this Section, then the Company shall have the option of paying the purchase price of the Option Stock under either of the following methods:

(i) A lump sum payment of the purchase price within ninety days after the date upon which such put option is exercised (the "Exercise Date") or

(ii) A series of six or less equal installment payments, with the first such payment to be made within thirty days after the Exercise Date and the five or correspondingly less remaining payments to be made on the five or less anniversary dates of the Exercise Date, so that the full amount shall be paid as of the fifth or earlier anniversary of such Exercise Date. If the Company elects to pay the purchase price of the Option Stock under the installment method provided in this paragraph (ii), then the Company shall, within 30 days after the Exercise Date, give the Qualified Holder who is exercising the put option the Company's promissory note for the full unpaid balance of the option price. Such note shall, at a minimum, state a reasonable rate of interest and provide that the full amount of such note shall accelerate and become due immediately in the event that the Company defaults in the payment of a scheduled installment payment.

(e) The protections and rights provided in this Section are nonterminable and continue to exist notwithstanding the repayment of any loan, the proceeds of which are used to purchase Leveraged Company Stock and notwithstanding the cessation of the Plan's status as an employee stock ownership plan.

(f) The foregoing put options under subsections (a) and (b) shall be effective solely against the Company and shall not obligate the Plan in any manner, provided, however, with the Company's consent the Plan may elect to purchase any Company Stock that otherwise must be purchased by the Company pursuant to a Qualified Holder's exercise of any such option.

(g) Except as is expressly provided hereinabove with respect to any distributed Leveraged Company Stock that is not publicly traded, no such Leveraged Company Stock shall be subject to a put, call, or other option, or buy-sell or similar arrangement while held by and when distributed from the Plan, whether or not at such time the Plan constitutes an employee stock ownership plan and whether or not the loan used to acquire such Leveraged Company Stock shall have been repaid.

(h) At the time of distribution of Company Stock that is not publicly traded to an Employee or Beneficiary, the Company shall furnish to such Employee or Beneficiary the most recent annual certificate of value prepared by the Company with respect to such stock. In addition, the Company shall furnish to such Participant, former Participant or Merged Participant or Beneficiary a copy of each subsequent annual certificate of value until the put options provided for in this Section with respect to such distributed Company Stock shall expire.

ARTICLE XVIII.

MISCELLANEOUS PROVISIONS

Section 18.1. — Identification of Fiduciaries

(a) The Administrator (with respect to control and management of Plan assets and in general) and the Trustee shall be named fiduciaries within the meaning of ERISA and, as permitted or required by law, shall have exclusive authority and discretion to control and manage the operation and administration of the Plan within the limits set forth in the Trust Agreement, subject to proper delegation.

(b) Such named fiduciaries and every person who exercises any discretionary authority or discretionary control respecting management of the Trust Fund or Plan, or exercises any authority or control respecting the management or disposition of the assets of the Trust Fund or Plan, or renders investment advice for compensation, direct or indirect, with respect to any monies or other property of the Trust Fund or Plan or has authority or responsibility to do so, or has any discretionary authority or discretionary responsibility in the administration of the Plan, and any person designated by a named fiduciary to carry out fiduciary responsibilities under the Plan, shall be a fiduciary and, as such, shall be subject to provisions of the Plan, the Trust Agreement, ERISA and other applicable laws governing fiduciaries. Any person may act in more than one fiduciary capacity.

Section 18.2. — Allocation of Fiduciary Responsibilities

(a) Fiduciary responsibilities under the Plan are allocated as follows:

(i) The sole power and discretion to manage and control the Plan's assets including, but not limited to, the power to acquire and dispose of Plan assets, is allocated to the Trustee, except to the extent that another fiduciary is appointed in accordance with the Trust Agreement with the power to control or manage (including the power to acquire and dispose of) assets of the Plan.

(ii) The sole duties, responsibilities and powers allocated to the Board shall be those expressly retained under Sections 16.1, 16.2 and 16.4.

(iii) The sole duties, responsibilities and powers allocated to the Company shall be those expressly retained under the Plan or the Trust Agreement.

(iv) Each Participant, former Participant or Merged Participant shall be a named fiduciary for purposes of Section 403(a) of ERISA but solely with respect to the issuance of instructions to the Trustee

A to tender or not to tender the Company Stock representing the proportionate share in the Company Stock Fund and in the Suspense Account of the Participant's Accounts, or the Company Stock credited to his Stock Accounts, pursuant to Section 1.12 of the Trust Agreement, and

B to vote such shares, pursuant to Section 18.5.

(v) All fiduciary responsibilities not allocated to the Trustee, the Board, the Company or any investment manager are hereby allocated to the Administrator, subject to delegation in accordance with Section 15.1(a)(viii).

(b) Fiduciary responsibilities under the Plan (other than the power to manage or control the Plan's assets) may be reallocated among those fiduciaries identified as named fiduciaries in Section 18.1 by amending the Plan in the manner prescribed in Section 16.2 followed by such fiduciaries' acceptance of, or operation under, such amended Plan.

Section 18.3. — Limitation on Rights of Employees

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

Section 18.4. — Limitation on Annual Additions; Treatment of Otherwise Excessive Allocations

(a) Except as provided in Section 3.1(c), in any Plan Year (which shall be the Plan's "limitation year" within the meaning of Treas. Reg. Section 1.415(j)-1), the Annual Addition of a Participant shall not exceed the lesser of

- (i) 100 percent of the Participant's Statutory Compensation for the Plan Year, or
- (ii) \$40,000 (as adjusted for increases in the cost of living as described in Code Section 415(d)).

(b) If the Annual Addition of a Participant would exceed the limits of subsection (a), corrections shall be made in conformance with the Employee Plans Compliance Resolution System (or any successor thereto).

Section 18.5. — Voting Rights

Except as otherwise required by ERISA, the Code and applicable Treasury Regulations, all voting rights of shares of Company Stock held in the Trust Fund (including pursuant to any Supplement) shall be exercised by the Trustee only as directed by the Administrator, the Participants, former Participants or Merged Participants (as applicable) or their Beneficiaries in accordance with the following provisions of this Section 18.5:

- (a) With respect to all corporate matters submitted to the Company's shareholders, Company Stock held by the Trust in the Company Stock Fund or Stock Accounts (including pursuant to any Supplement) shall be voted in accordance with the directions of the Participants, former Participants and Merged Participants (as communicated to the Trustee) in proportion to the sum of the value of the investment of their Accounts in the Company Stock Fund (including pursuant to any Supplement) and the value of the shares allocated to their Stock Accounts (including pursuant to any Supplement). If this Section 18.5(a) applies to shares of Company Stock allocated to the account of a deceased Participant, former Participant or Merged Participant, such

Participant's Beneficiary shall be entitled to direct the voting with respect to such shares as if such Beneficiary were the Participant, former Participant or Merged Participant.

(b) At least thirty days before each annual or special shareholders' meeting of the Company (or, if such schedule cannot be met, as early as practicable before such meeting), the Trustee shall furnish to each Participant, former Participant or Merged Participant a copy of the proxy solicitation material sent generally to shareholders, together with a form requesting confidential instructions on how such Participant's proportionate voting rights are to be exercised. Upon timely receipt of such instructions, the Trustee (after combining votes of fractional shares of Company stock to give effect to the greatest extent possible to Participants,' former Participants' or Merged Participants' instructions) shall vote as instructed. The instructions received by the Trustee from Participants, former Participants or Merged Participants shall be held by the Trustee in strict confidence and shall not be divulged or released to any person including officers or Employees of the Company, or of any other company. The Trustee and the Company shall not make recommendations to Participants, former Participants or Merged Participants on whether to vote or how to vote, other than recommendations contained in proxy and other materials that are generally distributed to all shareholders of the Company with respect to such vote. If voting instructions for shares of Company Stock allocated to any Participant, former Participant or Merged Participant are not timely received for a particular shareholders' meeting, such shares of Company Stock shall not be voted.

(c) The Trustee shall vote shares of Company Stock allocated to the Suspense Account (or held by the Trust but not otherwise described in subsection (a)) in the same proportion as Company Stock with respect to which voting instructions are received is voted.

Section 18.6. — Delays in Payment

If any Participant, former Participant or Merged Participant would incur any liability pursuant to Section 16(b) of the Securities Exchange Act of 1934 by reason of his receipt of any distribution hereunder, then, notwithstanding any other Plan provision, such Participant, former Participant or Merged Participant shall have the option to delay such distribution for such reasonable period of time as shall be necessary to avoid such liability.

Section 18.7. — Restriction on Leveraged Company Stock

Except as otherwise provided herein, no Leveraged Company Stock may be subject to a put, call, or other option or a buy-sell or similar arrangement while held by and when distributed from the Plan.

Section 18.8. — Governing Law

The Plan and Trust shall be interpreted, administered and enforced in accordance with the Code and ERISA, and the rights of Participants, former Participants, Merged Participants, Beneficiaries and all other persons shall be determined in accordance therewith; provided, however, that, to the extent that state law is applicable, the laws of the state of residence of the Participant in question, or if none, the state in which the principal office of the Administrator is located shall apply.

Section 18.9. — Genders and Plurals

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

Section 18.10. — Titles

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

Section 18.11. — References

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

Executed at Pasadena, California, this 25th day of January, 2007.

AVERY DENNISON CORPORATION

By /s/ Dean A. Scarborough
Chief Executive Officer

SUPPLEMENT A

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger into the Savings Plan of the Employee Stock Ownership Plan of Avery International effective July 31, 1987. It shall apply only to Merged Participants and those who are not Merged Participants only because they are Participants.

The profit-sharing portion of the Plan shall include the PAYSOP Accounts.

Section A1.1. — Accounts

“Accounts” of a Participant or Merged Participant shall include his PAYSOP Account.

Section A1.2. — ESOP Effective Date

“ESOP Effective Date” shall be March 1, 1989.

Section A1.3. — Merged Participant

“Merged Participant” shall include a PAYSOP Participant and a Savings Plan Participant.

Section A1.4. — PAYSOP

“PAYSOP” shall mean the Employee Stock Ownership Plan of Avery International which was merged into the Savings Plan effective July 31, 1987.

Section A1.5. — PAYSOP Account

“PAYSOP Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the PAYSOP into the Savings Plan effective July 31, 1987 which consists of the contributions of the Company to such Participant’s Stock Ownership Account established pursuant to the PAYSOP in accordance with Section 5.1 thereof.

Section A1.6. — PAYSOP Participant

“PAYSOP Participant” shall mean any person who is not a Participant in the Plan and was not a participant in the Savings Plan, but was a participant in the PAYSOP, for whom the Company maintains a PAYSOP Account.

Section A1.7. — Savings Plan Participant

“Savings Plan Participant” shall include any person who is not a Participant in the Plan but was a participant in the Savings Plan and the PAYSOP for whom the Company maintains a PAYSOP Account and Accounts under the Savings Plan described in Supplement H.

Section A1.8. — Stock Account

A “Stock Account” of a Participant or Merged Participant shall include his PAYSOP Account.

Section A6.10. — Diversification

Except as provided in subsection 6.10(b) of the Plan, this Section shall apply to any Active Participant.

* * * * *

References in the following Sections of the Plan to “Participants” shall be deemed to include Merged Participants:

1.13 (Cash Account), 1.54 (Qualified Holder), 1.65 (Stock Account), 6.4, 6.6, 6.8, 6.10, 8.1, and 18.2.

SUPPLEMENT B

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger into the Savings Plan of the Profit-Sharing Plan for Employees of White Graphic Systems, Inc. effective July 31, 1987. It shall apply only to Merged Participants and those who are not Merged Participants only because they are Participants.

The profit-sharing portion of the Plan shall include the White Graphic Accounts.

Section B1.1. — Accounts

“Accounts” of a Participant or Merged Participant shall include his White Graphic Account.

Section B1.2. — Hour of Service

For purposes of Section 1.36, any reference to the “Company” with respect to periods prior to August 1, 1987 shall include White Graphic Systems, Inc.

Section B1.3. — Merged Participant

“Merged Participant” shall include a White Graphic Participant and a Savings Plan Participant.

Section B1.4. — Savings Plan Participant

“Savings Plan Participant” shall include any person who is not a Participant in the Plan but was a participant in the Savings Plan and the White Graphic Plan for whom the Company maintains a White Graphic Account and Accounts under the Savings Plan described in Supplement H.

Section B1.5. — White Graphic Account

“White Graphic Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the White Graphic Plan into the Savings Plan effective July 31, 1987.

Section B1.6. — White Graphic Participant

“White Graphic Participant” shall mean any person who is not a Participant in the Plan and was not a participant in the Savings Plan, but was a Participant in the White Graphic Plan for whom the Company maintains a White Graphic Account.

Section B1.7. — White Graphic Plan

“White Graphic Plan” shall mean the Profit-Sharing Plan for Employees of White Graphic Systems, Inc.

SUPPLEMENT C

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger into the Savings Plan of the Profit-Sharing Plan of Kingsbacher-Murphy Company effective March 1, 1993. It shall apply only to Merged Participants and those who are not Merged Participants only because they are Participants.

The profit-sharing portion of the Plan shall include the Kingsbacher-Murphy Accounts.

Section C1.1. — Accounts

“Accounts” of a Participant or Merged Participant shall include his Kingsbacher-Murphy Account.

Section C1.2. — Kingsbacher-Murphy Account

“Kingsbacher-Murphy Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the Kingsbacher-Murphy Plan into the Savings Plan effective March 1, 1993, and shall consist of his Kingsbacher-Murphy Rollover Account, if any, and his Kingsbacher-Murphy Profit-Sharing Account.

Section C1.3. — Kingsbacher-Murphy Participant

“Kingsbacher-Murphy Participant” shall mean any person who is not a Participant in the Plan and was not a participant in the Savings Plan, but was a Participant in the Kingsbacher-Murphy Plan for whom the Company maintains a Kingsbacher-Murphy Account.

Section C1.4. — Kingsbacher-Murphy Plan

“Kingsbacher-Murphy Plan” shall mean the Profit-Sharing Plan of Kingsbacher-Murphy Company.

Section C1.5. — Kingsbacher-Murphy Profit-Sharing Account

“Kingsbacher-Murphy Profit-Sharing Account” of a Participant or Merged Participant shall mean that portion of his Kingsbacher-Murphy Account consisting of contributions to his Profit-Sharing Account established pursuant to the terms of the Kingsbacher-Murphy Plan.

Section C1.6. — Kingsbacher-Murphy Rollover Account

“Kingsbacher-Murphy Rollover Account” of a Participant or a Merged Participant shall mean that portion of his Kingsbacher-Murphy Account consisting of contributions to his Rollover Account, if any, established pursuant to the terms of the Kingsbacher-Murphy Plan.

Section C1.7. — Merged Participant

“Merged Participant” shall include a Kingsbacher-Murphy Participant and a Savings Plan Participant.

Section C1.8. — Savings Plan Participant

“Savings Plan Participant” shall include any person who is not a Participant in the Plan but was a participant in the Savings Plan and the Kingsbacher-Murphy Plan for whom the Company maintains a Kingsbacher -Murphy Account and Accounts under the Savings Plan described in Supplement H.

SUPPLEMENT D

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the transfer into the Savings Plan of the accounts of certain employees under The Dennison Manufacturing Company Pre-Tax Investment Plus Plan and The Avery Dennison Office Products Company Pre-Tax Investment Plus Plan, effective at the close of business May 31, 1993. It shall apply only to Merged Participants and those who are not Merged Participants only because they are Participants.

Pursuant to this transfer of accounts, amounts held in the "Deferred Compensation Account," "Matching Account," "Qualified Account" and "Rollover Account" of each Participant and Merged Participant under the Dennison 401(k) Plans were transferred to the Unmatched PTS Account, Company Contributions Account, Qualified Account and Dennison 401(k) Rollover Account, respectively, under the Savings Plan.

The profit-sharing portion of the Plan shall include the Dennison 401(k) Rollover Accounts.

Section D1.1. — Accounts

"Accounts" of a Participant or Merged Participant shall include his Dennison 401(k) Rollover Account.

Section D1.2. — Dennison 401(k) Participant

"Dennison 401(k) Participant" shall mean any person who is not a Participant in the Plan and was not a participant in the Savings Plan, but one or more of whose accounts in one of the Dennison 401(k) Plans was transferred to the Savings Plan.

Section D1.3. — Dennison 401(k) Plans

"Dennison 401(k) Plans" shall mean The Dennison Manufacturing Company Pre-Tax Investment Plus Plan and The Avery Dennison Office Products Company Pre-Tax Investment Plus Plan.

Section D1.4. — Dennison 401(k) Rollover Account

"Dennison 401(k) Rollover Account" shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the transfer of accounts from the Dennison 401(k) Plans to the Savings Plan effective as of May 31, 1993.

Section D1.5. — Merged Participant

"Merged Participant" shall include a Dennison 401(k) Participant and a Savings Plan Participant.

Section D1.6. — Savings Plan Participant

“Savings Plan Participant” shall include any person who is not a Participant in the Plan but was a participant in the Savings Plan and one of the Dennison 401(k) Plans for whom the Company maintains one or more Accounts which were originally transferred from a Dennison 401(k) Plan to the Savings Plan as well as Accounts under the Savings Plan described in Supplement H.

Section D9.3. — Withdrawals from Dennison 401(k) Rollover Accounts

A Participant or Merged Participant who is an Employee may elect in accordance with the Rules of the Plan to make a lump sum withdrawal of all or any portion of the amount credited to his Dennison 401(k) Rollover Account.

Section D9.6. — Withdrawals Upon Attainment of Age Fifty Nine and One Half

A Participant or Merged Participant who remains in the employ of the Company after attaining age fifty-nine and one-half may elect in accordance with the Rules of the Plan to receive a distribution of all or any portion of his Dennison 401(k) Rollover Account in one lump sum. Such distributions shall not be made more frequently than at twelve month intervals.

Section D15.14. — Loans to Participants and Merged Participants

A Participant or Merged Participant may borrow against his Dennison 401(k) Rollover Account with the approval of the Administrator in accordance with the provisions of subsection (b).

SUPPLEMENT E

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger into the Savings Plan of The Dennison Employee Stock Ownership Plan, effective at the close of business May 31, 1993. It shall apply only to Merged Participants and those who are not Merged Participants only because they are Participants.

The leveraged ESOP portion of the Plan shall include the Dennison ESOP Accounts.

Section E1.1. — Accounts

“Accounts” of a Participant or Merged Participant shall include his Dennison ESOP Account.

Section E1.2. — Change in Control

“Change in Control” shall mean,

(a) The acquisition (other than from Dennison Manufacturing Company) by any person, entity or “group”, within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), (excluding, for this purpose, Dennison Manufacturing Company or its subsidiaries, or any employee benefit plan of Dennison Manufacturing Company or its subsidiaries) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then outstanding shares of common stock of Dennison Manufacturing Company or the combined voting power of the then outstanding voting securities of Dennison Manufacturing Company entitled to vote generally in the election of directors of Dennison Manufacturing Company; or

(b) Individuals, who as of January 1, 1990, constitute the Board of Directors of Dennison Manufacturing Company (as of January 1, 1990, the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of Directors of Dennison Manufacturing Company, provided that any person becoming a director subsequent to January 1, 1990 whose election, or nomination for election by the shareholders of Dennison Manufacturing Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Dennison Manufacturing Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of the Plan, considered as though such person were a member of the Incumbent Board; or

(c) Consummation of a reorganization, merger or consolidation, in each case, with respect to which persons who were the stockholders of Dennison Manufacturing Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own, directly or indirectly, more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company’s then outstanding voting securities, or a liquidation or dissolution of

Dennison Manufacturing Company or of the sale of all or substantially all of the assets of Dennison Manufacturing Company.

Section E1.3. — Dennison ESOP

“Dennison ESOP” shall mean The Dennison Employee Stock Ownership Plan.

Section E1.4. — Dennison ESOP Account

“Dennison ESOP Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the Dennison ESOP into the Savings Plan effective May 31, 1993.

Section E1.5. — Dennison ESOP Participant

“Dennison ESOP Participant” shall mean any person who is not a Participant in the Plan and was not a participant in the Savings Plan, but was a participant in the Dennison ESOP, for whom the Company maintains a Dennison ESOP Account.

Section E1.7. — Leveraged Company Stock

“Leveraged Company Stock” shall include Company Stock treated as “Leveraged Company Stock” under the provisions of the Dennison ESOP as of its merger into the Savings Plan.

Section E1.8. — Merged Participant

“Merged Participant” shall include a Dennison ESOP Participant and a Savings Plan Participant.

Section E1.9. — Normal Retirement Date

“Normal Retirement Date” of a Participant or Merged Participant, but only with respect to his Dennison ESOP Account, shall mean the first day of the calendar month coincident with or next following the earlier of

- (a) his sixty-fifth birthday, or
- (b) his fifty-fifth birthday and his completion of five Years of Vesting Service.

Section E1.10. — Savings Plan Participant

“Savings Plan Participant” shall include any person who is not a Participant in the Plan but was a participant in the Savings Plan and the Dennison ESOP for whom the Company maintains a Dennison ESOP Account and Accounts under the Savings Plan described in Supplements H.

Section E1.11. — Stock Account

“Stock Account” of a Participant or Merged Participant shall include his Dennison ESOP Account. For purposes of Section E6.10, Stock Account shall mean only that portion of a Participant’s Stock Account held in Company Stock.

Section E1.12. — Years of Vesting Service

“Years of Vesting Service” shall include all service treated as “Vesting Service” under the provisions of the Dennison ESOP as of May 31, 1993, as well as all service otherwise so treated under the provisions of the Savings Plan and the Plan.

Section E6.10. — Diversification

Except as provided in Section 6.10(a) of the Plan, an Active Participant may elect to have up to the entire amount credited to his Stock Account applied, pursuant to Article VII and the Rules of the Plan, to investment in such (three or more) Subfunds as are designated for such purpose under the Rules of the Plan (and notwithstanding any contrary, otherwise applicable, Rules of the Plan) or distributed to him. Such elections shall be made on such forms or such other documents or communications as are prescribed by the Administrator.

Section E9.1. — Vesting of Accounts

(a) Except as provided in Section E14.3(a) and subsection (b), a Participant’s or Merged Participant’s Dennison ESOP Account shall not be Vested until he completes three Years of Vesting Service at which time it shall become fully Vested.

(b) The interest of a Participant or Merged Participant in his Dennison ESOP Account shall become fully Vested upon the earliest to occur of

- (i) it becoming fully Vested under the terms of the Dennison ESOP or the Savings Plan,
- (ii) his death,
- (iii) his Normal Retirement Date,
- (iv) his Disability Retirement Date,
- (v) a Change in Control, or
- (vi) the termination or discontinuation of the Plan under Section 16.1,

if he is then an affected Employee or employed by a Company Affiliate.

Section E9.6. — Withdrawal After Ten Years of Vesting Service

Notwithstanding any contrary provision of the Plan, any Participant or Merged Participant who has accrued ten or more Years of Vesting Service at the end of any Plan Year may,

without a Separation from the Service and during his continued participation in the Plan, elect to receive a distribution of up to 10% (determined in increments of 1%) of the amount credited to his Dennison ESOP Account in one lump sum distribution in the form of cash or stock to the extent permitted by Section 11.3(b)(i) in accordance with Section 11.3(a).

Section E11.3. — Distribution of Accounts

(b) If the entire amount credited to a Participant's or Merged Participant's Accounts exceeds \$1,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)), such Participant or Merged Participant may elect to receive the amount credited to his Dennison ESOP Account under any installment option then available under Section 11.3, except that following commencement of payment, such Participant may elect to increase the amount of such installments or the frequency of such installments, or both.

Section E12.2. — Distribution on Death

(a) Upon the death of a Participant or Merged Participant whose Accounts exceed \$5,000, the person or persons designated under subsection (b) may elect to receive the amount credited to such Participant's Dennison ESOP Account under any installment option then available under Section 11.3, except that following commencement of payment, such person or persons designated under subsection (b) may elect to increase the amount of such installments or the frequency of such installments, or both; provided, however, that such installments shall continue over a period not longer than the life expectancy of such person.

Section E13.1. — Distribution on Resignation or Discharge

(b) if the Vested amount credited to his Accounts exceeds \$1,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)), payment of his Vested Dennison ESOP Account under any installment option then available under Section 11.3, except that following commencement of payment, such Participant may elect to increase the amount of such installments or the frequency of such installments, or both.

Section E13.2. — Forfeitures

(a) If a Participant or Merged Participant has a Separation from the Service due to resignation or discharge, the portions of his Dennison ESOP Account which are not Vested shall be forfeited upon his completion of five consecutive Break in Service Years. Pending application under Section 6.9, forfeitures shall be held in suspense and shall not be commingled with amounts held in suspense under Section 18.4.

(b) If a Participant or Merged Participant has a Separation from the Service prior to becoming Vested in any portion of his Dennison ESOP Account, a distribution shall be deemed to have occurred upon such Separation from the Service for purposes of subsection (a).

Section E13.3. — Restoration of Forfeitures

If a Participant or Merged Participant whose Dennison ESOP Account is not then fully Vested

- (a) has a Separation from the Service,
- (b) suffers a forfeiture under Section E13.2 of the portion of such Account which is not Vested,
- (c) again becomes an Employee or employed by a Company Affiliate before he has five consecutive Break in Service Years, and
- (d) repays to the Plan the full amount, if any, distributed to him from such Accounts before the end of his fifth consecutive Break in Service Year or, if earlier, the fifth anniversary of his reemployment,

then the amount forfeited under Section E13.2 by such Participant or Merged Participant and any interest thereon shall be restored to his Dennison ESOP Account, applying forfeitures pending reallocation and Company contributions, in that order, as necessary.

Section E14.3. — Vesting

(a) For any Plan Year in which the Plan is Top Heavy, the Vested percentage of the Dennison ESOP Account of each Participant or Merged Participant who completes an Hour of Service in such Plan Year shall be the percentage of such Account shown on the following table:

Years of Vesting Service	Vested Percentage
Less than 2	0%
2	20%
3	100%

(b) The Vested percentage of a Participant's or Merged Participant's Dennison ESOP Account shall be not less than the Vested percentage determined as of the last day of the last Plan Year in which the Plan was Top Heavy.

(c) For any Plan Year in which the Plan is not Top Heavy which follows one or more Plan Years for which the Plan has been Top Heavy, Section E9.1 shall again become applicable as an amendment to the Plan; thus, each Participant or Merged Participant who has had his Vested percentage computed under subsection (a) and who has completed at least one Year of Vesting Service shall be permitted to elect to have his Vested percentage computed in accordance with subsection (a) for such Plan Year and any subsequent Plan Year in which the Plan is no longer Top Heavy. Such Participant or Merged Participant may make such election within an election period beginning no later than the first day of the first Plan Year in which the Plan is no longer Top Heavy and ending no later than the later of

- (i) the sixtieth day of such Plan Year, or
- (ii) a date which is sixty days after the day the Participant or Merged Participant is issued written notice of his right to make such election by the Administrator.

Section E16.1. — Termination of Plan; Discontinuance of Contributions

(a) (ii) For each Participant or Merged Participant who is then an Employee or employed by a Company Affiliate with respect to whom the Plan is terminated, the interest in his Dennison ESOP Account, if any, including his interest in the forfeitures (which shall be applied under Section 5.4), shall become fully Vested.

* * * * *

References in the following Sections of the Plan to “Participants” shall be deemed to include Merged Participants:

1.13 (Cash Account), 1.54 (Qualified Holder), 1.65 (Stock Account), 6.4, 6.6, 6.8, 6.10, 8.1, and 18.2.

SUPPLEMENT F

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger into the Savings Plan of The Dennison Manufacturing Company Bargaining Unit Employee Stock Ownership Plan, effective as of the close of business on November 30, 1995. It shall apply only to Merged Participants and those who are not Merged Participants only because they are Participants.

The leveraged ESOP portion of the Plan shall include the Dennison Bargaining Unit ESOP Accounts.

Section F1.1. — Accounts

“Accounts” of a Participant or Merged Participant shall include his Dennison Bargaining Unit ESOP Account.

Section F1.2. — Change in Control

“Change in Control” shall mean,

(a) The acquisition (other than from Dennison Manufacturing Company) by any person, entity or “group”, within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), (excluding, for this purpose, Dennison Manufacturing Company or its subsidiaries, or any employee benefit plan of Dennison Manufacturing Company or its subsidiaries) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then outstanding shares of common stock of Dennison Manufacturing Company or the combined voting power of the then outstanding voting securities of Dennison Manufacturing Company entitled to vote generally in the election of directors of Dennison Manufacturing Company; or

(b) Individuals, who as of January 1, 1990, constitute the Board of Directors of Dennison Manufacturing Company (as of January 1, 1990, the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of Directors of Dennison Manufacturing Company, provided that any person becoming a director subsequent to January 1, 1990 whose election, or nomination for election by the shareholders of Dennison Manufacturing Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Dennison Manufacturing Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of the Plan, considered as though such person were a member of the Incumbent Board; or

(c) Consummation of a reorganization, merger or consolidation, in each case, with respect to which persons who were the stockholders of Dennison Manufacturing Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own, directly or indirectly, more than 50% of the combined voting

power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, or a liquidation or dissolution of Dennison Manufacturing Company or of the sale of all or substantially all of the assets of Dennison Manufacturing Company.

Section F1.3. — Dennison Bargaining Unit ESOP

"Dennison Bargaining Unit ESOP" shall mean The Dennison Manufacturing Company Bargaining Unit Employee Stock Ownership Plan.

Section F1.4. — Dennison Bargaining Unit ESOP Account

"Dennison Bargaining Unit ESOP Account" shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the Dennison ESOP into the Savings Plan effective as of the close of business on November 30, 1995.

Section F1.5. — Dennison Bargaining Unit ESOP Participant

"Dennison Bargaining Unit ESOP Participant" shall mean any person who is not a Participant in the Plan and was not a participant in the Savings Plan, but was a Participant in the Dennison Bargaining Unit ESOP, for whom the Company maintains a Dennison Bargaining Unit ESOP Account.

Section F1.6. — Dennison ESOP

"Dennison ESOP" shall mean The Dennison Employee Stock Ownership Plan.

Section F1.8. — Merged Participant

"Merged Participant" shall include a Dennison Bargaining Unit ESOP Participant and a Savings Plan Participant.

Section F1.9. — Normal Retirement Date

"Normal Retirement Date" of a Participant or Merged Participant, but only with respect to his Dennison Bargaining Unit ESOP Account, shall mean the first day of the calendar month coincident with or next following the earlier of

- (a) his sixty-fifth birthday, or
- (b) his fifty-fifth birthday and his completion of five Years of Vesting Service.

Section F1.10. — Savings Plan Participant

"Savings Plan Participant" shall include any person who is not a Participant in the Plan but was a participant in the Savings Plan and the Dennison Bargaining Unit ESOP for whom the Company maintains a Dennison Bargaining Unit ESOP Account and Accounts under the Savings Plan described in Supplement H.

Section F1.11. — Stock Account

“Stock Account” of a Participant or Merged Participant shall include his Dennison Bargaining Unit ESOP Account. For purposes of Section F6.10, Stock Account shall mean only that portion of a Participant’s Stock Account held in Company Stock.

Section F1.12. — Years of Vesting Service

“Years of Vesting Service” shall include all service treated as “Vesting Service” under the provisions of the Dennison Bargaining Unit ESOP as of the close of business November 30, 1995, as well as all service otherwise so treated under the provisions of the Savings Plan and the Plan.

Section F6.10. — Diversification

Except as provided in subsection 6.10(b) of the Plan, an Active Participant may elect to have up to the entire amount credited to his Stock Account applied, pursuant to Article VII and the Rules of the Plan, to investment in such (three or more) Subfunds as are designated for such purpose under the Rules of the Plan (and notwithstanding any contrary, otherwise applicable, Rules of the Plan) or distributed to him. Such elections shall be made on such forms or such other documents or communications as are prescribed by the Administrator.

Section F9.1. — Vesting of Accounts

(a) Except as provided in Section F14.3(a) and subsection (b), a Participant’s or Merged Participant’s Dennison Bargaining Unit ESOP Account shall not be Vested until he completes three Years of Vesting Service at which time it shall become fully Vested.

(b) The interest of a Participant or Merged Participant in his Dennison Bargaining Unit ESOP Account shall become fully Vested upon the earliest to occur of

- (i) it becoming fully Vested under the terms of the Dennison Bargaining Unit ESOP or the Savings Plan,
- (ii) his death,
- (iii) his Normal Retirement Date,
- (iv) his Disability Retirement Date,
- (v) a Change in Control, or
- (vi) the termination or discontinuation of the Plan under Section 16.1,

if he is then an affected Employee or employed by a Company Affiliate.

Section F9.6. — Withdrawal After Ten Years of Vesting Service

Notwithstanding any contrary provision of the Plan, any Participant or Merged Participant who has accrued ten or more Years of Vesting Service at the end of any Plan Year may, without a Separation from the Service and during his continued participation in the Plan, elect to receive a distribution of up to 10% (determined in increments of 1%) of the amount credited to his Dennison Bargaining Unit ESOP Account in one lump sum distribution in the form of cash or stock to the extent permitted by Section 11.3(b)(i) in accordance with Section 11.3(a).

Section F11.3. — Distribution of Accounts

(b) If the entire amount credited to a Participant's or Merged Participant's Accounts exceeds \$1,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)), such Participant or Merged Participant may elect to receive the amount credited to his Dennison Bargaining Unit ESOP Account under any installment option then available under Section 11.3, except that following commencement of payment, such Participant may elect to increase the amount of such installments or the frequency of such installments, or both.

Section F12.2. — Distribution on Death

(a) Upon the death of a Participant or Merged Participant whose Accounts exceed \$5,000, the person or persons designated under subsection (b) may elect to receive the amount credited to such Participant's Dennison Bargaining Unit ESOP Account under any installment option then available under Section 11.3, except that following commencement of payment, such person or persons designated under subsection (b) may elect to increase the amount of such installments or the frequency of such installments, or both; provided, however, that such installments shall continue over a period not longer than the life expectancy of such person.

Section F13.1. — Distribution on Resignation or Discharge

(b) if the Vested amount credited to his Accounts exceeds \$1,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)), payment of his Dennison Bargaining Unit ESOP Account under any installment option then available under Section 11.3, except that following commencement of payment, such Participant may elect to increase the amount of such installments or the frequency of such installments, or both.

Section F13.2. — Forfeitures

(a) If a Participant or Merged Participant has a Separation from the Service due to resignation or discharge, the portions of his Dennison Bargaining Unit ESOP Account which are not Vested shall be forfeited upon his completion of five consecutive Break in Service Years. Pending application under Section 6.9, forfeitures shall be held in suspense and shall not be commingled with amounts held in suspense under Section 18.4.

(b) If a Participant or Merged Participant has a Separation from the Service prior to becoming Vested in any portion of his Dennison Bargaining Unit ESOP Account, a distribution shall be deemed to have occurred upon such Separation from the Service for purposes of subsection (a).

Section F13.3. — Restoration of Forfeitures

If a Participant or Merged Participant whose Dennison Bargaining Unit ESOP Account is not then fully Vested

- (a) has a Separation from the Service,
- (b) suffers a forfeiture under Section F13.2 of the portion of such Account which is not Vested,
- (c) again becomes an Employee or employed by a Company Affiliate before he has five consecutive Break in Service Years, and
- (d) repays to the Plan the full amount, if any, distributed to him from such Accounts before the end of his fifth consecutive Break in Service Year or, if earlier, the fifth anniversary of his reemployment,

then the amount forfeited under Section F13.2 by such Participant or Merged Participant and any interest thereon shall be restored to his Dennison Bargaining Unit ESOP Account, applying forfeitures pending reallocation and Company contributions, in that order, as necessary.

Section F14.3. — Vesting

(a) For any Plan Year in which the Plan is Top Heavy, the Vested percentage of the Dennison Bargaining Unit ESOP Account of each Participant or Merged Participant who completes an Hour of Service in such Plan Year shall be the percentage of such Account shown on the following table:

Years of Vesting Service	Vested Percentage
Less than 2	0%
2	20%
3	100%

(b) The Vested percentage of a Participant's or Merged Participant's Dennison Bargaining Unit ESOP Account shall be not less than the Vested percentage determined as of the last day of the last Plan Year in which the Plan was Top Heavy.

(c) For any Plan Year in which the Plan is not Top Heavy which follows one or more Plan Years for which the Plan has been Top Heavy, Section F9.1 shall again become applicable as an amendment to the Plan; thus, each Participant or Merged Participant who has had his Vested percentage computed under subsection (a) and who has completed at least one Year of Vesting Service shall be permitted to elect to have his Vested percentage computed in accordance with subsection (a) for such Plan Year and any subsequent Plan Year in which the Plan is no longer Top

Heavy. Such Participant or Merged Participant may make such election within an election period beginning no later than the first day of the first Plan Year in which the Plan is no longer Top Heavy and ending no later than the later of

(i) the sixtieth day of such Plan Year, or

(ii) a date which is sixty days after the day the Participant or Merged Participant is issued written notice of his right to make such election by the Administrator.

Section F16.1. — Termination of Plan; Discontinuance of Contributions

(a) (ii) For each Participant or Merged Participant who is then an Employee or employed by a Company Affiliate with respect to whom the Plan is terminated, the interest in his Dennison Bargaining ESOP Account, if any, including his interest in the forfeitures (which shall be applied under Section 5.4), shall become fully Vested.

* * * * *

References in the following Sections of the Plan to "Participants" shall be deemed to include Merged Participants:

1.13 (Cash Account), 1.54 (Qualified Holder), 1.65 (Stock Account), 6.4, 6.6, 6.8, 6.10, 8.1, and 18.2.

SUPPLEMENT G

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger into the Savings Plan of The Avery Dennison Office Products Company Pre-Tax Investment Plus Plan, effective as of the close of business November 30, 1995. It shall apply only to Merged Participants and those who are not Merged Participants only because they are Participants.

Pursuant to this merger, amounts held in the "Deferred Compensation Account," "Matching Account," "Qualified Account" and "Rollover Account" of each Participant and Merged Participant under the ADOPCo 401(k) Plan were merged into the Unmatched PTS Account, Company Contributions Account, Qualified Account and ADOPCo 401(k) Rollover Account, respectively, under the Savings Plan.

The profit-sharing portion of the Plan shall include the ADOPCo 401(k) Rollover Accounts.

Section G1.1. — Accounts

"Accounts" of a Participant or Merged Participant shall include his ADOPCo 401(k) Rollover Account.

Section G1.2. — ADOPCo 401(k) Participant

"ADOPCo 401(k) Participant" shall mean any person who is not a Participant in the Plan and was not a participant in the Savings Plan but was a participant in the ADOPCo 401(k) Plan, for whom the Company maintains an ADOPCo 401(k) Rollover Account.

Section G1.3. — ADOPCo 401(k) Plan

"ADOPCo 401(k) Plan" shall mean The Avery Dennison Office Products Company Pre-Tax Investment Plus Plan.

Section G1.4. — ADOPCo 401(k) Rollover Account

"ADOPCo 401(k) Rollover Account" shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the ADOPCo 401(k) Plan into the Savings Plan effective as of the close of business November 30, 1995.

Section G1.5. — Merged Participant

"Merged Participant" shall include an ADOPCo 401(k) Participant and a Savings Plan Participant.

Section G1.6. — Savings Plan Participant

"Savings Plan Participant" shall include any person who is not a Participant in the Plan but was a participant in the Savings Plan and the ADOPCo 401(k) Plan for whom the Company

maintains an ADOPCo 401(k) Rollover Account and Accounts under the Savings Plan described in Supplement H.

Section G9.3. — Withdrawals from ADOPCo 401(k) Rollover Accounts

A Participant or Merged Participant who is an Employee may elect in accordance with the Rules of the Plan to make a lump sum withdrawal of all or any portion of the amount credited to his ADOPCo 401(k) Rollover Account.

Section G9.6. — Withdrawals Upon Attainment of Age Fifty Nine and One Half

A Participant or Merged Participant who remains in the employ of the Company after attaining age fifty-nine and one-half may elect in accordance with the Rules of the Plan to receive a distribution of all or any portion of his ADOPCo 401(k) Rollover Account in one lump sum. Such distributions shall not be made more frequently than at twelve month intervals.

Section G15.14. — Loans to Participants and Merged Participants

A Participant or Merged Participant may borrow against his ADOPCo 401(k) Rollover Account with the approval of the Administrator in accordance with the provisions of subsection (b).

SUPPLEMENT H

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger of the Savings Plan into the Plan, effective following the close of business on November 30, 1997. It shall apply only to Merged Participants and those who are not Merged Participants only because they are Participants.

Pursuant to this merger, amounts held in the "Pre-Tax Savings ("PTS") Account," the "After-Tax Savings ("ATS") Account," the "Qualified Account" (which shall consist of the "Qualified Company Contribution Account" and the "Qualified ESOP Account"), the "Rollover Account," the "ESOP Account," the "Company Contributions Account," and the "Prior Account" of each Participant and Merged Participant under the Savings Plan will be held in the "Pre-Tax Savings ("PTS") Account," the "After-Tax Savings ("ATS") Account," the "Qualified Account," the "Rollover Account," the "ESOP Account," the "Company Contributions Account," and the "Prior Account," respectively, under the Plan.

The profit-sharing portion of the Plan shall include all Accounts other than the ESOP Accounts and the Qualified ESOP Accounts which shall be a part of the leveraged ESOP portion of the Plan.

Section H1.1. — Accounts

"Accounts" of a Participant or Merged Participant may include his Company Contributions Account, Qualified Company Contribution Account and his Prior Account.

Section H1.2. — Company Contributions Account

"Company Contributions Account" of a Participant shall mean his individual account in the Trust Fund established in accordance with Section H6.2(a).

Section H1.3. — ESOP Effective Date

The "ESOP Effective Date" shall be March 1, 1989.

Section H1.4. — Leveraged Company Stock

"Leveraged Company Stock" shall include Company Stock treated as "Leveraged Company Stock" under the provisions of the Savings Plan as of its merger into the Plan.

Section H1.5. — Merged Participant

"Merged Participant" shall include a Savings Plan Participant.

Section H1.6. — Prior Account

"Prior Account" of a Participant or Merged Participant shall mean his account as of November 30, 1976 under the Savings Plan as constituted on that date together with such other accounts, received by the Savings Plan in a trust-to-trust transfer, as the Administrator designated, each as adjusted from time to time in accordance with Section 8.2.

Section H1.7. — Qualified Company Contributions Account

“Qualified Account” of a Participant or Merged Participant shall mean his individual account in the Trust Fund, if any, established in accordance with Section H6.2(b) pursuant to Sections 3.5 and 6.11.

Section H1.8. — Qualified Company Matching Account

“Qualified Company Matching Account” shall mean the portion of his Qualified Company Contributions Account established in accordance with Section H6.2(b).

Section H1.9. — Qualified Company Non-Matching Account

“Qualified Company Non-Matching Account” shall mean the portion of his Qualified Company Contributions Account established in accordance with Section H6.2(b).

Section H1.10. — Savings Plan Participant

“Savings Plan Participant” shall mean any person who is not a Participant in the Plan, but was a participant in the Savings Plan prior to the Merger, for whom the Company maintains Accounts as described in this Supplement or for whom the Company may maintain other Accounts described in Supplements A-G because he also participated in the PAYSOP, the White Graphic Plan, the Kingsbacher-Murphy Plan, a Dennison 401(k) Plan, the Dennison ESOP, the Dennison Bargaining Unit ESOP or the ADOPCo 401(k) Plan.

Section H3.5. — Deferral Percentage Failsafe Provisions

(d)(ii) To the extent permitted by Code Section 401(a)(4) and Treas. Reg. § 1.401(k)-1(b)(5) (which are incorporated herein by this reference), the Company may make additional contributions

A to the Qualified Company Non-Matching Accounts, or,

B to be applied to payment of Current Obligations

with the condition that the contributions under subparagraph A, or the shares of Company Stock released from the Suspense Account pursuant to Sections 6.8 and 6.9 by reason of the contributions under subparagraph A, or shall be allocated to the Qualified Company Non-Matching Accounts of certain Participants in inverse order of Compensation received in the Plan Year in question (lowest compensated Participant receiving the first allocation) with each Participant who receives an allocation receiving the maximum allocation permitted by Code Section 415 before any Participant with greater Compensation receives any allocation, until such contribution is fully allocated.

(iii) Amounts otherwise to be credited under Section 6.3(b) to Company Contributions Accounts for such Plan Year shall be credited instead to Qualified Company Matching Accounts of the Participants in question.

Section H6.2. — Company Contributions Account; Qualified Company Contributions Account

(a) The Administrator shall maintain a Company Contributions Account for each Participant or Merged Participant, to which shall be credited the amounts allocated thereto under the Savings Plan with respect to all periods prior to the ESOP Effective Date and to which shall be credited or debited amounts determined under Section 8.2.

(b) The Administrator shall maintain a Qualified Company Contributions Account for each Participant or Merged Participant consisting of a Qualified Company Matching Account and a Qualified Company Non-Matching Account to which shall be credited the amounts allocated thereto under Sections H6.11(b)(iii) and (iv) and H3.5(d)(ii) and (iii) and to which shall be credited or debited amounts deferred under Section 8.2.

Section H6.10 — Diversification

Except as provided in subsection 6.10(b) of the Plan, this Section shall apply to any Active Participant.

Section H6.11. — Contribution Percentage Fail-Safe Provisions

(b)(iii) To the extent permitted by Code Section 401(a)(4) and Treas. Reg. § 1.401(m)-1(b)(5) (which are incorporated herein by this reference), the Company may make an additional contribution

A to the Qualified Company Non-Matching Accounts, or

B to be applied to payment of Current Obligations

with the condition that the contributions under subparagraph A, or the shares of Company Stock released from the Suspense Account pursuant to Sections 6.8 and 6.9 by reason of the contributions under subparagraph A, shall be allocated to the Qualified Company Matching Accounts of Participants in inverse order of Compensation received in the Plan Year in question (lowest compensated Participant receiving the first allocation) with each Participant who receives an allocation receiving the maximum allocation permitted by Code Section 415 before any Participant with greater Compensation receives any allocation, until such contribution is fully allocated.

(iv) To the extent permitted by Code Section 401(a)(4), amounts otherwise to be credited under Section 6.3(b) to Company Contributions Accounts for such Plan Year shall be credited instead to Qualified Company Matching Accounts of the Participants in question.

Section H9.2. — Unrestricted Withdrawals

(a) Subject to the Rules of the Plan, once each Plan Year and, if the Administrator determines that a Hardship (including, for this purpose, an event described in Section 1.34(a)(viii)b) has occurred, on one additional occasion in such Plan Year, a Participant or Merged Participant who has not incurred a Separation from the Service may withdraw up to one hundred percent of the following Accounts in the following order (and subject to the following conditions)

with no amounts withdrawn from a later designated Account until all earlier designated Accounts are exhausted:

- (i) ATS Account. Withdrawals from such Accounts shall be at least one thousand dollars or, if less, the amount of such Accounts.
- (ii) Company Contributions Account.

(b) A Participant or Merged Participant who makes a withdrawal under subsection (a) shall not be permitted to make any contributions to the Plan and shall not receive a contribution under subsection 6.3(b) for

- (i) three months for a withdrawal under paragraph (a)(i),
- (ii) six months for a withdrawal under paragraph (a)(ii),

or such other periods as are specified in the Rules of the Plan.

Section H9.6. — Withdrawals Upon Attainment of Age Fifty-Nine and One Half

A Participant or Merged Participant who remains in the employ of the Company after attaining age fifty-nine and one-half may elect in accordance with the Rules of the Plan to receive a distribution of all or any portion of his Company Contributions Account or his Qualified Account in one lump sum. Such distributions shall not be made more frequently than at twelve month intervals.

Section H15.14. — Loans to Participants or Former Participants

(a) A Participant or Merged Participant (“Borrower”) may borrow against his Company Contributions Account, Qualified Account or Prior Account and/or other Accounts with the approval of the Administrator in accordance with the provisions of subsection (b).

(vii) The Vested percentage of a Borrower’s Company Contributions Account, Qualified Account or Prior Account which is made available for borrowing shall not be higher for Participants or Merged Participants who are Highly Compensated Employees, officers or shareholders than for other Borrowers.

* * * * *

References in the following Sections of the Plan to “Participants” shall be deemed to include Merged Participants:

1.13 (Cash Account), 1.54 (Qualified Holder), 1.65 (Stock Account), 6.4, 6.6, 6.8, 6.10, 8.1, and 18.2

SUPPLEMENT I

This Supplement contains provisions which modify and supplement the Plan in order to document the dormant SHARE Accounts under the Plan after the Merger. It shall apply only to Participants and SHARE Participants who participated in the Plan prior to the Merger.

The leveraged ESOP portion of the Plan shall include the SHARE Accounts.

Section I1.1. — Accounts

“Accounts” of a Participant or SHARE Participant shall include his SHARE Account.

Section I1.2. — Defined Benefit Plan

“Defined Benefit Plan” at any time shall mean The Retirement Plan for Employees of Avery Dennison Corporation as then constituted, or its successor.

Section I1.3. — Leveraged Company Stock

“Leveraged Company Stock” shall include Company Stock treated as “Leveraged Company Stock” under the provisions of the Plan in effect prior to the Merger.

Section I1.4. — SHARE Participant

“SHARE Participant” shall mean any person who is not a Participant in the Plan, but was a Participant in the Plan prior to the Merger, for whom the Company maintains a SHARE Account.

Section I1.5. — SHARE Account

“SHARE Account” shall mean the individual dormant SHARE Cash Account and the individual dormant SHARE Stock Account established for a Participant or SHARE Participant effective as of the Merger.

Section I1.6. — SHARE Cash Account

“SHARE Cash Account” shall mean a dormant sub-account established and maintained for each Participant or SHARE Participant under Section I6.2(d) for purposes of holding and accounting for assets other than Company Stock held in the Trust Fund and allocated to Participants and SHARE Participants prior to the Merger.

Section I1.7. — SHARE Stock Account

“SHARE Stock Account” of a Participant or SHARE Participant shall mean the dormant account established and maintained for each Participant and SHARE Participant under Section I6.2(d) for purposes of holding and accounting for Company Stock held in the Trust Fund and allocated to Participants and SHARE Participants prior to the Merger.

Section I1.8. — Stock Account

“Stock Account” of a Participant or SHARE Participant shall include his SHARE Account.

Section I6.2. — SHARE Account

(d) The Administrator shall maintain a dormant SHARE Account for each Participant or SHARE Participant to which shall be credited the amounts allocated thereto under the Plan with respect to all periods prior to the Merger and to which shall be credited or debited amounts determined under Section 8.2.

Section I6.8. — Release and Allocation of Leveraged Company Stock

No Leveraged Company Stock shall be released and allocated to SHARE Stock Accounts pursuant to this Section on or after December 1, 1997.

Section I6.9. — Allocation of Forfeitures Accounting for Forfeitures

(b) Except as provided in Section 18.4(a), Participants who are Employees at the end of the Plan Year in question and who have SHARE Accounts maintained for them under the Plan shall also share in amounts forfeited from SHARE Cash Accounts and SHARE Stock Accounts under Sections I12.2(b)(iii), I13.2 and I15.8 in proportion to their Compensation received in such Plan Year while Active Participants.

(c) The aggregate shares of Company Stock forfeited under Sections I12.2(b)(iii), I13.2 and I15.8 from SHARE Stock Accounts shall be reallocated under subsection (b) in shares and fractional shares and credited to Participant’s SHARE Stock Accounts.

(d) The aggregate amounts forfeited under Sections I12.2(b)(iii), I13.2 and I15.8 from Cash Accounts shall be reallocated under subsection (b) and credited to Participant’s SHARE Cash Accounts.

Section I6.12. — Retirement Fund

The Administrator shall establish a subfund in the Trust Fund designated the “Retirement Subfund.” Effective as of the election by a Participant or SHARE Participant pursuant to either Sections I11.3(a) or I11.3(b)(iii) or Section I13.1(a) or I13.1(b)(ii) (or an election to elect treatment under Section I11.3(b)(iii) under Section I12.2(a) or a Spousal election under Section I12.2(c)), (i) such Participant’s or SHARE Participant’s SHARE Account balances shall be reduced by the amount of such SHARE Account so transferred to the Defined Benefit Plan, and (ii) assets with a value, determined pursuant to Article VIII, equal to the portion of his Accounts so transferred shall become an asset of the Retirement Subfund of the Trust Fund to be held for the benefit of that certain trust fund established under the Master Retirement Trust Agreement of Avery Dennison Corporation (the “Retirement Plan Trust Fund”). Any shares of Company Stock so transferred to the Retirement Subfund shall be exchanged for cash as soon as possible. No less frequently than once per Plan Year the assets held in the Retirement Subfund shall be transferred to the Retirement Plan Trust Fund.

Section I8.1. — Determination of Values

(b) (ii) For purposes of a Participant's or SHARE Participant's exercise of his put option rights (if applicable) under Article XVII or for purposes of valuing Company Stock in a lump sum or installment distribution under Section I11.3(b)(i), I11.3(b)(ii), I12.2(a), I13.1(a) or I13.1(b)(i) with respect to his SHARE Account, such Leveraged Company Stock shall be valued as of the end of the most recent Plan Year.

(c) The valuation of Company Stock (or diversified amounts not held in Company Stock) in a Participant's or SHARE Participant's SHARE Account pursuant to a transfer election (or in the absence of a transfer election, for purposes of the Participant's ESOP Reduction" under the Defined Benefit Plan) shall occur as of the close of the last business day of the month of the Participant's Separation from the Service in accordance with the Rules of the Plan.

Section I9.1. — Vesting of Accounts

(b) Except as provided in Section 14.3(a) and subsection (c), a Participant's or SHARE Participant's SHARE Account shall not be Vested until he completes five Years of Vesting Service at which time it shall become fully Vested.

(c) The interest of a Participant in his SHARE Account shall become fully Vested upon the earliest to occur of

- (i) his death,
- (ii) his sixty-fifth birthday, or
- (iii) the termination or discontinuation of the Plan under Section 16.1,

if he is then an affected Employee or employed by a Company Affiliate.

Section I11.3. — Distribution or Transfer of Accounts

(a) Subject to subsection (c), if the entire amount credited to a Participant's or SHARE Participant's SHARE Account (together with the amounts credited to all other of his "Accounts" (including under Supplements)) does not exceed \$1,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)), such Participant shall receive such amount in one lump sum cash distribution. Alternatively, such Participant may elect to have his SHARE Account transferred to the Defined Benefit Plan as described in subsection (b)(iii).

(b) Subject to subsection (c), if the entire amount credited to a Participant's or SHARE Participant's SHARE Account (together with the amounts credited to all other of his "Accounts" (including under Supplements)) exceeds \$1,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)), such Participant may elect to receive (or transfer) such amount under one of the following options:

- (iii) Transfer, of such amount to the Defined Benefit Plan (provided that if transfer of any part of such amount would cause the benefit under the Defined Benefit Plan to exceed the limitations of Code Section 415(b)(1), or the "Formula Amount" (as defined in

the Defined Benefit Plan), then such part of such amount shall not be transferred but, to the extent allowed under Code Section 415, shall be distributed under one of paragraphs (i)-(ii) as elected by the Participant or SHARE Participant);

provided, however, that any election to transfer under subsection (a) or paragraph (iii) shall only be effective if made within the 60-day period which begins on the later of the date the Participant's election forms are mailed to the Participant or the date of his Separation from the Service. If such Participant fails to make an election to transfer within this 60-day period, he may not elect to transfer his Accounts at any subsequent time and his Accounts shall be distributed to him as otherwise provided herein. If the Participant or SHARE Participant fails to make any election under this subsection, his Accounts shall be distributed to him in one lump sum as provided in paragraph (i).

(c) A Participant shall make a separate election with respect to his SHARE Account in accordance with the Rules of the Plan.

Section I12.2. — Distribution or Transfer on Death

(a) Subject to Section I12.3, upon the death of a Participant, former Participant or SHARE Participant, the Vested amount credited to his SHARE Account (as determined under Section I9.1) shall be paid in one lump sum distribution in cash or in whole shares of Company Stock (except that the equivalent of any fractional share shall be distributed in cash at fair market value as most recent by determined under Article VIII) as the person or persons entitled thereto under subsection (b) may elect unless another method of distribution or transfer is elected by the Participant, former Participant or SHARE Participant under Section I11.3, or unless a Spousal election is made under subsection (c).

(b) Distribution under subsection (a) shall be made not later than ninety days following such Participant's death (or such longer reasonable period as is permitted under Treas. Reg. §1.401(a)-20 A-3(b)(1)) to his then Surviving Spouse, if any, except to the extent, if any, to which such Surviving Spouse has consented under Section 12.1(c) to the designation of other beneficiaries and otherwise (such as if such Participant had not designated a Beneficiary before his death), to the person or persons of highest priority who survive him by at least thirty days determined as follows:

(i) First, to his then surviving highest priority Beneficiary or Beneficiaries, if any.

(ii) Second, to his then surviving heirs at law, if any, as determined in the reasonable judgment of the Administrator under the laws governing succession to personal property of the last jurisdiction in which the Participant or SHARE Participant was a resident.

(iii) Third, to Participants in the Plan (to be reallocated in accordance with Section I6.9).

(c) Notwithstanding subsection (a), if the Vested amount credited to the SHARE Account (together with the amounts credited to all other of the Participant's "Accounts" (including under Supplements)) of a deceased Participant, former Participant or SHARE Participant exceeds \$5,000, and the Beneficiary is the Participant's Spouse, such Spouse may elect within the 60-day period which begins on the later of the date the Spouse's election forms are mailed to the Spouse or

the date of the Participant's death to have transferred such amount to the Defined Benefit Plan, to supplement the benefit payable to such Spouse under the Defined Benefit Plan (provided that if transfer of any part of such amount would cause the benefit under the Defined Benefit Plan to exceed the limitations of Code Section 415(b)(1), or the "Formula Amount" (as defined in the Defined Benefit Plan), then such part of such amount shall not be transferred but, to the extent allowed under Code Section 415, shall be distributed under subsection (a) or Section I12.3(a). If the Surviving Spouse fails to make an election to transfer within this 60-day period, such Surviving Spouse may not elect to transfer the Participant's, former Participant's or SHARE Participant's Accounts at any subsequent time and such Accounts shall be distributed to the Surviving Spouse under another alternative available to such Spouse under this Article. The Surviving Spouse shall make a separate election with respect to the deceased Participant's SHARE Account in accordance with the Rules of the Plan.

Section I12.3 — Election of Other Payment Methods

(a) Subject to subsection (c), but notwithstanding any other provision of this Article and in lieu of the lump sum payment otherwise provided for in this Article, if the deceased Participant's or SHARE Participant's Vested Account balance exceeds \$5,000, payments under this Article to the Spouse of such Participant shall be made under such option available under Section 11.3 as such Spouse shall designate.

(b) Subject to subsection (c), but notwithstanding any other provision of this Article, a Participant or SHARE Participant may elect on the form provided by the Administrator for Beneficiary designations that, in lieu of the lump sum payment otherwise provided for in this Article payments under this Article to his Beneficiary shall be made under such option available under Section 11.3 as such Participant shall designate in such form provided that upon the Participant's death, his Vested Account balance exceeds \$5,000. If a Beneficiary receiving installment payments under this Section dies, the balance then due shall be paid in cash in one lump sum to the then surviving person with highest priority under Section I12.2(b).

(c) If a Participant or SHARE Participant dies before distribution of his SHARE Account commences, then

(i) such Accounts must be distributed within five years of the Participant's or SHARE Participant's death, or

(ii) if any portion of such Accounts is payable to or for the benefit of a Beneficiary, such portion shall be distributed over the life or the life expectancy of such Beneficiary with distributions commencing

a within one year of such Participant's death, or,

b if the Beneficiary is such Participant's Spouse, no later than the date on which the Participant or SHARE Participant would have attained age seventy and one half (but if such Spouse dies before distributions to such Spouse commence, then such Spouse shall be treated as the Participant for purposes of this Section 12.3(c)), or

c on such other date as is allowed by law.

(d) The Surviving Spouse shall make a separate election with respect to the deceased Participant's SHARE Account in accordance with the Rules of the Plan.

Section I13.1. — Distribution or Transfer on Resignation or Discharge

(a) Subject to subsection (c), if a Participant or SHARE Participant has a Separation from the Service due to resignation or discharge, and

(i) if the Vested amount credited to his SHARE Account (together with the amounts credited to all other of his "Accounts" (including under Supplements)) does not exceed \$1,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)), he shall receive such amount in one lump sum distribution in cash, with such distribution to be made not later than six months after the end of the Plan Year in which such Separation from the Service occurs, or, if earlier, within sixty days after the end of the Plan Year in which his sixty-fifth birthday occurs or, if he has attained age 55 as of his Separation from the Service, he may also elect to have his SHARE Account transferred to the Defined Benefit Plan as described in subsections (ii)b, or

(ii) if the Vested amount credited to his SHARE Account (together with the amounts credited to all other of his "Accounts" (including under Supplements)) exceeds \$1,000 (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)),

a he shall receive such amount in one lump sum in cash with such distribution to be made on such date as he shall elect in accordance with Code Section 411(a)(11) but not later than the April 1 following the calendar year of his attainment of age seventy and one-half,

b if he has attained age 55 as of his Separation from the Service, he may elect to transfer his SHARE Account to the Defined Benefit Plan to supplement the benefit payable under that plan (provided that if transfer of any part of such amount would cause the benefit under the Defined Benefit Plan to exceed the limitations of Code Section 415(b)(1), or the "Formula Amount" (as defined in the Defined Benefit Plan), then such part of his SHARE Account shall not be transferred but, to the extent allowed under Code Section 415, shall be distributed under subparagraph a or Section 13.1(b)(ii) (if he so qualifies), as elected by the Participant, in accordance with Code Sections 411(a)(11) and 401(a)(9)), or

c if he has not attained age 55 as of his Separation from the Service, he may elect to transfer his SHARE Account to the Defined Benefit Plan as described in paragraph (ii)b only if his benefit under the Defined Benefit Plan could not be involuntarily cashed out under the provisions of Section 4.17 thereof (or its successor).

(b) Any transfer election under subsection (a) must be made by the Participant or SHARE Participant within the 60-day period which begins on the later of the date the election forms are mailed to the Participant or the date of such Participant's

Separation from the Service. If such Participant fails to make an election to transfer within this 60-day period, he may not elect to transfer his Accounts at any subsequent time and his Accounts shall be distributed to him under another alternative available to him under this Section.

(c) At any time before the lump sum distribution under subsection (a) is made, the Participant may elect in accordance with the Rules of the Plan to receive the amount in whole shares of Company Stock (and to the extent of any fractional share, cash) valued as determined under Article VIII.

(d) A Participant shall make a separate election with respect to his SHARE Account in accordance with the Rules of the Plan.

Section I13.2. — Forfeitures

(a) If a Participant or SHARE Participant has a Separation from the Service due to resignation or discharge, the portion of his SHARE Account which is not Vested shall be forfeited upon the earlier of his receipt of his distribution under this Article or his completion of five consecutive Break in Service Years. Pending reallocation under Section I6.9, forfeitures shall be held in suspense and shall not be commingled with amounts held in suspense under Section 18.4(b).

(b) In the case of a forfeiture by a Participant or SHARE Participant whose SHARE Account is partially Vested, such forfeiture shall be applied first to his Cash Account, if any, and then, as necessary, to his Stock Account which was not Leveraged Company Stock, and then to Company Stock which was Leveraged Company Stock.

Section I13.3. — Restoration of Forfeitures

If a Participant or SHARE Participant whose SHARE Account is not then fully Vested

(a) has a Separation from the Service,

(b) suffers a forfeiture of the portions of such Accounts which are not Vested,

(c) again becomes an Employee or employed by a Company Affiliate before he has five consecutive Break in Service Years, and

(d) repays to the Plan the full amount, if any, distributed to him from such Accounts before the end of five consecutive Break in Service Years commencing after his distribution, or, if earlier, the fifth anniversary of his reemployment,

then the amount forfeited under Section I13.2 by such Participant shall be restored to his SHARE Account, applying forfeitures pending reallocation and Company contributions, in that order, as necessary.

Section I14.3. — Vesting

(a) For any Plan Year in which the Plan is Top Heavy, the Vested percentage of the SHARE Account of each Participant or SHARE Participant who completes an Hour of Service in such Plan Year shall be the percentage of such Account shown on the following table:

Years of Vesting Service	Vested Percentage
less than 2	0%
2	20%
3	40%
4	60%
5	100%

(b) The Vested percentage of a Participant's or SHARE Participant's SHARE Account shall be not less than the Vested percentage determined as of the last day of the last Plan Year in which the Plan was Top Heavy.

Section I15.8. — Effect of Delay or Failure to Ascertain Amount Distributable or to Locate Distributes

(b) If, within one year after a Participant or SHARE Participant has a Separation from the Service, the Administrator, in the exercise of due diligence, has failed to locate him (or if such Separation from the Service is by reason of his death, has failed to locate the person entitled to his Vested SHARE Account under Section I12.2), his entire distributable interest in the Plan shall be forfeited and reallocated under Section I6.9; provided, however, that if the Participant (or in the case of his death, the person entitled thereto under Section I12.2) makes proper claim therefor, the amount so forfeited shall be restored to the Participant's SHARE Account, applying forfeitures pending reallocation, Company contributions and unallocated earnings and gains of the Trust Fund, in that order, as necessary.

Section I16.1. — Termination of Plan; Discontinuance of Contributions

(a) (ii) For each Participant or SHARE Participant who is then an Employee or employed by a Company Affiliate with respect to whom the Plan is terminated, the interest in his SHARE Account, if any, including his interest in the forfeitures (which shall be applied under Section I6.9), shall become fully Vested.

* * * * *

References in the following Sections of the Plan to "Participants" shall be deemed to include SHARE Participants:

1.13 (Cash Account), 1.54 (Qualified Holder), 1.65 (Stock Account), 6.4, 6.6, 6.8, 6.10, 8.1, and 18.2.

SUPPLEMENT J

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger of the Bear Rock Technologies 401(k) Profit Sharing Plan into the Plan, effective as of March 31, 2000. It shall apply only to Merged Participants and those who are not Merged Participants only because they are Participants.

Pursuant to this merger, amounts held in the “Elective Deferrals Account,” and “Qualified Matching Contributions Account,” including “Qualified Nonelective Contributions Account,” under the Bear Rock Technologies 401(k) Profit Sharing Plan (the “Bear Rock Plan”) shall be merged into and maintained as a subaccount of the Unmatched PTS Account and Qualified Account, respectively, under the Plan. Amounts held in the “Employer Contributions Account,” “Rollover Contribution Account” and “Matching 401(k) Contribution Account,” established under the Bear Rock Plan shall be maintained in the Bear Rock Employers Contributions Account, Bear Rock Rollover Contributions Account and Bear Rock Matching 401(k) Account under the Plan.

The profit-sharing portion of the Plan shall include the Bear Rock Employer Contributions Account and Bear Rock Rollover Account.

Section J1.1 — Accounts

“Accounts” of a Participant or Merged Participant shall include his Bear Rock Accounts.

Section J1.2 — Bear Rock Accounts

“Bear Rock Accounts” of a Participant or Merged Participant shall mean his accounts established under the Bear Rock Plan, including his Bear Rock Employer Contributions Account, Bear Rock Rollover Contribution Account and his Bear Rock Matching 401(k) Account.

Section J1.3 — Bear Rock Plan

“Bear Rock Plan” shall mean the Bear Rock Technologies 401(k) Profit Sharing Plan.

Section J1.4 — Bear Rock Employer Contributions Account

“Bear Rock Employer Contributions Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the Bear Rock Plan into the Plan, effective as of March 31, 2000.

Section J1.5 — Bear Rock Participant

“Bear Rock Participant” shall mean any person who is not a Participant in the Plan but was a participant in the Bear Rock Plan, for whom the Company maintains a Bear Rock Employer Contributions Account and a Bear Rock Rollover Contribution Account, if any.

Section J1.6 — Bear Rock Matching 401(k) Account

“Bear Rock Matching 401(k) Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the Bear Rock Plan into the Plan, effective as of March 31, 2000.

Section J1.7 — Bear Rock Rollover Contribution Account

“Bear Rock Rollover Contribution Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the Bear Rock Plan into the Plan, effective as of March 31, 2000.

Section J1.8 — Hour of Service

For purposes of Section 1.36, any references to the “Company” with respect to periods before March 31, 2000, shall include Bear Rock Technologies Corp.

Section J1.9 — Merged Participant

“Merged Participant” shall include a Bear Rock Participant.

Section J1.43 — Normal Retirement Date

“Normal Retirement Date” of a Participant or Merged Participant with respect to his Bear Rock Accounts shall mean the first day of the month coincident with or next following his attainment of age 59 ½.

Section J1.75 — Years of Vesting Service

“Years of Vesting Service” shall include all service treated as “Vesting Service” under the provisions of the Bear Rock Plan as of March 31, 2000, as well as all service otherwise so treated under the provisions of the Plan.

Section J9.1 — Vesting of Accounts

(b) Except as provided in Section 14.3(a) and subsection (c), the Vested portion of a Participant’s or Merged Participant’s Bear Rock Employer Contributions Account and Bear Rock Matching 401(k) Account shall be the percentage of such Accounts shown on the following table:

Years of Vesting Service	Vested Percentage
1 (or less)	0%
2	20%
3	40%
4	60%
5	80%
6	100%

(c) The interest of a Participant or Merged Participant in his Bear Rock Employer Contributions Account and Bear Rock Matching 401(k) Account shall become fully Vested upon the earliest to occur of

- (i) his death,
- (ii) his attainment of age 59 1/2,
- (iii) his Disability Retirement Date, or
- (iv) the termination or discontinuance of the Plan under Section 16.1,

if he is then an affected Employee or employed by a Company Affiliate.

Section J9.3 — Withdrawals from Bear Rock Rollover Contribution Accounts

A Participant or Merged Participant who is an Employee may elect in accordance with the Rules of the Plan to make a lump sum withdrawal of all or any portion of the amount credited to his Bear Rock Rollover Contribution Account.

Section J9.6 — Withdrawals Upon Attainment of Age Fifty-Nine and One Half

A Participant or a Merged Participant who retains in the employ of the Company after attaining age fifty-nine and one-half may elect in accordance with the Rules of the Plan to receive a distribution of all or any portion of his Bear Rock Accounts in one lump sum.

Section J14.3 — Vesting

(a) For any Plan Year in which the Plan is Top-Heavy, the Vested percentage of his Bear Rock Employer Contributions Account and Bear Rock Matching 401(k) Contributions Account of each Participant or Merged Participant who completes an Hour of Service in such Plan Year shall be the percentage of such Account shown on the following table:

<u>Years of Vesting Service</u>	<u>Vested Percentage</u>
1 (or less)	0%
2	20%
3	40%
4	60%
5	80%
6 (or more)	100%

Section J15.14 — Loans to Participants or Former Participants

(a) A Participant or Merged Participant may borrow against his Bear Rock Accounts with the approval of the Administrator in accordance with the provisions of subsection (b).

SUPPLEMENT K

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger of the Stimsonite Corporation Retirement Plan into the Plan, effective as of September 1, 2000. It shall apply only to Merged Participants and those who are not Merged Participants only because they are Participants.

This Supplement K is hereby amended by deleting Articles KXI, KXII and KXIII and Section K9.8 (together with corresponding definitions in Sections K1.2, K1.3, K1.6 and K1.7) effective as of the 90th day following the date that Participants who have Stimsonite Accounts, Stimsonite Participants (as defined in Section K1.12) and Beneficiaries of such Participants and Stimsonite Participants who are receiving benefits from Stimsonite Accounts have been furnished a summary that reflects the elimination of the alternate forms of payment described thereunder and that satisfies the requirements of 29 CFR 2520.104b-3 (relating to a summary of material modifications).

Pursuant to this merger, amounts held in "Salary Savings Contribution Accounts," "401(a) Employer Contribution Accounts," "Rollover Accounts" and "401(k) Employer Match Contribution Accounts," established under the Stimsonite Plan shall be maintained in Stimsonite Salary Savings Contribution Accounts, Stimsonite 401(a) Employer Contribution Accounts, Stimsonite Rollover Accounts and Stimsonite 401(k) Employer Match Contribution Accounts under the Plan.

The profit-sharing portion of the Plan shall include the Stimsonite 401(a) Employer Contribution Account and Stimsonite Rollover Account.

Section K1.1 — Accounts

"Accounts" of a Participant or Merged Participant shall include his Stimsonite Accounts.

Section K1.2 — [Reserved]

Section K1.3 — [Reserved]

Section K1.4 — Hour of Service

For purposes of Section 1.36, any references to the "Company" with respect to periods before September 1, 2000, shall include Stimsonite Corporation.

Section K1.5 — Merged Participant

"Merged Participant" shall include a Stimsonite Participant.

Section K1.6 — [Reserved]

Section K1.7 — [Reserved]

Section K1.8 — Stimsonite Accounts

“Stimsonite Accounts” of a Participant or Merged Participant shall mean his accounts established under the Stimsonite Plan, including his Stimsonite Salary Savings Contribution Account, Stimsonite 401(a) Employer Contribution Account, Stimsonite Rollover Account and his Stimsonite 401(k) Employer Match Contribution Account.

Section K1.9 — Stimsonite Plan

“Stimsonite Plan” shall mean the Stimsonite Corporation Retirement Plan.

Section K1.10 — Stimsonite 401(a) Employer Contribution Account

“Stimsonite 401(a) Employer Contribution Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the Stimsonite Plan into the Plan, effective as of September 1, 2000.

Section K1.11 — Stimsonite 401(k) Match Employer Contributions Account

“Stimsonite 401(k) Match Contributions Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the Stimsonite Plan into the Plan, effective as of September 1, 2000.

Section K1.12 — Stimsonite Participant

“Stimsonite Participant” shall mean any person who is not a Participant in the Plan but was a participant in the Stimsonite Plan, for whom the Company maintains a Stimsonite 401(a) Employer Contributions Account and a Stimsonite Rollover Contribution Account, if any.

Section K1.13 — Stimsonite Rollover Account

“Stimsonite Rollover Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the Stimsonite Plan into the Plan, effective as of September 1, 2000.

Section K1.14 — Stimsonite Salary Savings Contribution Account

“Stimsonite Salary Savings Contribution Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the Stimsonite Plan into the Plan, effective as of September 1, 2000.

Section K1.75 — Years of Vesting Service

“Years of Vesting Service” shall include all service treated as “Vesting Service” under the provisions of the Stimsonite Plan as of September 1, 2000, as well as all service otherwise so treated under the provisions of the Plan.

Section K9.1 — Vesting of Accounts

Each Participant's or Merged Participant's interest in his Stimsonite Accounts shall be Vested at all times.

Section K9.6 — Withdrawals Upon Attainment of Age 59½

A Participant or Merged Participant who is an Employee and has attained age 59½ may elect in accordance with the Rules of the Plan to make a lump sum withdrawal of all or any portion of the amount credited to his Stimsonite Rollover Account, Stimsonite Salary Savings Contribution Account and Stimsonite 401(k) Employer Match Contribution Account.

Section K9.8 — [Reserved]

Section K15.14 — Loans to Participants or Former Participants

(a) A Participant or Merged Participant may borrow against his Stimsonite Accounts with the approval of the Administrator in accordance with the provisions of subsection (b).

SUPPLEMENT L

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger of the Dunsirn Industries, Inc. Employee Savings and Retirement Plan into the Plan, effective as of December 31, 2001. It shall apply only to Merged Participants and those who are not Merged Participants only because they are Participants.

Pursuant to this merger, amounts held in "Participant Elective Accounts," "Participant Accounts" (consisting of employer matching contributions and employer discretionary contributions), "Qualified Non-Elective Accounts" (if any) and "Rollover Accounts" established under the Dunsirn Plan ("Dunsirn Accounts") shall be maintained in the "Pre-Tax Savings ("PTS") Accounts," the "Dunsirn Participant Accounts," "Qualified Accounts" and "Rollover Accounts" under the Plan.

The profit-sharing portion of the Plan shall include the Dunsirn Participant Accounts.

Section L1.1 — Accounts

"Accounts" of a Participant or Merged Participant shall include his Dunsirn Participant Account.

Section L1.2 — Dunsirn Participant

"Dunsirn Participant" shall mean any person who is not a Participant in the Plan but was a participant in the Dunsirn Plan, for whom the Company maintains Dunsirn Accounts.

Section L1.3 — Dunsirn Plan

"Dunsirn Plan" shall mean the Dunsirn Industries, Inc. Employee Savings and Retirement Plan.

Section L1.4 — Merged Participant

"Merged Participant" shall include a Dunsirn Participant.

Section L1.5 — Years of Vesting Service

"Years of Vesting Service" shall include all service treated as "Vesting Service" under the provisions of the Dunsirn Plan as of December 31, 2001 as well as all service otherwise so treated under the provisions of the Plan.

Section L9.1 — Vesting of Accounts

(a) Each Participant's or Merged Participant's interest in his Dunsirn Participant Account shall be Vested at all times provided that

(i) he is an Employee on December 31, 2001, or

(ii) his employment with the Company was involuntarily terminated as a result of the acquisition of the stock of Dunsirn Industries, Inc. by the Company effective as of February 1, 2001.

(b) Each Merged Participant who is not described in subsection (a) shall be Vested in his Dunsirn Participant Account according to the following schedule:

Years of Vesting Service	Vested Percentage
less than 2	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Section L9.6 — Withdrawals Upon Attainment of Age 59 1/2

A Participant or Merged Participant who remains in the employ of the Company after attaining age 59 1/2 may elect in accordance with the Rules of the Plan to receive a lump sum withdrawal of all or any portion of his Dunsirn Accounts.

SUPPLEMENT M

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger of the RVL Packaging, Inc. Salary Savings Plan (the "RVL Packaging Plan") into the Plan, effective as of December 31, 2003. It shall apply only to Merged Participants from the RVL Packaging Plan and those who are not Merged Participants only because they are Participants.

Pursuant to this merger, amounts held in "Elective Contribution Accounts" and "Qualified Non-Elective Contribution Accounts" (if any) established under the RVL Packaging Plan shall be maintained in a subaccount of the "Pre-Tax Savings ("PTS") Accounts" and the "Qualified Accounts" respectively, under the Plan. Amounts held in "Matching Contribution Accounts," "Non-Matching Contribution Accounts" and "Rollover Contribution Accounts" established under the RVL Packaging Plan shall be maintained in the "RVL Packaging Matching Account," "RVL Packaging Non-Matching Accounts," and "RVL Packaging Rollover Accounts," respectively, under the Plan.

The profit-sharing portion of the Plan shall include the RVL Packaging Non-Matching Contribution Accounts and RVL Packaging Rollover Accounts.

Section M1.1 — Accounts

"Accounts" of a Participant or Merged Participant shall include his RVL Packaging Accounts.

Section M1.2 — Early Retirement Date

"Early Retirement Date" shall mean the first day of the calendar month coinciding with or next following the later of the Participant's or Merged Participant's attainment of age 55 or his completion of 6 Years of Vesting Service.

Section M1.3 — Employee

"Employee" shall mean for purposes of Section M2.1 of this Supplement M an Employee of RVL Packaging, Inc., a fully owned subsidiary of Avery Dennison Corporation, who satisfies the requirements of Section 1.30 of the Plan and would have been eligible to participate in the RVL Labels Plan had such plan not merged into the Plan.

Section M1.4 — Merged Participant

"Merged Participant" shall include a RVL Packaging Participant.

Section M1.5 — RVL Packaging Accounts

"RVL Packaging Accounts" of a Participant or Merged Participant shall mean his accounts established under the RVL Packaging Plan, including his RVL Packaging Matching Account, RVL Packaging Non-Matching Account, and RVL Packaging Rollover Accounts.

Section M1.6 — RVL Packaging Matching Contribution Account

“RVL Packaging Matching Contribution Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the RVL Packaging Plan into the Plan effective as of December 31, 2003.

Section M1.7 — RVL Packaging Non-Matching Contribution Account

“RVL Packaging Non-Matching Contribution Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the RVL Packaging Plan into the Plan effective as of December 31, 2003.

Section M1.8 — RVL Packaging Participant

“RVL Packaging Participant” shall mean any person who is not a Participant in the Plan but was a participant in the RVL Packaging Plan, for whom the Company maintains RVL Packaging Accounts.

Section M1.9 — RVL Packaging Plan

“RVL Packaging Plan” shall mean the RVL Packaging, Inc. Salary Savings Plan.

Section M1.10 — RVL Packaging Rollover Account

“RVL Packaging Rollover Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the RVL Packaging Plan into the Plan effective as of December 31, 2003.

Section M1.11 — Years of Vesting Service

“Years of Vesting Service” shall include all service treated as “Credited Service” under the provisions of the RVL Packaging Plan as of December 31, 2003 as well as all service otherwise so treated under the provisions of the Plan. Such Service shall be determined in accordance with the rules set forth in Reg. Section 1.410(a)-7(f)(2).

Section M2.1 — Requirements for Participation

(a) Each Employee on December 31, 2003 who on January 1, 2004 or the first day of the calendar year quarter following such date

(i) is an Employee

(ii) is not employed in a Bargaining Unit

shall become a Participant on such day.

Section M9.1 — Vesting of Accounts

(a) Each Participant's or Merged Participant's interest in his RVL Packaging Matching Contribution Account and RVL Packaging Non-Matching Contribution Account shall be Vested at all times provided that

(i) he is an Employee on December 31, 2003, or

(ii) his employment with RVL Packaging, Inc. was involuntarily terminated by the Company before December 31, 2003 as a result of the acquisition of the stock of RVL Packaging, Inc. by the Company effective as of November 5, 2002.

(b) Each Merged Participant who is not described in subsection (a) shall be Vested in his RVL Packaging Matching Contribution Account and RVL Packaging Non-Matching Contribution Account according to the following schedule:

<u>Years of Vesting Service</u>	<u>Vested Percentage</u>
less than 2	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Section M9.3. — Withdrawals from RVL Packaging Rollover Accounts

A Participant who is an Employee may elect in accordance with the Rules of the Plan to make a lump sum withdrawal of all or any portion of the amount credited to his RVL Packaging Rollover Account.

Section M9.6 — Withdrawals Upon Attainment of Age 59 1/2

A Participant who remains in the employ of the Company after attaining age 59 1/2 may elect in accordance with the Rules of the Plan to receive a lump sum withdrawal of all or any portion of his RVL Packaging Accounts.

Section M12.2 — Distribution on Death

Upon the death of a Participant, former Participant or Merged Participant, the Vested amount credited to his RVL Packaging Accounts (as determined under Sections 9.1 and M9.1) shall be paid in one lump sum not later than December 31 of the calendar year containing the fifth anniversary of the Participant's date of death except as otherwise provided in Section 12.3; provided,

however, that such Participant's Accounts (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)) exceed \$5,000.

Section M15.14 — Loans to Participants or Former Participants

(a) A Participant or Merged Participant may borrow against his RVL Packaging Accounts with the approval of the Administrator in accordance with the provisions of Section 15.14 of the Plan.

SUPPLEMENT N

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger of the RVL Printed Labels 401(k) Plan (the "RVL Labels Plan") into the Plan, effective as of December 31, 2003. It shall apply only to Merged Participants from the RVL Labels Plan and those who are not Merged Participants only because they are Participants.

Pursuant to this merger, amounts held in "Elective Contribution Accounts" and "Qualified Non-Elective Contribution Accounts" (if any) established under the RVL Labels Plan shall be maintained in a subaccount of the "Pre-Tax Savings ("PTS") Accounts" and the "Qualified Accounts" respectively, under the Plan. Amounts held in "Matching Contribution Accounts," "Non-Matching Contribution Accounts" and "Rollover Contribution Accounts" established under the RVL Labels Plan shall be maintained in the "RVL Labels Matching Account," "RVL Labels Non-Matching Accounts," and "RVL Labels Rollover Accounts," respectively, under the Plan.

The profit-sharing portion of the Plan shall include the RVL Labels Non-Matching Contribution Accounts and RVL Labels Rollover Accounts.

Section N1.1 — Accounts

"Accounts" of a Participant or Merged Participant shall include his RVL Labels Accounts.

Section N1.2 — Early Retirement Date

"Early Retirement Date" shall mean the first day of the calendar month coinciding with or next following the later of the Participant's or Merged Participant's attainment of age 55 or his completion of 6 Years of Vesting Service.

Section N1.3 — Employee

"Employee" shall mean for purposes of Section N2.1 of this Supplement N an Employee of RVL Printed Labels LLC which is a fully owned subsidiary of RVL Packaging, Inc., a fully owned subsidiary of Avery Dennison Corporation, who satisfies the requirements of Section 1.30 of the Plan and would have been eligible to participate in the RVL Labels Plan had such plan not merged into the Plan.

Section N1.4 — Merged Participant

"Merged Participant" shall include a RVL Labels Participant.

Section N1.5 — RVL Labels Accounts

"RVL Labels Accounts" of a Participant or Merged Participant shall mean his accounts established under the RVL Labels Plan, including his RVL Labels Matching Account, RVL Labels Non-Matching Account, and RVL Labels Rollover Accounts.

Section N1.6 — RVL Labels Matching Contribution Account

“RVL Labels Matching Contribution Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the RVL Labels Plan into the Plan effective as of December 31, 2003.

Section N1.7 — RVL Labels Non-Matching Contribution Account

“RVL Labels Non-Matching Contribution Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the RVL Labels Plan into the Plan effective as of December 31, 2003.

Section N1.8 — RVL Labels Participant

“RVL Labels Participant” shall mean any person who is not a Participant in the Plan but was a participant in the RVL Labels Plan, for whom the Company maintains RVL Labels Accounts.

Section N1.9 — RVL Labels Plan

“RVL Labels Plan” shall mean the RVL Printed Labels 401(k) Plan.

Section N1.10 — RVL Labels Rollover Account

“RVL Labels Rollover Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the RVL Labels Plan into the Plan effective as of December 31, 2003.

Section N1.11 — Years of Vesting Service

“Years of Vesting Service” shall include all service treated as “Credited Service” under the provisions of the RVL Labels Plan as of December 31, 2003 as well as all service otherwise so treated under the provisions of the Plan. Such Service shall be determined in accordance with the rules set forth in Reg. Section 1.410(a)-7(f)(2).

Section N2.1 — Requirements for Participation

(a) Each Employee on December 31, 2003 who on January 1, 2004 or the first day of the calendar year quarter following such date

(i) is an Employee

(ii) is not employed in a Bargaining Unit

shall become a Participant on such day.

Section N9.1 — Vesting of Accounts

(a) Each Participant's or Merged Participant's interest in his RVL Labels Matching Contribution Account and RVL Labels Non-Matching Contribution Account shall be Vested at all times provided that

(i) he is an Employee on December 31, 2003, or

(ii) his employment with RVL Printed Labels, LLC was involuntarily terminated by the Company before December 31, 2003 as a result of the acquisition of the stock of RVL Printed Labels, LLC by the Company effective as of November 5, 2002.

(b) Each Merged Participant who is not described in subsection (a) shall be Vested in his RVL Labels Matching Contribution Account and RVL Labels Non-Matching Contribution Account according to the following schedule:

<u>Years of Vesting Service</u>	<u>Vested Percentage</u>
less than 2	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Section N9.3. — Withdrawals from RVL Labels Rollover Accounts

A Participant who is an Employee may elect in accordance with the Rules of the Plan to make a lump sum withdrawal of all or any portion of the amount credited to his RVL Labels Rollover Account.

Section N9.6 — Withdrawals Upon Attainment of Age 59 1/2

A Participant who remains in the employ of the Company after attaining age 59 1/2 may elect in accordance with the Rules of the Plan to receive a lump sum withdrawal of all or any portion of his RVL Labels Accounts.

Section N12.2 — Distribution on Death

Upon the death of a Participant, former Participant or Merged Participant, the Vested amount credited to his RVL Labels Accounts (as determined under Sections 9.1 and N9.1) shall be paid in one lump sum not later than December 31 of the calendar year containing the fifth anniversary of the Participant's date of death except as otherwise provided in Section 12.3; provided,

however, that such Participant's Accounts (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)) exceed \$5,000.

Section N15.14 — Loans to Participants or Former Participants

(a) A Participant or Merged Participant may borrow against his RVL Labels Accounts with the approval of the Administrator in accordance with the provisions of Section 15.14 of the Plan.

SUPPLEMENT O

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger of the Avery Dennison Corporation 401(k) Profit Sharing Retirement Plan (the "L&E Plan") into the Plan, effective as of December 31, 2003. It shall apply only to Merged Participants from the L&E Plan and those who are not Merged Participants only because they are Participants.

Pursuant to this merger, amounts held in "Elective Accounts" and "Qualified Non-Elective Contribution Accounts" and/or "Qualified Matching Contribution Account" (if any) established under the L&E Plan shall be maintained in a subaccount of the "Pre-Tax Savings ("PTS") Accounts" and the "Qualified Accounts" respectively, under the Plan. Amounts held in "Matching Accounts," "Discretionary Non-Elective Accounts" and "Rollover Accounts" established under the L&E Plan shall be maintained in the "L&E Matching Account," "L&E Discretionary Non-Elective Accounts," and "L&E Rollover Accounts," respectively, under the Plan.

The profit-sharing portion of the Plan shall include the L&E Discretionary Non-Elective Accounts and L&E Rollover Accounts.

Section O1.1 — Accounts

"Accounts" of a Participant or Merged Participant shall include his L&E Accounts.

Section O1.2 — L&E Accounts

"L&E Accounts" of a Participant or Merged Participant shall mean his accounts established under the L&E Plan, including his L&E Matching Account, L&E Discretionary Non-Elective Account and L&E Rollover Accounts.

Section O1.3 — L&E Discretionary Non-Elective Account

"L&E Discretionary Non-Elective Account" shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the L&E Plan into the Plan effective as of December 31, 2003.

Section O1.4 — L&E Matching Account

"L&E Matching Account" shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the L&E Plan into the Plan effective as of December 31, 2003.

Section O1.5 — L&E Participant

"L&E Participant" shall mean any person who is not a Participant in the Plan but was a participant in the L&E Plan, for whom the Company maintains L&E Accounts.

Section O1.6 — L&E Plan

“L&E Plan” shall mean the Avery Dennison Corporation 401(k) Profit Sharing Retirement Plan.

Section O1.7 — L&E Rollover Account

“L&E Rollover Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the L&E Plan into the Plan effective as of December 31, 2003.

Section O1.8 — Merged Participant

“Merged Participant” shall include a L&E Participant.

Section O1.9 — Years of Vesting Service

“Years of Vesting Service” shall include all service treated as “Year of Service” under the provisions of the L&E Plan as of December 31, 2003 as well as all service otherwise so treated under the provisions of the Plan. Such Service shall be determined in accordance with the rules set forth in Reg. Section 1.410(a)-7(f)(2).

Section O9.1 — Vesting of Accounts

(a) Each Participant’s or Merged Participant’s interest in his L&E Matching Account and L&E Discretionary Non-Elective Account shall be Vested at all times provided that

(i) he is an Employee on December 31, 2003, or

(ii) his employment with the Company was involuntarily terminated by the Company before December 31, 2003 as a result of the purchase of assets of L&E Packaging LLC by the Company effective as of November 5, 2002.

(b) Each Merged Participant who is not described in subsection (a) shall be Vested in his L&E Matching Account and L&E Discretionary Non-Elective Account according to the following schedule:

<u>Years of Vesting Service</u>	<u>Vested Percentage</u>
less than 2	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Section O9.6 — Withdrawals Upon Attainment of Age 59 1/2

A Participant who remains in the employ of the Company after attaining age 59 1/2 may elect in accordance with the Rules of the Plan to receive a lump sum withdrawal of all or any portion of his L&E Accounts.

Section O12.2 — Distribution on Death

Upon the death of a Participant, former Participant or Merged Participant, the Vested amount credited to his L&E Accounts (as determined under Sections 9.1 and O9.1) shall be paid in one lump sum not later than December 31 of the calendar year containing the fifth anniversary of the Participant's date of death except as otherwise provided in Section 12.3; provided, however, that such Participant's Accounts (excluding his Rollover Account to the extent it consists of rollover contributions described in Code Section 411(a)(11)(D)) exceed \$5,000.

Section O15.14 — Loans to Participants or Former Participants

(a) A Participant or Merged Participant may borrow against his L&E Accounts with the approval of the Administrator in accordance with the provisions of Section 15.14 of the Plan.

SUPPLEMENT P

This Supplement contains provisions which modify and supplement the Plan in order to effectuate the merger of the DM Label, Inc. Salary Savings Plan ("DM Label Plan") into the Plan, effective on or about February 2, 2009. It shall apply only to Merged Participants and those who are not Merged Participants only because they are Participants.

Pursuant to this merger, amounts considered to be "Elective Deferral Contributions," "Matching Contributions," "Discretionary Contributions" and "Rollover Contributions" established under the DM Label Plan shall be maintained in "DM Label Elective Deferral Contributions Accounts," "DM Label Matching Contributions Accounts," "DM Label Discretionary Employer Contributions Accounts" and "DM Label Rollover Accounts," under the Plan.

The profit-sharing portion of the Plan shall include the DM Label Discretionary Employer Contributions Accounts and DM Label Rollover Accounts.

Section P1.1 — Accounts

"Accounts" of a Participant or Merged Participant shall include his DM Label Accounts.

Section P1.2 — DM Label Accounts

"DM Label Accounts" of a Participant or Merged Participant shall mean his accounts established under the DM Label Plan, including his DM Label Elective Deferral Contributions Account, DM Label Matching Contributions Account, DM Label Rollover Account and his DM Label Discretionary Employer Contributions Account.

Section P1.3 — DM Label Plan

"DM Label Plan" shall mean the DM Label, Inc. Salary Savings Plan.

Section P1.4 — DM Label Discretionary Employer Contributions Account

"DM Label Discretionary Employer Contributions Account" shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the DM Label Plan into the Plan, effective as of the DM Label Merger Date.

Section P1.5 — DM Label Elective Deferral Contributions Account

"DM Label Elective Deferral Contributions Account" shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the DM Label Plan into the Plan, effective as of the DM Label Merger Date.

Section P1.6 — DM Label Matching Contributions Account

“DM Label Matching Contributions Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the DM Label Plan into the Plan, effective as of the DM Label Merger Date.

Section P1.7 — DM Label Merger Date

“DM Label Merger Date” shall mean the date that the DM Label Plan merged with and into the Plan which is expected to be on or about February 2, 2009.

Section P1.8 — DM Label Participant

“DM Label Participant” shall mean any person who is not a Participant in the Plan but was a participant in the DM Label Plan, for whom the Company maintains one or more DM Label Accounts.

Section P1.9 — DM Label Rollover Account

“DM Label Rollover Account” shall mean the individual account in the Plan established for a Participant or Merged Participant as a result of the merger of the DM Label Plan into the Plan, effective as of the DM Label Merger Date.

Section P1.10 — Early Retirement Date

“Early Retirement Date” shall mean the first day of the calendar month coinciding with or next following the later of the Participant’s or Merged Participant’s fifty-fifth birthday or his completion of seven Years of Vesting Service.

Section P1.11 — Hour of Service

For purposes of Section 1.36, any reference to the “Company” with respect to periods before April 1, 2008 shall include DM Label, Inc.

Section P1.12 — Merged Participant

“Merged Participant” shall include a DM Label Participant.

Section P1.13 — Totally Disabled

For purposes of Section P9.1(c), “Totally Disabled” means that a Merged Participant is disabled prior to the DM Label Merger Date, as a result of sickness or injury, to the extent that he is prevented from engaging in any substantial gainful activity, and is eligible for an receives a disability benefit under Title II of the Federal Social Security Act.

Section P1.14 — Years of Vesting Service

“Years of Vesting Service” shall include all service treated as “Vesting Service” under the provisions of the DM Label Plan as of the DM Label Merger Date, as well as all service otherwise so treated under the provisions of the Plan.

Section P9.1 — Vesting of Accounts

(a) Each Participant’s or Merged Participant’s interest in his DM Label Discretionary Employer Contributions Account and DM Label Matching Contributions Account shall be Vested at all times provided that he is an Employee on the December 31, 2008.

(b) Each Merged Participant not described in subsection (a), shall be Vested in his DM Label Discretionary Employer Contributions Account and DM Label Matching Contributions Account according to the following schedule:

<u>Years of Vesting Service</u>	<u>Vested Percentage</u>
Less than 2	0
2	20%
3	40%
4	60%
5	80%
6	100%

(c) The interest of a Merged Participant described in paragraph (b) in his DM Label Discretionary Employer Contributions Account and DM Label Matching Contributions Account shall become fully Vested upon the earliest to occur of

- (i) his death,
- (ii) his sixty-fifth birthday,
- (iii) the date he becomes Totally Disabled prior to the DM Label Merger Date, or
- (iv) the termination or discontinuation of the Plan under Section 16.1,

if he is then an affected Employee or employed by a Company Affiliate.

Section P9.2 — Unrestricted Withdrawals

(a) An active or inactive Participant or Merged Participant may elect in accordance with the Rules of the Plan and not more than twice in any 12-month period to make a lump sum withdrawal of all or any portion of the amount credited to his DM Label Rollover Account.

(b) A Participant or Merged Participant may elect to start to receive his DM Label Accounts upon his Normal Retirement Date in accordance with Article XI, even if he continues to be an Employee.

Section P9.6 — Withdrawals Upon Attainment of Age 59½

An active or inactive Participant or Merged Participant who has attained age 59½ may elect at any time and in accordance with the Rules of the Plan to make a lump sum withdrawal of all or any portion of the amount credited to his DM Label Accounts.

Section P15.14 — Loans to Participants or Former Participants

(a) A Participant or Merged Participant may borrow against his DM Label Accounts with the approval of the Administrator in accordance with the provisions of subsection (b).

EXHIBIT 1

Effective Dates

The provisions of the Plan are generally effective December 1, 2004 unless otherwise provided in the Plan. However, the provisions set forth below are effective as follows:

Sections	Effective Date
All Sections reflecting the final Treasury Regulations under Code Section 401(k), including, but not limited to Sections 1.34(a)(v), 1.34(a)(vi), 3.5(b) and 6.11(b).	December 1, 2006
Sections 1.6(a), 1.28, 1.29(c), 1.64, 6.10, 15.4, 9.5(a), 18.4	December 1, 2007
Sections 1.7, 1.19(a), 1.21A, 1.29(b)(v), 1.29(d), 1.36(d) and (e), 1.77, 9.4(g), 11.4(d), 15.4(b)(viii)	January 1, 2009
Sections 1.25 and 2.3	January 1, 2010
Sections 1.30(a)(v), 1.37 and Exhibit 4	December 2, 2009
Section 1.51	December 31, 2008
Section 1.62	January 4, 2005
Section 2.1(b)	July 1, 2006
Sections 3.1(a)(i)(A) <u>1</u> , 3.1(d), 4.1(a), 4.1(g), 14.1(b)(vi) <u>c</u>	December 1, 2002
Sections 1.60(b)(ii) and I8.1(c) of Supplement I	December 1, 2004
Section 2.3 and Exhibit 5	July 1, 2000
Sections 2.2, 3.1(c), 4.1(b) and 6.3(b)	First payroll period beginning on or after January 1, 2009
Sections 3.1(a)(i) <u>B</u> , 3.5(b)(iv) and (v), 6.11(b)(v) and Exhibit 6	December 1, 2008
The reduction of the automatic cash out amount in Sections 11.3(a), 11.3(b), 13.1(a), 13.1(b) (and corresponding Sections in the Supplements) from \$5,000 to \$1,000 and Section 15.17.	March 28, 2005

Sections	Effective Date
Sections 6.10, A6.10, E6.10, F6.10 and H6.10.	July 1, 2005
Section 7.5	June 1, 2009
Section 9.1(c)(i)	Effective for deaths occurring on or after January 1, 2007
Sections 9.3(a), 9.4(a), 9.4(h)	April 1, 2004
Section 9.4(f)	August 1, 2008
Section E6.10 and F6.10 (the reference to "Participant" in these Sections was changed to "Active Participant")	For diversification elections after 2006.
Supplement P	On or about February 2, 2009

EXHIBIT 2

CURRENT YEAR TESTING METHOD ELECTION

The Company hereby makes the Current Year Testing Method Election as described in Section 3.5(a) and/or 6.11(a) which election shall apply for all subsequent Plan Years unless revoked by the Company as set forth below:

Plan Year
1997

Application
Section 3.5(a) and 6.11(a)

The Company hereby revokes the Current Year Testing Method Election as permitted by Treas. Reg. Section 1.401(k)-2(c):

Plan Year

Application

Ex. 2-1

EXHIBIT 3

SPECIAL VESTING FOR “AFFECTED PARTICIPANTS”

Section 9.1(d)

1. All employees at Specialty Papers (Framingham, MA) and Transformer Materials Corporation shall be fully vested in their Accounts on the date of the sale to Wicor on November 9, 2001 regardless of their Years of Vesting Service.
2. All employees of the Dec Tech division of Avery Dennison Corporation shall be fully vested in their Accounts on the date of the sale of this division to Multi Color on January 17, 2003 regardless of their Years of Vesting Service.
3. All employees of Stimsonite Corporation on the day before the date of the sale of Stimsonite Corporation to Ennis Paint, Inc. (the “Sale”) who do not continue employment with the Company on or after the Sale shall be fully vested in their Accounts on the date of the Sale.

Ex. 3-1

EXHIBIT 4
EMPLOYEES WHO ARE NOT ELIGIBLE TO BECOME PARTICIPANTS
AND EFFECTIVE DATE

Section 1.30(a)(v).

Description (or Name) of Ineligible Employees

Effective Date

INDIVIDUALS WHO ARE INCLUDED AFFILIATE EMPLOYEES

Section 1.37

Description (or Name) of Included Affiliate Employees

Effective Date

Ex. 4-1

EXHIBIT 5

PRE-TAX AND AFTER-TAX CONTRIBUTIONS

I. AUTOMATIC ENROLLMENT PERCENTAGES FOR PRE-TAX CONTRIBUTIONS

Section 2.2 (Effective July 1, 2000)

<u>Automatic Deferral Percentage</u>	<u>Effective Date</u>
3%	July 1, 2000 — June 30, 2001
4%	July 1, 2001 — June 30, 2004
5%	July 1, 2004 — June 30, 2006
6%	July 1, 2006

Section 2.2(a) (Effective as of the first payroll period beginning on or after January 1, 2009)

<u>Automatic Deferral Percentage</u>	<u>Effective Date</u>
6%	First payroll period beginning on or after January 1, 2009

II. LIMITATIONS ON PRE-TAX AND AFTER-TAX CONTRIBUTIONS

Section 3.1(d)(i)

<u>Limit for Pre-Tax and After-Tax Contributions</u>	<u>Effective Date</u>
1 — 16%	December 1, 2002 — November 30, 2004
1 — 25%	December 1, 2004

Section 3.1(d)(ii)

<u>Highly Compensated Employee Limit for Pre-Tax Contributions</u>	<u>Effective Date</u>
1 — 6%	December 1, 2002 — November 30, 2004
1 — 7%	December 1, 2004

EXHIBIT 6

ESOP REQUIREMENTS

1. Buy-Sell Agreements to Acquire Securities. The ESOP portion of the Plan must not obligate itself to acquire securities from a particular security holder at an indefinite time determined upon the happening of an event such as the death of the holder, as described in Treas. Reg. Section 54.4975-11(a)(7)(i).
2. Reasonable Rate of Interest for ESOP Loan. The interest rate of any loan (within the meaning of Treas. Reg. Section 54.4975-7(b)(1)(ii)) must not be in excess of a reasonable rate of interest, as described in Treas. Reg. Section 54.4975-7(b)(7).
3. Specific Term for ESOP Loan. Any exempt loan (within the meaning of Treas. Reg. Section 54.4975-7(b)(1)(iii)) must be for a specific term and may not be payable at the demand of any person, except in the case of default, as described in Treas. Reg. Section 54.4975-7(b)(13).
4. Primary Benefit Requirement for ESOP Loan. Any exempt loan (within the meaning of Treas. Reg. Section 54.4975-7(b)(1)(iii)) must be primarily for the benefit of the ESOP Participants and their Beneficiaries, as described in Treas. Reg. Section 54.4975-7(b)(3)(i).
5. An ESOP Loan's Interest Rate and its Net Effect on Plan Assets. At the time any loan (within the meaning of Treas. Reg. Section 54.4975-7(b)(1)(ii)) is made, the interest rate for the loan and the price of securities to be acquired with the loan proceeds should not be such that Plan assets might be drained off, as described in Treas. Reg. Section 54.4975-7(b)(3)(ii).
6. Use of ESOP Loan Proceeds. The proceeds of any exempt loan (within the meaning of Treas. Reg. Section 54.4975-7(b)(1)(iii)) must be used within a reasonable time after their receipt by the borrowing ESOP portion of the Plan only for any or all of the following purposes:
 - (i) To acquire qualifying employer securities (within the meaning of Treas. Reg. Section 54.4975-7(b)(1)(v));
 - (ii) To repay such loan, or
 - (iii) To repay a prior exempt loan, as described in Treas. Reg. Section 54.4975-7(b)(4).
7. Collateral for ESOP Loan. The only assets of the ESOP that may be given as collateral on an exempt loan are (i) qualifying employer securities (within the meaning of Treas. Reg. Section

54.4975-7(b)(1)(v)) acquired with the proceeds of the loan and (ii) those that were used as collateral on a prior exempt loan repaid with the proceeds of the current exempt loan, as described in Treas. Reg. Section 54.4975-7(b)(5).

8. Right to Assets under ESOP Loan.

No person entitled to payment under the exempt loan shall have any right to assets of the ESOP other than:

(i) Collateral given for the loan, (ii) Contributions (other than contributions of employer securities) that are made under an ESOP to meet its obligations under the loan, and (iii) Earnings attributable to such collateral and the investment of such contributions, as described in Treas. Reg. Section 54.4975-7(b)(5).

9. Separate Accounting for ESOP Contributions and Earnings.

The payments made with respect to an exempt loan by the ESOP during a Plan Year must not exceed an amount equal to the sum of such contributions and earnings received during or prior to the year less such payments in prior years. Such contributions and earnings must be accounted for separately in the books of account of the ESOP until the loan is repaid, as described in Treas. Reg. Section 54.4975-7(b)(5).

10. ESOP Loan Default.

In the event of default upon an exempt loan, the value of Plan assets transferred in satisfaction of the loan must not exceed the amount of default. If the lender is a disqualified person, a loan must provide for a transfer of Plan assets upon default only upon and to the extent of the failure of the Plan to meet the payment schedule of the loan, as described in Treas. Reg. Section 54.4975-7(b)(6).

11. Assets Withdrawn from Suspense Account.

The ESOP must consistently allocate to the Participants' ESOP Accounts non-monetary units representing Participants' interests in assets withdrawn from the Suspense Account, as described in Treas. Reg. Section 54.4975-11(d)(2).

12. Forfeitures from ESOP Accounts.

If a portion of a Participant's ESOP Account is forfeited, qualifying employer securities allocated in #11 above must be forfeited only after other assets. If interests in more than one class of qualifying employer securities have been allocated to the Participant's ESOP Account, the Participant must be treated as forfeiting the same proportion of each such class, as described in Treas. Reg. Section 54.4975-11(d)(4).

13. ESOP Loan Proceeds.

If securities acquired with the proceeds of an exempt loan available for distribution consist of more than one class, a distributee must receive substantially the same proportion of each such class, as described in Treas. Reg. Section 54.4975-11(f)(2).

2007 AMENDMENT AND RESTATEMENT OF
AVERY DENNISON CORPORATION
EMPLOYEE SAVINGS PLAN

TABLE OF CONTENTS

	<u>Page</u>
Preamble	1
ARTICLE I. DEFINITIONS	2
Section 1.1. — General	2
Section 1.2. — Accounts	2
Section 1.3. — Active Participant	3
Section 1.4. — Administrator	3
Section 1.5. — After-Tax Savings (“ATS”) Account	3
Section 1.6. — Annual Addition	3
Section 1.7. — Bargaining Unit	4
Section 1.8. — Basic ATS Account	5
Section 1.9. — Basic PTS Account	5
Section 1.10. — Beneficiary	5
Section 1.11. — Board	5
Section 1.12. — Break in Service Year	5
Section 1.13. — Cash Account	6
Section 1.14. — Catch-Up Eligible Participant	6
Section 1.15. — Code	6
Section 1.16. — Company; Company Affiliate	6
Section 1.17. — Company Stock	6
Section 1.18. — Company Stock Fund	7
Section 1.19. — Compensation	7
Section 1.20. — Contribution Percentage	8
Section 1.21. — Current Obligations	8
Section 1.21A — DB Eligible Participant	9
Section 1.22. — Deferral Percentage	9
Section 1.23. — Deferred Compensation	9
Section 1.24. — Direct Rollover	9
Section 1.25. — Distributee	9
Section 1.26. — Disability Retirement	10
Section 1.27. — Disability Retirement Date	10
Section 1.28. — Eligible Retirement Plan	10
Section 1.29. — Eligible Rollover Distribution	11
Section 1.30. — Employee; Leased Employee	12
Section 1.31. — ERISA	13
Section 1.32. — ESOP Account	13
Section 1.33. — [Reserved.]	13
Section 1.34. — Hardship	13
Section 1.35. — Highly Compensated Employee	14

	<u>Page</u>
Section 1.36. — Hour of Service	15
Section 1.37. — Included Affiliate Employee	16
Section 1.38. — Leveling Method	16
Section 1.39. — Leveraged Company Stock	17
Section 1.40. — Merged Participant	17
Section 1.41. — Merger	17
Section 1.42. — Military Leave	17
Section 1.43. — Normal Retirement	17
Section 1.44. — Normal Retirement Date	17
Section 1.45. — Option Stock	18
Section 1.46. — Participant	18
Section 1.47. — Pay	18
Section 1.48. — Payday	18
Section 1.49. — Plan	18
Section 1.50. — Plan Representative	18
Section 1.51. — Plan Year	18
Section 1.52. — Pretax Savings (“PTS”) Account	18
Section 1.53. — Qualified Account	18
Section 1.54. — Qualified Holder	19
Section 1.55. — Qualified Matching Account	19
Section 1.56. — Qualified Non-Matching Account	19
Section 1.57. — Rollover Account	19
Section 1.58. — Rules of the Plan	19
Section 1.59. — Savings Plan	19
Section 1.60. — Separation from the Service	19
Section 1.61. — Service	20
Section 1.62. — Spousal Consent	20
Section 1.63. — Spouse; Surviving Spouse	20
Section 1.64. — Statutory Compensation	21
Section 1.65. — Stock Account	23
Section 1.66. — Subfund	23
Section 1.67. — Supplement	23
Section 1.68. — Suspense Account	23
Section 1.69. — Trust	23
Section 1.70. — Trust Agreement	23
Section 1.71. — Trust Fund	24
Section 1.72. — Trustee	24
Section 1.73. — Unmatched ATS Account	24
Section 1.74. — Unmatched PTS Account	24
Section 1.75. — Valuation Date	24
Section 1.76. — Vested	24
Section 1.77. — Years of Vesting Service	24
ARTICLE II. ELIGIBILITY	25
Section 2.1. — Requirements for Participation	25
Section 2.2. — Automatic Enrollment	25
Section 2.3. — Notice of Right to Receive Cash and Election	26

	<u>Page</u>
Section 2.4. — Inactive Status	26
ARTICLE III. PRETAX SAVINGS CONTRIBUTIONS	27
Section 3.1. — PTS Contributions	27
Section 3.2. — Suspension of Deferral	28
Section 3.3. — Commencement, Resumption or Change of Deferred Compensation	28
Section 3.4. — Deposit in Trust	29
Section 3.5. — Deferral Percentage Fail-Safe Provisions	29
ARTICLE IV. AFTER-TAX SAVINGS CONTRIBUTIONS	30
Section 4.1. — ATS Contributions	30
Section 4.2. — Change, Commencement, Discontinuance or Resumption of ATS Contributions	31
Section 4.3. — Withholding of ATS Contributions	31
Section 4.4. — ATS Account	31
Section 4.5. — Deposit in Trust	31
ARTICLE V. CONTRIBUTIONS OF THE COMPANY	32
Section 5.1. — Determination of Annual Contribution	32
Section 5.2. — Maximum Annual Contribution	32
Section 5.3. — Contribution Date	32
Section 5.4. — Form of Contributions	33
ARTICLE VI. PARTICIPATION IN COMPANY CONTRIBUTIONS AND FORFEITURES	33
Section 6.1. — PTS Account	33
Section 6.2. — ESOP Account; Qualified Account	33
Section 6.3. — Allocation of Company Contributions and ESOP Stock	33
Section 6.4. — Allocation of Cash Dividends	34
Section 6.5. — Allocation of Stock Dividends	35
Section 6.6. — [Reserved]	35
Section 6.7. — Suspense Account	35
Section 6.8. — Release and Allocation of Leveraged Company Stock	35
Section 6.9. — Application of Forfeitures	36
Section 6.10. — Diversification	36
Section 6.11. — Contribution Percentage Fail-Safe Provisions	37
Section 6.12. — Reemployment Rights after Qualified Military Service	38
ARTICLE VII. INVESTMENT OF ACCOUNTS	40
Section 7.1. — Subfunds	40
Section 7.2. — Investment of New Contributions	41
Section 7.3. — Investment Transfers	41
Section 7.4. — Transfer of Assets	41
Section 7.5. — Effect of Non-Election	41

	<u>Page</u>
ARTICLE VIII. VALUATION OF THE TRUST FUND AND ACCOUNTS	41
Section 8.1. — Determination of Values	41
Section 8.2. — Allocation of Values	42
Section 8.3. — Applicability of Account Values	43
ARTICLE IX. VESTING AND WITHDRAWALS	43
Section 9.1. — Vesting of Accounts	43
Section 9.2. — Unrestricted Withdrawals	43
Section 9.3. — Restricted Withdrawals	44
Section 9.4. — Conditions for Hardship Withdrawal	44
Section 9.5. — Withdrawal by Reason of Contribution Limitations	45
Section 9.6. — Withdrawals Upon Attainment of Age Fifty-Nine and One Half	46
Section 9.7. — Qualified Accounts and Stock Accounts	46
Section 9.8. — Withdrawals from Subfunds	46
ARTICLE X. EMPLOYMENT AFTER NORMAL RETIREMENT DATE	46
Section 10.1. — Continuation of Employment	46
Section 10.2. — Continuation of Participation	47
Section 10.3. — Mandatory In-Service Distributions	47
ARTICLE XI. BENEFITS UPON RETIREMENT	47
Section 11.1. — Normal or Disability Retirement	47
Section 11.2. — Rights Upon Normal or Disability Retirement	47
Section 11.3. — Distribution of Accounts	47
Section 11.4. — Distribution Requirements	49
ARTICLE XII. BENEFITS UPON DEATH	51
Section 12.1. — Designation of Beneficiary	51
Section 12.2. — Distribution on Death	52
Section 12.3. — Election of Other Payment Methods	52
ARTICLE XIII. BENEFITS UPON RESIGNATION OR DISCHARGE	53
Section 13.1. — Distributions on Resignation or Discharge	53
Section 13.2. — Forfeitures	54
Section 13.3. — Restoration of Forfeitures	55
ARTICLE XIV. TOP-HEAVY PROVISIONS	55
Section 14.1. — Top-Heavy Determination	55
Section 14.2. — Minimum Benefits	57
Section 14.3. — Vesting	58

	<u>Page</u>
ARTICLE XV. ADMINISTRATIVE PROVISIONS	59
Section 15.1. — Duties and Powers of the Administrator	59
Section 15.2. — Expenses of Administration	60
Section 15.3. — Payments	60
Section 15.4. — Statement to Participants	60
Section 15.5. — Inspection of Records	61
Section 15.6. — Claims Procedure	61
Section 15.7. — Conflicting Claims	62
Section 15.8. — Effect of Delay or Failure to Ascertain Amount Distributable or to Locate Distributee	62
Section 15.9. — Service of Process	63
Section 15.10. — Limitations Upon Powers of the Administrator	63
Section 15.11. — Effect of Administrator Action	63
Section 15.12. — Contributions to Rollover Accounts	63
Section 15.13. — Transfers to Rollover Accounts	64
Section 15.14. — Loans to Participants or Former Participants	64
Section 15.15. — Distributions Pursuant to Qualified Domestic Relations Orders and Certain Offsets	67
Section 15.16. — Correction of Administrative Error; Special Contribution	67
Section 15.17. — Direct Rollovers	68
ARTICLE XVI. TERMINATION, DISCONTINUANCE, AMENDMENT, MERGER, ADOPTION OF PLAN	68
Section 16.1. — Termination of Plan; Discontinuance of Contributions	68
Section 16.2. — Amendment of Plan	69
Section 16.3. — Retroactive Effect of Plan Amendment	69
Section 16.4. — Consolidation or Merger; Adoption of Plan by Other Companies	69
ARTICLE XVII. SALE OF COMPANY STOCK	70
Section 17.1. — Option to Sell Shares of Company Stock	70
ARTICLE XVIII. MISCELLANEOUS PROVISIONS	71
Section 18.1. — Identification of Fiduciaries	71
Section 18.2. — Allocation of Fiduciary Responsibilities	72
Section 18.3. — Limitation on Rights of Employees	73
Section 18.4. — Limitation on Annual Additions; Treatment of Otherwise Excessive Allocations	73
Section 18.5. — Voting Rights	73
Section 18.6. — Delays in Payment	74
Section 18.7. — Restriction on Leveraged Company Stock	74
Section 18.8. — Governing Law	74
Section 18.9. — Genders and Plurals	75
Section 18.10. — Titles	75
Section 18.11. — References	75

SUPPLEMENT A
SUPPLEMENT B
SUPPLEMENT C
SUPPLEMENT D
SUPPLEMENT E
SUPPLEMENT F
SUPPLEMENT G
SUPPLEMENT H
SUPPLEMENT I
SUPPLEMENT J
SUPPLEMENT K
SUPPLEMENT L
SUPPLEMENT M
SUPPLEMENT N
SUPPLEMENT O
SUPPLEMENT P

EXHIBIT 1
EXHIBIT 2
EXHIBIT 3
EXHIBIT 4
EXHIBIT 5
EXHIBIT 6

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

ARTICLE 1**PURPOSE**

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

ARTICLE 2**DEFINITIONS AND CERTAIN PROVISIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 3

PARTICIPATION

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

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

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

ARTICLE 4

PARTICIPANT DEFERRALS

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

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

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

ARTICLE 5

DISCRETIONARY COMPANY CREDITS

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

ARTICLE 6

ACCOUNTS AND INVESTMENT OPTIONS

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

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

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

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

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

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

6.7 Errors in Benefit Statements, Deferrals, Distributions or Administration. In the event an error is made in a benefit statement, such error shall be corrected on the next benefit statement following the date such error is discovered. In the event of an error in the amount of a Participant's deferral, immediately upon the discovery of such error, if possible, the next deferral of such Participant shall be adjusted upward or downward to correct such prior error subject to compliance with permissible corrections procedures established under Code Section 409A. In the event of an error in a Distribution, the applicable Participant's Deferral Account shall, immediately upon the discovery of such error, be adjusted to reflect such under or over payment and, if possible, the next Distribution to such Participant shall be adjusted upward or downward to correct such prior error subject to compliance with permissible corrections procedures established under Code Section 409A. If the remaining balance of a Participant's Deferral Account is insufficient to cover an erroneous overpayment to such Participant, the Company may, at its discretion, offset other amounts payable to the Participant from the Company to the extent permitted under all applicable laws, to recoup the amount of such overpayment(s). It is the

intent of the Company that the Plan be interpreted and administered to comply in all respects with Code Section 409A. However, Participants and/or their Beneficiaries shall be responsible for any and all taxes resulting from participation in the Plan, and the Company shall have no liability to the Participant or any Beneficiary in the event any taxes or excise taxes may ultimately be determined to be applicable to any deferral, contribution, vesting event or Distribution under the Plan.

ARTICLE 7

BENEFITS

7.1 Normal Retirement Benefit Distribution Election.

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

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

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

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

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

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

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

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

(ii) Installment Payments. Monthly installments of principal and interest payable over a period of any number of years up to twenty (20), but in no event ending later than the date on which the Participant shall attain age ninety-two (92). Installment payments shall be calculated on an annual basis but paid during the Plan Year at approximately monthly intervals as may be determined by the Committee, provided that such intervals shall not be less frequent than quarterly, except in the final year of payments when only one installment shall be made in January in such final Plan Year. Installment payments shall be based on the Participant's Deferral Account balance at the beginning of the payment period and shall be recalculated annually by dividing the Participant's Deferral Account balance as of the last day of the Plan Year by the number of remaining years in the payment period based on the Participant's retirement payment election. Deferral Accounts shall continue to be credited during the payment period based on the Participant's choice among Declared Rates as provided in Article 6. Notwithstanding the foregoing, an installment payout election shall not be available prior to the date that the Participant shall have qualified for Normal Retirement.

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

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

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

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

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

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

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

ARTICLE 8

BENEFICIARY DESIGNATION

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

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

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

ARTICLE 9

ADMINISTRATION OF THE PLAN

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

ARTICLE 10

AMENDMENT OR TERMINATION OF PLAN

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

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

ARTICLE 11

MAINTENANCE OF ACCOUNTS

The Company shall keep, or cause to be kept, all such books of account, records and other data as may be necessary or advisable for the administration of this Plan, and to reflect properly the affairs thereof, and to determine the nature and amount of the interests of the respective Participants in each Deferral Account. Separate accounts or records for the

respective Participants' Deferral Accounts shall be maintained for operational and accounting purposes, but no such account or record shall be considered as creating a lien of any nature whatsoever on or as segregating any of the assets with respect to the Deferral Accounts under this Plan from any other funds or property of the Company.

ARTICLE 12

MISCELLANEOUS

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

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

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

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

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

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

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

12.8 Unfunded Status of Plan; Creation of Rabbi Trust. The Plan is intended to constitute an "unfunded" plan of deferred compensation and Participants shall rely solely on the unsecured promise of the Company for payment hereunder. With respect to any payment not yet made to a Participant under the Plan, nothing contained in the Plan shall give a Participant any rights that are greater than those of a general unsecured creditor of the Company. The Company has established the Avery Dennison Corporation Directors Compensation Trust ("Rabbi Trust"). The assets of the Rabbi Trust shall be subject to the claims of the Company's creditors. To the extent any Benefits provided under the Plan are actually paid to a Participant or Beneficiary from the Rabbi Trust, the Company shall have no further obligation with respect thereto, but to the extent not so paid, such Benefits shall remain the obligation of, and shall be paid by, the Company. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in or to any specific property or assets of the Company, nor shall they be beneficiaries of, or have any rights,

claims, or interests in any life insurance policies, annuity contracts, or the proceeds therefrom owned or which may be acquired by the Company (“Policies”). Apart from the Rabbi Trust, such Policies or other assets of the Company shall not be held under any trust for the benefit of Participants, their Beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan. Any and all of the Company’s assets and Policies shall be, and shall remain, the general, un-pledged, unrestricted assets of the Company. The Company’s obligations under the Plan shall be merely an unfunded and unsecured promise of the Company to pay money in the future.

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

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

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

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

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

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

ARTICLE 1**PURPOSE**

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

ARTICLE 2**DEFINITIONS AND CERTAIN PROVISIONS**

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

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

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

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

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

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

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

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

sponsored by the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employees.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 3

PARTICIPATION

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

3.2 Participation Election. An Eligible Employee shall become a Participant in the Plan no later than the first day of the Plan Year coincident with or beginning after the date the Employee is designated as an Eligible Employee, provided such Employee has filed a Participant Election with the Administrator. To be effective, the Eligible Employee must submit the Participant Election during an Enrollment Period or any other such time as determined by the Administrator. The Administrator may establish a special Enrollment Period during a Plan Year within thirty (30) days after an Eligible Executive first becomes eligible to participate in the Plan (if the Eligible Employee is not already a participant in any plan that is aggregated with this Plan for purposes of Code Section 409A), to allow deferrals by such newly Eligible Employee of amounts earned during the balance of such Plan Year.

3.3 Continuation of Participation. A Participant who has elected to participate in the Plan by submitting a Participant Election shall continue as a Participant until all Benefits payable to or on behalf of the Participant under the Plan have been distributed. In the event a Participant becomes ineligible to continue participation in the Plan, but has not experienced a Termination of Employment, no further Annual Deferrals or Company

Contributions shall be made by or on behalf of the Participant but the Participant's Accounts shall be held and administered in accordance with the Plan until such time as the Participant's Accounts have been completely distributed.

ARTICLE 4

PARTICIPANT DEFERRALS

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

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

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

ARTICLE 5

DISCRETIONARY COMPANY CONTRIBUTIONS

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

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

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

13 months after the grant date), or as otherwise permitted under Code Section 409A.

ARTICLE 6

ACCOUNTS AND INVESTMENT OPTIONS

6.1 Accounts. Solely for record keeping purposes, the Company shall maintain up to five (5) Deferral Accounts under the Plan for each Participant. Annual Deferrals shall be credited by the Employer to the Participant's Deferral Account at the time such amounts would otherwise have been paid to the Participant. The Company shall also maintain a Company Contributions Account for each Participant which shall be credited with any Matching Contributions made on behalf of such Participant pursuant to Section 5.1, as directed by the Company. In addition to Deferral Accounts and Company Contribution Accounts, separate Special Unit Accounts shall be maintained for each Special Unit Contribution and a separate Stock Unit Account shall be maintained for all Stock Unit Contributions made to the Plan on behalf of a Participant, if any, as directed by the Company. All of a Participant's Accounts, except the Stock Unit Account, shall be credited (and compounded daily) with a notional rate of return (positive or negative) based on the Declared Rate(s) elected by the Participant under Section 6.2. Stock Unit Accounts shall be credited as provided in Section 6.4.

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

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

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

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

6.6 Vesting. A Participant shall be one hundred percent (100%) vested at all times in amounts credited to the Participant's Deferral Accounts. Amounts credited to a Participant's Company Contributions Account or Special

Unit Account shall vest as specified by the Company or in the Special Award Agreement. Amounts credited to a Participant's Stock Unit Account shall vest as provided under the applicable Stock Unit Award Agreement for such Stock Unit Contribution.

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

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

ARTICLE 7

BENEFITS

7.1 Normal Benefit Distribution Election.

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

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

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

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

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

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

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

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

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

(ii) Installment Payments. Monthly installments of principal and interest payable over a period of any number of years up to twenty (20), but in no event ending later than the date on which the Participant shall attain age eighty-five (85). Installment payments shall be calculated on an annual basis but paid during the Plan Year at approximately monthly intervals as may be determined by the Committee, provided that such intervals shall not be less frequent than quarterly, except in the final year of payments when only one installment shall be made in January of such final Plan Year. Installment payments shall be based on the Participant's vested Account balance at the beginning of the payment period and shall be recalculated annually by dividing the Participant's vested Account balance as of the last day of the Plan Year by the number of remaining years in the payment period based on the Participant's retirement payment election. Accounts shall continue to be credited during the payment period based on the Participant's choice among Declared Rates as provided in Article 6. In the event that any amounts credited to a Participant's Account vest after the end of the installment period, such amounts shall be paid in a single lump-sum on the Settlement Date next following the Participant's Termination of Employment. Notwithstanding the foregoing, an installment payout election shall not be available prior to the date that the Participant shall have completed five (5) Years of Participation.

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

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

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

- (i) Upon the Settlement Date next following Termination of Employment;
- (ii) In January of any specified Plan Year (without regard to Termination of Employment, except as provided in Section 7.3); or
- (iii) Upon the earlier of January of a specified Plan Year or the Settlement Date next following Termination of Employment.

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

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

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

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

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

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

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

ARTICLE 8

BENEFICIARY DESIGNATION

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

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

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

ARTICLE 9

ADMINISTRATION OF THE PLAN

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

9.2 Claims Procedure. Any Participant, former Participant or Beneficiary may file a written claim with the Administrator setting forth the nature of the Benefit claimed, the amount thereof, and the basis for claiming entitlement to such Benefit. The Administrator shall determine the validity of the claim and communicate a decision to the claimant promptly and, in any event, not later than ninety (90) days after the date of the claim. The claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within such ninety (90) day period. If additional information is necessary to make a determination on a claim, the claimant shall be advised of the need for such additional

information within forty-five (45) days after the date of the claim. The claimant shall have up to one hundred and eighty (180) days to supplement the claim information, and the claimant shall be advised of the decision on the claim within forty-five (45) days after the earlier of the date the supplemental information is supplied or the end of the one hundred and eighty (180) day period. Every claim for Benefits that is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (i) the specific reason or reasons for the denial, (ii) specific reference to any provisions of the Plan (including any internal rules, guidelines, protocols, criteria, etc.) on which the denial is based, (iii) description of any additional material or information that is necessary to process the claim, and (iv) an explanation of the procedure for further reviewing the denial of the claim and shall include an explanation of the claimant's right to pursue legal action upon an adverse determination on review.

9.3 Review Procedures. Within sixty (60) days after the receipt of a denial on a claim, a claimant or his/her authorized representative may file a written request for review of such denial. Such review shall be undertaken by the Committee and shall be a full and fair review. The claimant shall have the right to review all pertinent documents, information and data. The Committee shall issue a decision not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than one hundred and twenty (120) days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of the Plan on which the decision is based and shall include an explanation of the claimant's right to pursue legal action upon an adverse determination on review.

ARTICLE 10

AMENDMENT OR TERMINATION OF PLAN

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

ARTICLE 11

MAINTENANCE OF ACCOUNTS

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

ARTICLE 12

MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

12.11 Unfunded Status of Plan; Creation of Rabbi Trust. The Plan is intended to constitute an "unfunded" plan of deferred compensation and Participants shall rely solely on the unsecured promise of the Company for payment hereunder. With respect to any payment not yet made to a Participant under the Plan, nothing contained in the Plan shall give a Participant any rights that are greater than those of a general unsecured creditor of the Company. The Company has established the Avery Dennison Corporation Executive Compensation Trust ("Rabbi

Trust”). The assets of the Rabbi Trust shall be subject to the claims of the Company’s creditors. To the extent any Benefits provided under the Plan are actually paid to a Participant or Beneficiary from the Rabbi Trust, the Employer shall have no further obligation with respect thereto, but to the extent not so paid, such Benefits shall remain the obligation of, and shall be paid by, the Employer. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest, or claims in or to any specific property or assets of the Employer, nor shall they be beneficiaries of, or have any rights, claims, or interests in any life insurance policies, annuity contracts, or the proceeds therefrom owned or which may be acquired by the Employer (“Policies”). Apart from the Rabbi Trust, such Policies or other assets of the Employer shall not be held under any trust for the benefit of Participants, their Beneficiaries, heirs, successors, or assigns, or held in any way as collateral security for the fulfilling of the obligations of the Employer under this Plan. Any and all of the Employer’s assets and Policies shall be, and shall remain, the general, un-pledged, unrestricted assets of the Employer. The Employer’s obligations under the Plan shall be merely an unfunded and unsecured promise of The Employer to pay money in the future.

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

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

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

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

AVERY DENNISON CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions)	Three Months Ended	
	April 3, 2010	April 4, 2009
Earnings:		
Income (loss) before taxes	\$ 76.9	\$ (915.9)
Add: Fixed charges (1)	27.8	38.2
Amortization of capitalized interest	.9	.8
Less: Capitalized interest	(1.1)	(1.0)
	\$ 104.5	\$ (877.9)
Fixed charges: (1)		
Interest expense	\$ 17.5	\$ 27.5
Capitalized interest	1.1	1.0
Interest portion of leases	9.2	9.7
	\$ 27.8	\$ 38.2
Ratio of Earnings to Fixed Charges (2)	3.8	–

(1) The ratios of earnings to fixed charges were computed by dividing earnings by fixed charges. For this purpose, “earnings” consist of income before taxes plus fixed charges and amortization of capitalized interest, less capitalized interest. “Fixed charges” consist of interest expense, capitalized interest and the portion of rent expense (estimated to be 35%) on operating leases deemed representative of interest.

(2) For the three months ended April 4, 2009, the Company’s earnings were not sufficient to cover fixed charges by \$916.1. This loss primarily reflected the non-cash goodwill and other indefinite-lived intangible asset impairment charges of \$832 and loss on extinguishment of debt of approximately \$21 recorded in the first quarter of 2009.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

CERTIFICATION

I, Dean A. Scarborough, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avery Dennison Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Dean A. Scarborough

Dean A. Scarborough
Chairman, President and Chief Executive Officer

May 12, 2010

**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

May 12, 2010

CERTIFICATION OF CHIEF EXECUTIVE OFFICER*

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Avery Dennison Corporation (the "Company") hereby certifies, to the best of his knowledge, that:

- (i) The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended April 3, 2010 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2010

/s/ Dean A. Scarborough

Dean A. Scarborough

Chairman, President and Chief Executive Officer

* The above certification accompanies the issuer's Quarterly Report on Form 10-Q and is furnished, not filed, as provided in SEC Release 33-8238, dated June 5, 2003.

CERTIFICATION OF CHIEF FINANCIAL OFFICER*

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Avery Dennison Corporation (the "Company") hereby certifies, to the best of his knowledge, that:

- (i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended April 3, 2010 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2010

/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.