UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 27, 2004

or

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

For the transition period from _____ to _____

Commission File No. 0-516

SONOCO PRODUCTS COMPANY

Incorporated under the laws of South Carolina	I.R.S. Employer Identification No. 57-0248420

One North Second Street
Post Office Box 160
Hartsville, South Carolina 29551-0160
Telephone: 843-383-7000

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 o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes ☒ No o

Indicate the number of shares outstanding of each of the issuer's classes of common stock at June 30, 2004:

Common stock, no par value: 97,990,696

SONOCO PRODUCTS COMPANY

INDEX

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SONOCO PRODUCTS COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars and shares in thousands)

	June 27, 2004 (unaudited)	December 31, 2003*
Assets		
Current Assets		
Cash and cash equivalents	$ 65,249	$ 84,854
Trade accounts receivable, net of allowances	387,407	320,676
Other receivables	39,974	33,066
Inventories:		
Finished and in process	112,253	109,080
Materials and supplies	172,487	143,116
Prepaid expenses and other	79,421	64,473
	856,791	755,265
Property, Plant and Equipment, Net	942,536	923,569
Goodwill	538,055	383,954
Other Assets	492,963	457,845
Total Assets	$2,830,345	$2,520,633
Liabilities and Shareholders' Equity		
Current Liabilities		
Payable to suppliers	$ 257,148	$ 239,300
Accrued expenses and other	219,915	211,342
Notes payable and current portion of long-term debt	206,358	201,367
Taxes on income	8,255	27,585
	691,676	679,594
Long-Term Debt	733,892	473,220
Pension and Other Postretirement Benefits	147,830	137,494
Deferred Income Taxes and Other	212,556	216,165
Commitments and Contingencies		
Shareholders' Equity		
Common stock, no par value		
Authorized 300,000 shares		
97,986 and 97,217 shares outstanding, of which 97,695 and 96,969 were issued at June 27, 2004 and December 31, 2003, respectively	7,175	7,175
Capital in excess of stated value	353,726	337,136
Accumulated other comprehensive loss	(152,319)	(136,091)
Retained earnings	835,809	805,940
Total Shareholders' Equity	1,044,391	1,014,160
Total Liabilities and Shareholders' Equity	$2,830,345	$2,520,633

* The year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles.

See accompanying Notes to Condensed Consolidated Financial Statements

SONOCO PRODUCTS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)
(Dollars and shares in thousands except per share data)

	Three Months Ended		Six Months Ended	
	June 27, 2004	June 29, 2003	June 27, 2004	June 29, 2003
Net sales	$763,902	$684,567	$1,459,318	$1,341,047
Cost of sales	620,753	560,805	1,194,587	1,093,370
Selling, general and administrative expenses	76,969	68,299	147,464	138,684
Restructuring charges (see Note 5)	5,768	7,828	7,096	8,965
Income before interest and income taxes	60,412	47,635	110,171	100,028
Interest expense	11,518	13,979	21,441	26,709
Interest income	(1,196)	(509)	(2,371)	(956)
Income before income taxes	50,090	34,165	91,101	74,275
Provision for income taxes	17,795	14,476	23,220	28,916
Income before equity in earnings of affiliates/Minority interest in subsidiaries	32,295	19,689	67,881	45,359
Equity in earnings of affiliates/Minority interest in subsidiaries	2,660	1,681	3,914	3,324
Income from continuing operations	34,955	21,370	71,795	48,683
Income from discontinued operations, net of income taxes	—	1,463	—	3,148
Net income	$ 34,955	$ 22,833	$ 71,795	$ 51,831
Average common shares outstanding:				
Basic	97,890	96,696	97,754	96,684
Diluted	98,691	96,956	98,441	96,957
Per common share				
Basic:				
From continuing operations	$ 0.36	$ 0.22	$ 0.73	$ 0.51
From discontinued operations	$ —	$ 0.02	$ —	$ 0.03
Net income	$ 0.36	$ 0.24	$ 0.73	$ 0.54
Diluted				
From continuing operations	$ 0.35	$ 0.22	$ 0.73	$ 0.50
From discontinued operations	$ —	$ 0.02	$ —	$ 0.03
Net income	$ 0.35	$ 0.24	$ 0.73	$ 0.53
Cash dividends - common	$ 0.22	$ 0.21	$ 0.43	$ 0.42

See accompanying Notes to Condensed Consolidated Financial Statements

SONOCO PRODUCTS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(Dollars in thousands)

	Six Months Ended	
	June 27, 2004	**June 29, 2003**
Cash Flows from Operating Activities:		
Net income	$ 71,795	$ 51,831
Adjustments to reconcile net income to net cash provided by operating activities:		
Restructuring reserve (noncash)	1,698	729
Depreciation, depletion and amortization	73,280	79,149
Equity in earnings of affiliates/minority interest in subsidiaries	(3,914)	(3,324)
Cash dividends from affiliated companies	1,650	1,325
Loss (gain) on disposition of assets	2,179	(502)
Deferred taxes	1,256	5,587
Change in assets and liabilities, net of effects from acquisitions, dispositions, and foreign currency adjustments:		
Receivables	(48,662)	(43,846)
Inventories	(29,218)	(29,002)
Prepaid expenses	(14,425)	(12,476)
Payables and taxes	864	8,783
Other assets and liabilities	(1,977)	26,196
Net cash provided by operating activities	54,526	84,450
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(53,540)	(52,787)
Cost of acquisitions, exclusive of cash acquired	(259,981)	(1,275)
Proceeds from the sale of assets	3,315	1,372
Net cash used in investing activities	(310,206)	(52,690)
Cash Flows from Financing Activities:		
Proceeds from issuance of debt	169,141	20,938
Principal repayment of debt	(12,935)	(10,199)
Net increase in commercial paper borrowings	108,000	(1,500)
Net increase in bank overdrafts	157	10,469
Cash dividends - common	(41,926)	(40,514)
Common shares issued	14,855	1,070
Net cash provided by (used in) financing activities	237,292	(19,736)
Effects of Exchange Rate Changes on Cash	(1,217)	552
Net (Decrease) Increase in Cash and Cash Equivalents	(19,605)	12,576
Cash and cash equivalents at beginning of period	84,854	31,405
Cash and cash equivalents at end of period	$ 65,249	$ 43,981

See accompanying Notes to Condensed Consolidated Financial Statements

SONOCO PRODUCTS COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars and shares in thousands except per share data)
(unaudited)

Note 1: Basis of Interim Presentation

In the opinion of the management of Sonoco Products Company (the "Company"), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the consolidated financial position, results of operations and cash flows for the interim periods reported herein. Operating results for the three and six months ended June 27, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's annual report for the fiscal year ended December 31, 2003.

With respect to the unaudited condensed consolidated financial information of the Company for the three and six month periods ended June 27, 2004 and June 29, 2003 included in this Form 10-Q, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated July 28, 2004 appearing herein, states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited financial information because that report is not a "report" or a "part" of the registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

During the fourth quarter of 2003, the Company completed the sale of its High Density Film business to Hilex Poly Co., LLC, Los Angeles, California. Operating results of this business have been presented for the three and six months ended June 29, 2003 as "Income from discontinued operations, net of income taxes" in the Company's Condensed Consolidated Statements of Income. Items included in the Notes to Condensed Consolidated Financial Statements that relate to the Consolidated Statement of Income for the three and six months ended June 29, 2003 have been restated to reflect the reclassification of the Company's High Density Film business as discontinued operations.

Note 2: Acquisitions/Joint Ventures

Acquisition of CorrFlex Graphics, LLC

On May 28, 2004, the Company completed its purchase of CorrFlex Graphics, LLC ("CorrFlex") for an all-cash purchase price of approximately $250,000. CorrFlex, a privately held company, is one of the nation's largest point-of-purchase display companies. The acquired business, which is known as Sonoco CorrFlex, LLC, is reflected in the Consumer Packaging segment beginning in June of 2004.

The unaudited proforma combined historical results, as if CorrFlex had been acquired at the beginning of fiscal 2003 and 2004 are estimated to be:

	Three Months Ended		Six Months Ended	
	June 27, 2004	June 29, 2003	June 27, 2004	June 29, 2003
Net sales	$792,651	$721,250	$1,531,190	$1,423,598
Net income	$ 36,614	$ 22,963	$ 75,942	$ 54,446
Diluted earnings per common share	$ 0.37	$ 0.24	$ 0.77	$ 0.56

The proforma results include amortization of intangibles and interest expense on debt assumed to finance the purchase. The proforma results are not necessarily indicative of what actually would have occurred if the acquisition had been completed as of the beginning of each period presented, nor are they necessarily indicative of future consolidated results.

European Joint Venture

On April 19, 2004, the Company announced that it had signed a definitive agreement with Ahlstrom Corporation, Helsinki, Finland ("Ahlstrom") to combine each of the companies' respective European paper-based tube/core and coreboard operations into a joint venture that will operate under the name Sonoco-Alcore S.a.r.l. The Company, which will contribute to the joint venture ownership positions in 25 tube and core plants and six paper mills, will hold a 64.5% interest in the joint venture. Ahlstrom, a leader in high-performance fiber-based materials serving niche markets worldwide, will contribute 15 tube and core plants and one paper mill to the joint venture and will hold a 35.5% interest in it. The Company is currently awaiting regulatory approval by the European Union and expects to finalize this joint venture by the end of 2004.

Note 3: Discontinued Operations

The financial statements and accompanying notes for prior periods have been restated to report the revenues and expenses of the components of the Company that were disposed of separately as discontinued operations. Income from discontinued operations, net of income taxes for the three and six months ended June 29, 2003 represents the results of operations of the Company's High Density Film business unit, which was sold in December 2003.

The following table sets forth the operating results for the High Density Film business unit, which was previously reported in the Company's Consumer Packaging segment:

	Three Months Ended June 29, 2003	Six Months Ended June 29, 2003
Net sales	$47,859	$92,566
Income before income taxes	$ 2,286	$ 4,918
Provision for income taxes	823	1,770
Income from discontinued operations, net of income taxes	$ 1,463	$ 3,148
Income from discontinued operations, net of income taxes – per diluted share	$ 0.02	$ 0.03

No interest expense or income was allocated to this business unit.

The Company has no continuing involvement in the management or operations of the divested business.

Note 4: Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended		Six Months Ended	
	June 27, 2004	June 29, 2003	June 27, 2004	June 29, 2003
Numerator:				
Income from continuing operations	$34,955	$21,370	$71,795	$48,683
Income from discontinued operations, net of income taxes	—	1,463	—	3,148
Net income	$34,955	$22,833	$71,795	$51,831
Denominator:				
Average common shares outstanding	97,890	96,696	97,754	96,684
Dilutive effect of:				
Employee stock options	515	201	440	163
Contingent employee share awards	286	59	247	110
Dilutive shares outstanding	98,691	96,956	98,441	96,957
Basic earnings per common share:				
Income from continuing operations	$ 0.36	$ 0.22	$ 0.73	$ 0.51
Income from discontinued operations, net of income taxes	—	0.02	—	0.03
Net income	$ 0.36	$ 0.24	$ 0.73	$ 0.54
Diluted earnings per common share:				
Income from continuing operations	$ 0.35	$ 0.22	$ 0.73	$ 0.50
Income from discontinued operations, net of income taxes	—	0.02	—	0.03
Net income	$ 0.35	$ 0.24	$ 0.73	$ 0.53

Stock options to purchase approximately 4,487 and 8,120 shares at June 27, 2004 and June 29, 2003, respectively, were not dilutive and, therefore, are not included in the computations of diluted income per common share amounts. No adjustments were made to reported net income in the computations of earnings per share.

Note 5: Restructuring Programs

In August 2003, the Company announced general plans to reduce its overall cost structure by $54,000 pretax by realigning and centralizing a number of staff functions and eliminating excess plant capacity. Pursuant to these plans, the Company has initiated or completed 12 plant closings and has terminated approximately 850 employees. As of June 27, 2004, the Company had incurred cumulative charges, net of adjustments, of approximately $60,978 pretax associated with these activities. Of this amount, $37,037 was related to the Industrial Packaging segment, $9,167 was related to the Consumer Packaging segment and $14,774 was associated with Corporate. These restructuring charges, net of adjustments, consisted of severance and termination benefits of $45,431, asset impairment charges of $9,994 and other exit costs of $5,553. The Company expects to recognize an additional cost of approximately $4,000 pretax in the future associated with these activities, which is comprised of approximately $2,100 in severance and termination benefits, $300 in asset impairment charges and $1,600 in other exit costs. Of this amount, approximately $3,100 is related to the Industrial Packaging segment and approximately $900 is related to the Consumer Packaging segment. The Company also expects to announce throughout the remainder of 2004 the closing of approximately five additional plants in furtherance of these plans. The costs associated with these future plant closings have not yet been determined. In conjunction with the Company's review of its restructuring accrual in the second quarter of 2004, it was determined that one of the plants that had originally been identified to be closed pursuant to these plans would not be closed due to changes in certain factors. In response to this determination, the Company reduced its restructuring accrual for the Consumer Packaging segment, which resulted in negative charges, net of adjustments, in both the three and six months ended June 27, 2004.

During the three months ended June 27, 2004, the Company recognized restructuring charges, net of adjustments, of $5,768 ($3,720 after tax), which are reflected as "Restructuring charges" on the Company's Condensed Consolidated Statements of Income. Of these charges, $6,214 was attributed to the Industrial Packaging segment, and ($446) was related to the Consumer Packaging segment. These restructuring charges, net of adjustments, consisted of severance and termination benefits of $3,649, asset impairment charges of $1,475 and other exit costs of $644.

During the three months ended June 29, 2003, the Company recognized restructuring charges, net of adjustments, of $7,828 ($7,894 after tax) related to previously announced restructuring plans, all of which was attributed to the Industrial Packaging segment. These restructuring charges, net of adjustments, consisted of severance and termination benefits of $7,041, asset impairment charges of $729 and other exit costs of $58.

During the six months ended June 27, 2004, the Company recognized restructuring charges, net of adjustments, of $7,096 ($4,577 after tax). Of these charges, $7,441 was attributed to the Industrial Packaging segment, and ($345) was related to the Consumer Packaging segment. These restructuring charges, net of adjustments, consisted of severance and termination benefits of $4,224, asset impairment charges of $1,698 and other exit costs of $1,174.

During the six months ended June 29, 2003, the Company recognized restructuring charges, net of adjustments, of $8,965 ($8,622 after tax) related to previously announced restructuring plans. Of these charges, $8,465 was attributed to the Industrial Packaging segment, and $500 was related to the Consumer Packaging segment. These restructuring charges, net of adjustments, consisted of severance and termination benefits of $7,678, asset impairment charges of $729 and other exit costs of $558. Additionally, the Company's High Density Film business, which was divested in December 2003, incurred restructuring charges of approximately $200 ($128 after tax) in the six months ended June 29, 2003.

The following table sets forth the activity in the restructuring accrual included in "Accrued expenses and other" on the Company's Condensed Consolidated Balance Sheets. Restructuring charges are included in "Restructuring charges" on the Company's Condensed Consolidated Statements of Income. In accordance with the agreement of sale for the High Density Film business, the liability of that business associated with the restructuring has been retained by the Company and is, therefore, included in the table below:

	Severance and Termination Benefits	Asset Impairment	Other Exit Costs	Total
Beginning liability December 31, 2003	$ 14,708	$ —	$ 6,386	$ 21,094
New charges	4,783	1,732	1,869	8,384
Cash payments	(11,500)	—	(3,325)	(14,825)
Asset impairment	—	(1,698)	—	(1,698)
Adjustments	(559)	(34)	(695)	(1,288)
Ending liability June 27, 2004	$ 7,432	$ —	$ 4,235	$ 11,667

During the six months ended June 27, 2004, the Company recognized writeoffs of impaired equipment and facilities in the Industrial Packaging segment in the amount of $1,058 and $640, respectively. Other exit costs are primarily associated with lease termination and other miscellaneous plant closing costs.

The Company expects to pay the remaining restructuring costs, with the exception of ongoing pension subsidies and certain building lease termination expenses, by the end of the second quarter of 2005, using cash generated from operations.

Note 6: Comprehensive Income

The following table reconciles net income to comprehensive income:

	Three Months Ended		Six Months Ended	
	June 27, 2004	June 29, 2003	June 27, 2004	June 29, 2003
Net income	$ 34,955	$22,833	$ 71,795	$ 51,831
Other comprehensive income:				
Foreign currency translation adjustments	(13,948)	37,487	(18,172)	51,584
Other adjustments, net of income tax	1,069	(228)	1,944	966
Comprehensive income	$ 22,076	$60,092	$ 55,567	$104,381

The following table summarizes the components of accumulated other comprehensive income and the changes in accumulated other comprehensive income, net of tax as applicable, for the six months ended June 27, 2004:

	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Other	Accumulated Other Comprehensive Loss
Balance at December 31, 2003	$ (83,906)	$(53,826)	$1,641	$(136,091)
Year-to-date change	(18,172)	—	1,944	(16,228)
Balance at June 27, 2004	$(102,078)	$(53,826)	$3,585	$(152,319)

The cumulative tax benefit of the Minimum Pension Liability Adjustments was $25,312 at June 27, 2004 and December 31, 2003. Additionally, the deferred tax liability associated with Other items was $2,067 and $940 at June 27, 2004 and December 31, 2003, respectively.

Note 7: Goodwill and Other Intangible Assets

Goodwill

A summary of the changes in goodwill for the six months ended June 27, 2004 is as follows:

	Consumer Packaging Segment	Industrial Packaging Segment	Total
Balance as of January 1, 2004	$162,205	$221,749	$383,954
2004 Acquisitions	157,701	813	158,514
2004 Adjustments	4,538	(4,538)	—
Foreign currency translation	(2,788)	(1,625)	(4,413)
Balance as of June 27, 2004	$321,656	$216,399	$538,055

Other Intangible Assets

A summary of other intangible assets as of June 27, 2004 and December 31, 2003 is as follows:

	June 27, 2004		December 31, 2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	$ 3,268	$ (2,691)	$ 3,268	$ (2,564)
Customer lists	68,223	(5,969)	38,223	(4,630)
Land use rights	5,873	(2,035)	5,873	(1,963)
Supply agreements	5,261	(4,356)	5,261	(3,715)
Other	6,404	(3,208)	6,404	(2,756)
Total	$89,029	$(18,259)	$59,029	$(15,628)

Aggregate amortization expense on intangible assets was $1,499 and $1,058 for the three months ended June 27, 2004 and June 29, 2003, respectively and $2,631 and $2,029 for the six months ended June 27, 2004 and June 29, 2003, respectively. Amortization expense on the other intangible assets identified in the table above is expected to approximate $5,400 in 2004, $5,700 in 2005, $5,500 in 2006, $5,100 in 2007 and $5,000 in 2008. Other intangible assets are included in “Other Assets” on the Company’s Condensed Consolidated Balance Sheets.

Intangible assets acquired in conjunction with the Company’s purchase of CorrFlex (see Note 2) consisted of customer lists. The Company has allocated $30,000 of the purchase price to these intangible assets, which have a weighted average amortization period of 15 years. The estimated fair values of these assets are based on the Company’s current purchase price allocation, which has been prepared on a preliminary basis, and are subject to change upon its finalization.

Note 8: Debt

In June 2004, the Company made a private placement of $150 million 5.625% notes due in 2016. Under the terms of the sale of the notes, the Company is required to take appropriate steps to offer to exchange other notes with the same terms that have been registered with the SEC for the private placement notes or, in some circumstances, register the private placement notes with the SEC. If the Company does not take the necessary actions in connection with the exchange offer, or registration of the private placement notes if required, by specified deadlines, it will become obligated to pay additional interest to the holders of the private placement notes up to a maximum of 1% per annum.

During the second quarter of 2004, the Company entered into a $150 million swap against the newly issued $150 million notes. During the first quarter of 2004, the Company entered into a $100 million swap against a portion of the $250 million 6.5% notes maturing in 2013. Consistent with the treatment of all of the Company’s interest rate swaps, these contracts qualified as fair value hedges under Statement of Financial Accounting Standards No. 133, ‘Accounting for Derivative Instruments and Hedging Activities’ (FAS 133) and swapped fixed interest for floating.

In July 2004, the Company terminated its $450 million backstop credit line and entered into a new $350 million backstop credit line for commercial paper issuance. The new credit agreement matures in July 2009.

Note 9: Dividend Declarations

On April 21, 2004, the Board of Directors declared a regular quarterly dividend of $0.22 per share. This dividend was paid June 10, 2004 to all shareholders of record as of May 21, 2004.

On July 21, 2004, the Board of Directors declared a regular quarterly dividend of $0.22 per share, payable September 10, 2004 to all shareholders of record as of August 20, 2004.

Note 10: Stock Plans

As permitted by Statement of Financial Accounting Standards No. 123, 'Accounting for Stock-Based Compensation' (FAS 123), the Company has elected to account for its stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, 'Accounting for Stock Issued to Employees,' and its related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Compensation cost for performance stock options is recorded based on the quoted market price of the Company's stock at the end of the period.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FAS 123 to stock-based employee compensation.

	Three Months Ended		Six Months Ended	
	June 27, 2004	June 29, 2003	June 27, 2004	June 29, 2003
Net income, as reported	$34,955	$22,833	$71,795	$51,831
Add: Stock-based employee compensation cost, net of related tax effects, included in net income, as reported	459	280	858	504
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,591)	(1,425)	(2,834)	(2,850)
Proforma net income	$33,823	$21,688	$69,819	$49,485
Earnings per share:				
Basic – as reported	$ 0.36	$ 0.24	$ 0.73	$ 0.54
Basic – proforma	$ 0.35	$ 0.22	$ 0.71	$ 0.51
Diluted – as reported	$ 0.35	$ 0.24	$ 0.73	$ 0.53
Diluted – proforma	$ 0.34	$ 0.22	$ 0.71	$ 0.51

Note 11: Employee Benefit Plans

The Company provides non-contributory defined benefit pension plans for substantially all of its United States and certain of its Mexico employees, as well as postretirement healthcare and life insurance benefits to the majority of its retirees and their eligible dependents in the United States and Canada. Effective January 1, 2004, the Company established a defined contribution plan for all new U.S. employees. The

defined benefit plans discussed above remain in place for all U.S. employees whose employment with the Company began prior to January 1, 2004. The Company also sponsors contributory pension plans covering the majority of its employees in the United Kingdom and Canada.

The components of net periodic benefit cost include the following:

	Three Months Ended		Six Months Ended	
	June 27, 2004	June 29, 2003	June 27, 2004	June 29, 2003
Defined Benefit Plans				
Service cost	$ 5,929	$ 5,052	$ 11,854	$ 10,104
Interest cost	14,314	12,942	28,581	25,884
Expected return on plan assets	(16,534)	(13,823)	(33,024)	(27,646)
Amortization of net transition (asset) obligation	144	144	294	288
Amortization of prior service cost	365	416	728	832
Amortization of net actuarial (gain) loss	5,262	5,556	10,504	11,112
Net periodic benefit cost	$ 9,480	$ 10,287	$ 18,937	$ 20,574
Retiree Health and Life Insurance Plans				
Service cost	$ 1,281	$ 1,090	$ 2,562	$ 2,180
Interest cost	2,932	2,877	5,864	5,754
Expected return on plan assets	(880)	(913)	(1,760)	(1,826)
Amortization of prior service cost	(1,529)	(1,645)	(3,058)	(3,290)
Amortization of net actuarial loss	2,448	2,257	4,896	4,514
Net periodic benefit cost	$ 4,252	$ 3,666	$ 8,504	$ 7,332

During the six months ended June 27, 2004, the Company made voluntary contributions of approximately $15,000 to its defined benefit and retiree health and life insurance plans. The Company anticipates that it will make additional voluntary contributions of approximately $5,000 to these plans in 2004.

On December 8, 2003, President Bush signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”). The Act expands Medicare, primarily by adding a prescription drug benefit for Medicare-eligibles starting in 2006. The Act provides employers currently sponsoring prescription drug programs for Medicare-eligibles with a range of options for coordinating with the new government-sponsored program to potentially reduce program cost. These options include supplementing the government program on a secondary payor basis or accepting a direct subsidy from the government to support a portion of the cost of the employer’s program.

Paragraph 40 of Statement of Financial Accounting Standards No. 106, ‘Employers’ Accounting for Postretirement Benefits Other Than Pensions’ (FAS 106), requires that presently enacted changes in law impacting employer-sponsored retiree health care programs which take effect in future periods be considered in current-period measurements for benefits expected to be provided in those future periods. Therefore, under FAS 106 guidance, measures of plan liabilities and annual expense on or after the date of enactment should reflect the effects of the Act.

Pursuant to guidance under FASB Staff Position 106-1 (FSP 106-1), however, the Company has chosen to defer recognition of the potential effects of the Act in these disclosures. Therefore, the retiree health obligations and costs reported in these financial statements or accompanying notes do not yet reflect any potential impact of the Act. On May 19, 2004, the Financial Accounting Standards Board (FASB) issued

FASB Staff Position 106-2, 'Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003' (FSP 106-2), which requires measures of the accumulated postretirement benefit obligation and net periodic postretirement benefit costs to reflect the effects of the Act. FSP 106-2 supersedes FSP 106-1 and is effective for interim or annual reporting periods beginning after June 15, 2004. Due to the fact that certain authoritative guidance related to the determination of actuarial equivalency is not yet available, the Company is currently unable to determine the impact of its implementation of FSP 106-2 and the Act on its Condensed Consolidated Financial Statements.

Note 12: New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46, 'Consolidation of Variable Interest Entities – an interpretation of ARB 51' (FIN 46). FIN 46 addresses when a company should include in its financial statements the assets, liabilities and activities of a variable interest entity. It defines variable interest entities as those entities with a business purpose that either do not have equity investors with voting rights in proportion to such investors' equity, or have investors that do not provide financial resources in proportion to such investors' equity for the entity to support its activities and have equity investors that lack a controlling financial interest. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. FIN 46 consolidation requirements apply immediately to variable interest entities created or obtained after January 31, 2003, but this had no impact on the Company's 2003 financial statements. A modification to FIN 46 (FIN 46R) was released on December 17, 2003. FIN 46R delayed the effective date for variable interest entities created before February 1, 2003, with the exception of special-purpose entities, until the first fiscal year or interim period after December 15, 2003. As of January 1, 2004, the Company adopted FIN 46R. In conjunction with this adoption, the Company performed an evaluation of variable interest entities in which it has an ownership, contractual or other monetary interest. The adoption of FIN 46R did not have a material effect on the Company's Condensed Consolidated Financial Statements.

In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus in EITF Issue 03-01, 'The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments'. EITF 03-01 provides guidance on other-than-temporary impairment models for marketable debt and equity securities accounted for under Statement of Financial Accounting Standards No. 115, 'Accounting for Certain Investments in Debt and Equity Securities,' (FAS 115) and Statement of Financial Accounting Standards No. 124, 'Accounting for Certain Investments Held by Not-for-Profit Organizations,' (FAS 124) and non-marketable equity securities accounted for under the cost method. The EITF developed a basic three-step model to evaluate whether an investment is other-than-temporarily impaired. The provisions of EITF 03-01 will be effective for the Company's third quarter of 2004 and will be applied prospectively to all current and future investments. Quantitative and qualitative disclosures for investments accounted for under FAS 115 are effective for the Company's fiscal year ending 2004. The implementation of this EITF consensus is not expected to have a material effect on the Company's Condensed Consolidated Financial Statements.

On May 19, 2004, the FASB issued FASB Staff Position 106-2, 'Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003' (FSP 106-2), which requires measures of the accumulated postretirement benefit obligation and net periodic postretirement benefit costs to reflect the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). FSP 106-2 supersedes FSP 106-1 and is effective for interim or annual reporting periods beginning after June 15, 2004. Due to the fact that certain authoritative guidance related to the determination of actuarial equivalency is not yet available, the Company is currently unable to determine the impact of its implementation of FSP 106-2 and the Act on its Condensed Consolidated Financial Statements. See Note 11 for further discussion of the Act.

Note 13: Financial Segment Information

Sonoco reports its results in two primary segments, Industrial Packaging and Consumer Packaging. The Industrial Packaging segment includes the following products: high-performance paper, plastic and composite engineered carriers; wooden, metal and composite reels for wire and cable packaging; fiber-based construction tubes and forms; custom designed protective packaging; and, supply chain management capabilities. The Consumer Packaging segment includes the following products and services: round and shaped rigid packaging, both composite and plastic; printed flexible packaging; point-of-purchase packaging and fulfillment; and packaging services.

The Company has received and responded to comments from the staff of the Securities and Exchange Commission ("SEC") concerning its reportable segments in accordance with Statement of Financial Accounting Standards No. 131, 'Disclosures about Segments of an Enterprise and Related Information' (FAS 131). Pending resolution of these issues with the SEC, it is possible that the Company will provide financial information regarding additional or different segments in the future or that it may be required to restate segment disclosures in its previously filed financial statements, but these changes in disclosures, if any, would not result in any change in the Company's reported consolidated net income.

The following table sets forth net sales and operating profit for the Company's reportable segments. Operating profit at the segmental level is defined as "Income before interest and income taxes" on the Company's Condensed Consolidated Statements of Income adjusted for restructuring charges, which are not allocated to the financial segments.

FINANCIAL SEGMENT INFORMATION (Unaudited)

	Three Months Ended		Six Months Ended	
	June 27, 2004	June 29, 2003	June 27, 2004	June 29, 2003
Net Sales:				
Industrial Packaging	$418,179	$382,970	$ 801,840	$ 739,701
Consumer Packaging	345,723	301,597	657,478	601,346
Consolidated	$763,902	$684,567	$1,459,318	$1,341,047
Income before income taxes:				
Industrial Packaging – Operating Profit	$ 42,535	$ 32,673	$ 69,546	$ 63,378
Consumer Packaging – Operating Profit	23,645	22,790	47,721	45,615
Restructuring charges	(5,768)	(7,828)	(7,096)	(8,965)
Interest, net	(10,322)	(13,470)	(19,070)	(25,753)
Consolidated	$ 50,090	$ 34,165	$ 91,101	$ 74,275

2003 information has been restated to exclude the impact of the Company's High Density Film business, which has been reclassified as discontinued operations on the Condensed Consolidated Statements of Income.

Total identifiable assets for the Consumer Packaging segment, which represents those assets used by each reportable segment in its operations, were materially impacted by the Company's acquisition of CorrFlex. At June 27, 2004, total identifiable assets for the Consumer Packaging segment were approximately $1,013,271, compared to $734,784 at December 31, 2003.

Note 14: Commitments and Contingencies

The Company is a party to various legal proceedings incidental to its business and is subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which it operates. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings. The Company cannot currently determine the final outcome of the proceedings described below or the ultimate amount of potential losses. Pursuant to Statement of Financial Accounting Standards No. 5, 'Accounting for Contingencies' (FAS 5), management records accruals for estimated losses at the time that information becomes available indicating that losses are probable and that the amounts are reasonably estimable. Accrued amounts are not discounted. Although the level of future expenditures for legal and environmental matters is impossible to determine with any degree of probability, it is management's opinion that such costs, when finally determined, will not have an adverse material effect on the consolidated financial position of the Company.

Sonoco-U.S. Paper Lawsuit

On April 30, 2004, the Company announced that the U.S. District Court for the Southern District of Ohio had entered a judgment against its subsidiary, Sonoco-U.S. Paper, and the Company in the amount of $3,750 in a case involving alleged trade secrets of the plaintiff. Although not covered by the judgment, the plaintiff has also made claims for certain litigation expenses. The Company accrued approximately $5,500 related to this legal proceeding for the first quarter of 2004.

Environmental Matters

The Company has been named as a potentially responsible party at several environmentally contaminated sites not owned by the Company. These regulatory actions and a small number of private party lawsuits represent the Company's largest potential environmental liabilities. As of June 27, 2004 and December 31, 2003, the Company had accrued $4,286 and $3,967, respectively, related to environmental contingencies. Due to the complexity of determining clean-up costs associated with the sites, a reliable estimate of the ultimate cost to the Company cannot be determined. Furthermore, all of the sites are also the responsibility of other parties. The Company's liability, if any, is shared with such other parties, but the Company's share has not been finally determined in most cases. In some cases, the Company has cost-sharing agreements with other potentially responsible parties with respect to a particular site. Such agreements relate to the sharing of legal defense costs or clean-up costs, or both. The Company has assumed, for purposes of estimating amounts to be accrued, that the other parties to such cost-sharing agreements will perform as agreed. It appears that final resolution of some of the sites is years away. Accordingly, a reliable estimate of the ultimate cost to the Company with respect to such sites cannot be determined.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Directors of Sonoco Products Company:

We have reviewed the accompanying condensed consolidated balance sheet of Sonoco Products Company as of June 27, 2004, and the related condensed consolidated statements of income for the three-month and six-month periods ended June 27, 2004, and June 29, 2003 and the condensed consolidated statements of cash flows for the six-month periods ended June 27, 2004 and June 29, 2003. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended (not present herein), and in our report dated January 28, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2003, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Charlotte, North Carolina
July 28, 2004

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

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations, that are not historical in nature, are intended to be, and are hereby identified as "forward-looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. The words "estimate," "project," "intend," "expect," "believe," "plan," "anticipate," "objective," "goal," "guidance," and similar expressions identify forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding offsetting high raw material costs, adequacy of income tax provisions, refinancing of debt, adequacy of cash flows, effects of acquisitions and dispositions, adequacy of provisions for environmental liabilities, financial strategies and the results expected from them, and producing improvements in earnings. Such forward-looking statements are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management. Such information includes, without limitation, discussions as to guidance and other estimates, expectations, beliefs, plans, strategies and objectives concerning our future financial and operating performance. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecast in such forward-looking statements. Such risks and uncertainties include, without limitation: availability and pricing of raw materials; success of new product development and introduction; ability to maintain or increase productivity levels; international, national and local economic and market conditions; fluctuations in obligations and earnings of pension and postretirement benefit plans; ability to maintain market share; pricing pressures and demand for products; continued strength of our paperboard-based engineered carriers and composite can operations; anticipated results of restructuring activities; resolution of income tax contingencies; ability to successfully integrate newly acquired businesses into the Company's operations; currency stability and the rate of growth in foreign markets; use of financial instruments to hedge foreign exchange, interest rate and commodity price risk; actions of government agencies; loss of consumer confidence; and, economic disruptions resulting from terrorist activities.

Results of Operations

During the fourth quarter of 2003, the Company completed the sale of its High Density Film business to Hilex Poly Co., LLC, Los Angeles, California. Operating results of this business have been presented for the three and six months ended June 29, 2003 as "Income from discontinued operations, net of income taxes" in the Company's Condensed Consolidated Statements of Income. The Condensed Consolidated Statements of Income for the three and six months ended June 29, 2003 has been restated to reflect the reclassification of the Company's High Density Film business as discontinued operations.

The Company has received and responded to comments from the staff of the SEC concerning its reportable segments in accordance with Statement of Financial Accounting Standards No. 131, 'Disclosures about Segments of an Enterprise and Related Information' (FAS 131). The Company currently reports in two segments, Consumer Packaging and Industrial Packaging. Pending resolution of these issues with the SEC, it is possible that the Company will provide financial information regarding additional or different segments in the future or that it may be required to restate segment disclosures in its previously filed financial statements, but these changes in disclosures, if any, would not result in any change in the Company's reported consolidated net income.

Second Quarter 2004 Compared with Second Quarter 2003
Company Overview

Net sales for the second quarter of 2004 were $764 million, compared with $685 million for the second quarter of 2003. This increase was primarily due to increased volumes in most of the Company's businesses and the impact of acquisitions, which favorably impacted net sales by approximately $32 million and $17 million, respectively. Company-wide volumes during the second quarter of 2004, which includes the impact of the Company's

acquisitions, the most significant of which was CorrFlex, were up approximately 6% as compared to the same period in 2003. Higher average prices, which were primarily attributable to the Industrial Packaging segment, increased net sales by approximately $11 million, and the favorable impact of foreign exchange rates increased net sales by approximately $16 million as the dollar weakened against foreign currencies.

Income before income taxes totaled approximately $50 million in the second quarter of 2004, compared with approximately $34 million for the same period in 2003. This increase resulted primarily from reduced costs related to on-going productivity initiatives and savings resulting from the Company's restructuring activities that were initiated in 2003, partly offset by higher wages and the impact of inflation. Income before income taxes was also favorably impacted by volume increases and $3 million related to a reduction in net interest expense, which decreased from approximately $13 million in the second quarter of 2003 to $10 million in the second quarter of 2004 primarily as a result of lower average interest rates and lower average debt levels. These favorable impacts were partially offset by a slightly negative price/cost relationship and product start-up costs, primarily associated with the Company's new multi-line steel easy-open closure operation in Brazil. Income before income taxes included charges in connection with the Company's previously announced restructuring actions of approximately $6 million for the second quarter of 2004 and $8 million for the second quarter of 2003, which were not allocated to the reportable segments. Restructuring charges for the second quarter of 2004 consisted primarily of severance charges.

The effective tax rate for the second quarter of 2004 was 35.5%, compared with 42.4% for the second quarter of 2003, which includes the impact of certain non-deductible foreign restructuring charges.

Reportable Segments

Operating profit at the segmental level is defined as "Income before interest and income taxes" on the Company's Condensed Consolidated Statements of Income adjusted for restructuring charges, which are not allocated to the reportable segments. General corporate expenses, with the exception of restructuring charges, interest and income taxes, have been allocated as operating costs to each of the Company's reportable segments. See Note 13 to the Company's Condensed Consolidated Financial Statements for more information on reportable segments.

Consumer Packaging Segment

The Consumer Packaging segment includes the following products and services: round and shaped rigid packaging, both composite and plastic; printed flexible packaging; point-of-purchase packaging and fulfillment; and packaging services.

Net sales of the Consumer Packaging segment for the second quarter of 2004 totaled approximately $346 million, compared with approximately $302 million in the second quarter of 2003. This increase was due primarily to higher volumes, including the impact of acquisitions, which increased net sales by approximately $35 million, a favorable impact of foreign exchange rates of approximately $7 million, and higher selling prices of approximately $2 million.

Operating profit, as defined above, for the Consumer Packaging segment in the second quarter of 2004 was approximately $24 million, up slightly from approximately $23 million for the same period in 2003. This increase resulted primarily from increased volumes and reduced costs related to on-going productivity initiatives and savings resulting from the Company's restructuring activities that were initiated in 2003. These improvements were largely offset by a negative price/cost relationship, which resulted primarily from increased steel prices, and product start-up costs, primarily associated with the Company's new multi-line steel easy-open closure operation in Brazil.

Industrial Packaging Segment

The Industrial Packaging segment includes the following products: high-performance paper, plastic and composite engineered carriers; wooden, metal and composite reels for wire and cable packaging; fiber-based construction tubes and forms; custom designed protective packaging; and supply chain management capabilities.

Net sales of the Industrial Packaging segment for the second quarter of 2004 totaled approximately $418 million, compared with approximately $383 million in the second quarter of 2003. This increase was due primarily to higher volumes, which increased net sales by approximately $10 million, increased selling prices of approximately $10 million and the favorable impact of foreign exchange rates of approximately $10 million.

Operating profit, as defined above, for the Industrial Packaging segment in the second quarter of 2004 was approximately $43 million, up from approximately $33 million for the same period in 2003. Operating profit was favorably impacted by reduced costs related to on-going productivity initiatives and savings resulting from the Company's restructuring activities that were initiated in 2003 and volume increases, partially offset by rising wage costs and inflation.

June 2004 Year-to-Date Compared with June 2003 Year-to-Date
Company Overview

Net sales for the first six months of 2004 were $1,459 million, compared with $1,341 million for the first six months of 2003. This increase was primarily due to the favorable impact of foreign exchange rates of approximately $46 million as the dollar weakened against foreign currencies and higher average selling prices of approximately $16 million, mainly attributed to the Company's Industrial Packaging segment. Higher volumes in most of the Company's businesses and the impact of acquisitions increased net sales by approximately $31 million and $23 million, respectively. Company-wide volumes, including the impact of acquisitions, during the first six months of 2004 were up approximately 2%, compared with the same period in 2003.

Income before income taxes totaled approximately $91 million in first six months of 2004, compared with approximately $74 million for the same period in 2003. This increase resulted primarily from reduced costs associated with on-going productivity initiatives and savings resulting from the Company's restructuring activities that were initiated in 2003, partially offset by increased wage costs and inflation. Also contributing to this increase were higher volumes, the favorable impact of foreign exchange rates and a reduction in net interest expense, which decreased by approximately $7 million from $26 million in the first six months of 2003 to $19 million in the first six months of 2004 primarily as a result of lower average interest rates and lower average debt levels. These favorable impacts were partially offset by a negative price/cost relationship and product start-up costs, primarily associated with the Company's new multi-line steel easy-open closure operation in Brazil. Income before income taxes for the first six months of 2004 was also negatively impacted by a charge of approximately $5 million associated with an unfavorable legal judgment that was entered against the Company. See Note 14 to the Company's Condensed Consolidated Financial Statements for more information on litigation. Income before income taxes included charges in connection with the Company's previously announced restructuring actions of approximately $7 million pretax for the first six months of 2004 and approximately $9 million for the first six months of 2003, which were not allocated to the reportable segments. Restructuring charges for the first six months of 2004 consisted primarily of severance charges.

The effective tax rate for the first six months of 2004 was 25.5%, compared with 38.9% for the first six months of 2003. This decrease was primarily due to the reversal in the first quarter of 2004 of previously accrued taxes totaling $9 million as a result of the Internal Revenue Service closing its examination of the Company's tax returns for years 1999 through 2001.

Reportable Segments

Consumer Packaging Segment

Net sales of the Consumer Packaging segment for the first six months of 2004 totaled approximately $657 million, compared with approximately $601 million in the first six months of 2003. This increase was due primarily to higher volumes, including the impact of acquisitions, which increased net sales by approximately $35 million, a favorable impact of foreign exchange rates of approximately $17 million and higher selling prices of approximately $4 million.

Operating profit, as defined above, for the Consumer Packaging segment in the first six months of 2004 was approximately $48 million, up from approximately $46 million for the same period in 2003. This increase resulted primarily from reduced costs related to on-going productivity initiatives and savings resulting from the Company's restructuring activities that were initiated in 2003, partially offset by increased wages and inflation. This increase was largely offset by a negative price/cost relationship, which resulted primarily from increased steel prices and product start-up costs, primarily associated with the Company's new multi-line steel easy-open closure operation in Brazil.

Industrial Packaging Segment

Net sales of the Industrial Packaging segment for the first six months of 2004 totaled approximately $802 million, compared with approximately $740 million in the first six months of 2003. This increase was due primarily to the favorable impact of foreign exchange rates of approximately $29 million, higher volumes, including the impact of acquisitions, which increased net sales by approximately $20 million, and increased selling prices of approximately $13 million.

Operating profit, as defined above, for the Industrial Packaging segment in the first six months of 2004 was approximately $70 million, up from approximately $63 million for the same period in 2003. Operating profit was favorably impacted by reduced costs related to on-going productivity initiatives and savings resulting from the Company's restructuring activities that were initiated in 2003, partially offset by wage increases and inflation. In addition, operating profit was favorably impacted by higher volumes and by approximately $2 million due to the impact of foreign exchange rates. Operating profit was negatively impacted by a slightly negative price/cost relationship as well as a charge of approximately $5 million associated with an unfavorable legal judgment that was entered against the Company. See Note 14 to the Company's Condensed Consolidated Financial Statements for more information on litigation.

Financial Position, Liquidity and Capital Resources

The Company's financial position remained strong during the first six months of 2004. Total debt increased by $265 million to $940 million from $675 million at December 31, 2003 as the Company issued $150 million in twelve-year notes and had net borrowings of $108 million under its commercial paper program in the second quarter of 2004.

For the first six months of 2004, cash generated from operations totaled approximately $55 million, compared with approximately $84 million for the same period in 2003. This decrease of approximately $29 million was partly a result of increased pension plan funding as well as larger increases in receivables and prepaid expenses in the first six months of 2004, compared with the first six months of 2003. Cash generated from operations for the first six months of 2004 included the impact of approximately $15 million for funding the Company's benefit plans, compared with approximately $3 million for the first six months of 2003.

During the first six months of 2004, the Company received cash proceeds of approximately $15 million from the issuance of common stock, which related primarily to the exercise of stock options. These proceeds, combined with new borrowings and cash generated from operations, were used for the purchase of CorrFlex, to fund capital expenditures of approximately $54 million and to pay dividends of approximately $42 million in the first six months of 2004.

In June 2004, the Company made a private placement of $150 million 5.625% notes due in 2016. Under the terms of the sale of the notes, the Company is required to take appropriate steps to offer to exchange other notes with the same terms that have been registered with the SEC for the private placement notes or, in some circumstances, register the private placement notes with the SEC. If the Company does not take the necessary actions in connection with the exchange offer, or registration of the private placement notes if required, by specified deadlines, it will become obligated to pay additional interest to the holders of the private placement notes up to a maximum of 1% per annum.

During the second quarter of 2004, the Company entered into a $150 million swap against the newly issued $150 million notes. During the first quarter of 2004, the Company entered into a $100 million swap against a portion of the $250 million 6.5% notes maturing in 2013. Consistent with the treatment of all of the Company's interest rate swaps, these contracts qualified as fair value hedges under Statement of Financial Accounting Standards No. 133, 'Accounting for Derivative Instruments and Hedging Activities' (FAS 133) and swapped fixed interest for floating.

In July 2004, the Company terminated its $450 million backstop credit line and entered into a new $350 million backstop credit line for commercial paper issuance. The new credit agreement matures in July 2009.

During the second quarter of 2004, Moody's reduced the Company's long-term debt rating from A2 to A3 and its short-term debt rating from P-1 to P-2. Moody's cited the Company's debt-financed acquisition of CorrFlex as a key reason for the downgrade. Standard and Poor's reaffirmed its long-term debt rating of A- and short-term debt rating of A-2 but assigned a negative outlook.

Restructuring and Impairment

In August 2003, the Company announced general plans to reduce its overall cost structure by $54 million pretax by realigning and centralizing a number of staff functions and eliminating excess plant capacity. Pursuant to these plans, the Company has initiated or completed 12 plant closings and has terminated approximately 850 employees. As of June 27, 2004, the Company had incurred cumulative charges, net of adjustments, of approximately $61.0 million pretax associated with these activities. The Company expects to recognize an additional cost of approximately $4.0 million pretax in the future associated with these charges, which is comprised of approximately $2.1 million in severance and termination benefits, $0.3 million in asset impairment charges and $1.6 million in other exit costs. Of this amount, approximately $3.1 million is related to the Industrial Packaging segment and approximately $0.9 million is related to the Consumer Packaging segment. As part of the target to reduce its cost structure by $54 million, the Company also expects to announce throughout the remainder of 2004 the closing of approximately five additional plants in furtherance of these plans. The costs associated with these future plant closings have not yet been determined. The Company expects to pay the remaining restructuring costs, with the exception of ongoing pension subsidies and certain building lease termination expenses, by the end of the second quarter of 2005, using cash generated from operations. In conjunction with the Company's review of its restructuring accrual in the second quarter of 2004, it was determined that one of the plants that had originally been identified to be closed pursuant to these plans would not be closed due to changes in certain factors. In response to this determination, the Company reduced its restructuring accrual for the Consumer Packaging segment, which resulted in negative charges, net of adjustments, in both the three and six months ended June 27, 2004.

During the three months ended June 27, 2004, the Company recognized restructuring charges, net of adjustments, of $5.8 million ($3.7 million after tax), primarily associated with previously announced plant closings. These restructuring charges, net of adjustments, consisted of severance and termination benefits of $3.6 million, asset impairment charges of $1.5 million and other exit costs of $0.7 million.

During the three months ended June 29, 2003, the Company recognized restructuring charges, net of adjustments, of $7.8 million ($7.9 million after tax) related to previously announced restructuring plans. These restructuring charges, net of adjustments, consisted of severance and termination benefits of $7.0 million, asset impairment charges of $0.7 million and other exit costs of $0.1 million.

During the first six months of 2004, the Company recognized restructuring charges, net of adjustments, of $7.1 million ($4.6 million after tax), primarily associated with previously announced plant closings, seven of which were in the Industrial Packaging segment and three of which were in the Consumer Packaging segment. These restructuring charges, net of adjustments, consisted primarily of severance and termination benefits of $4.2 million, asset impairment charges of $1.7 million and other exit costs of $1.2 million.

During the first six months of 2003, the Company recognized restructuring charges, net of adjustments, of $9.0 million ($8.6 million after tax) related to previously announced restructuring plans. These charges were primarily associated with severance costs in Europe in the Industrial Packaging segment as well as lease termination and restoration costs associated with prior plant closings in the Consumer Packaging segment. These restructuring charges, net of adjustments, consisted of severance and termination benefits of $7.7 million, asset impairment charges of $0.7 million and other exit costs of $0.6 million. Additionally, the Company's High Density Film business, which was divested in December 2003, incurred restructuring charges of approximately $0.2 million ($0.1 million after tax) in the first quarter of 2003.

New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, 'Consolidation of Variable Interest Entities – an interpretation of ARB 51' (FIN 46). FIN 46 addresses when a company should include in its financial statements the assets, liabilities and activities of a variable interest entity. It defines variable interest entities as those entities with a business purpose that either do not have equity investors with voting rights in proportion to such investors' equity, or have investors that do not provide financial resources in proportion to such investors' equity for the entity to support its activities and have equity investors that lack a controlling financial interest. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. FIN 46 consolidation requirements apply immediately to variable interest entities created or obtained after January 31, 2003, but this had no impact on the Company's 2003 financial statements. A modification to FIN 46 (FIN 46R) was released on December 17, 2003. FIN 46R delayed the effective date for variable interest entities created before February 1, 2003, with the exception of special-purpose entities, until the first fiscal year or interim period after December 15, 2003. As of January 1, 2004, the Company adopted FIN 46R. In conjunction with this adoption, the Company performed an evaluation of variable interest entities in which it has an ownership, contractual or other monetary interest. The adoption of FIN 46R did not have a material effect on the Company's Condensed Consolidated Financial Statements.

In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus in EITF Issue 03-01, 'The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments'. EITF 03-01 provides guidance on other-than-temporary impairment models for marketable debt and equity securities accounted for under Statement of Financial Accounting Standards No. 115, 'Accounting for Certain Investments in Debt and Equity Securities,' (FAS 115) and Statement of Financial Accounting Standards No. 124, 'Accounting for Certain Investments Held by Not-for-Profit Organizations,' (FAS 124) and non-marketable equity securities accounted for under the cost method. The EITF developed a basic three-step model to evaluate whether an investment is other-than-temporarily impaired. The provisions of EITF 03-01 will be effective for the Company's third quarter of 2004 and will be applied prospectively to all current and future investments. Quantitative and qualitative disclosures for investments accounted for under FAS 115 are effective for the Company's fiscal year ending 2004.

The implementation of this EITF consensus is not expected to have a material effect on the Company's Condensed Consolidated Financial Statements.

On May 19, 2004, the FASB issued FASB Staff Position 106-2, 'Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003' (FSP 106-2), which requires measures of the accumulated postretirement benefit obligation and net periodic postretirement benefit costs to reflect the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). FSP 106-2 supersedes FSP 106-1 and is effective for interim or annual reporting periods beginning after June 15, 2004. Due to the fact that certain authoritative guidance related to the determination of actuarial equivalency is not yet available, the Company is currently unable to determine the impact of its implementation of FSP 106-2 and the Act on its Condensed Consolidated Financial Statements. See Note 11 to the Condensed Consolidated Financial Statements for further discussion of the Act.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Information about the Company's exposure to market risk was disclosed in its 2003 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 2, 2004. There have been no material quantitative or qualitative changes in market risk exposure since the date of that filing.

Item 4. Controls and Procedures.

Based on the evaluation required by 17 C.F.R. Section 240.13a-15(b) or 240.15d-15(b) of the Company's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) and 240.15d-15(e)), the Company's chief executive officer and chief financial officer concluded that the effectiveness of such controls and procedures, as of the end of the period covered by this quarterly report, was adequate.

No disclosure is required under 17 C.F.R. Section 229.308(c).

PART II. OTHER INFORMATION

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

Incorporated by reference to Item 4 of Part II of the Company's Quarterly Report on Form 10-Q for the quarter ended March 28, 2004.

Item 6. Exhibits and Reports on Form 8-K.

(a)	Exhibit 4 –	First Supplemental Indenture, dated as of June 23, 2004 between Registrant and The Bank of New York, as Trustee.
	Exhibit 10.1 –	Registration Rights Agreement, dated as of June 23, 2004 between Registrant and Bank of America Securities LLC and Deutsche Bank Securities Inc.
	Exhibit 10.2 –	Credit Agreement, dated as of July 7, 2004, among Registrant, the several lenders from time to time party thereto and Bank of America, N.A., as agent.
	Exhibit 10.3 –	Membership Interest Purchase Agreement, dated April 28, 2004, among the Registrant, CorrFlex Graphics, LLC, CorrFlex Packaging, LLC, N717CF, LLC and the Members and Option and Warrant Holders of CorrFlex Graphics, LLC, as amended May 28, 2004.
	Exhibit 10.4 –	Contribution Agreement, dated April 19, 2004, Registrant and Ahlstrom Corporation.
	Exhibit 15 –	Letter re unaudited interim financial information.
	Exhibit 31 –	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and 17 C.F.R. 240.13a-14(a)

Exhibit 32 – Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 17 C.F.R. 240.13a-14(b)

(b) Reports on Form 8-K: During the quarter ended June 27, 2004, the Company filed the following Current Reports on Form 8-K:

Form 8-K dated April 21, 2004. The Current Report included information under Items 7 and 12.

Form 8-K dated May 28, 2004. The Current Report included information under Item 5.

SONOCO PRODUCTS COMPANY

SIGNATURE

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.

SONOCO PRODUCTS COMPANY
(Registrant)

Date: July 29, 2004

By: /s/ C. J. Hupfer

C. J. Hupfer
Vice President and Chief Financial Officer

SONOCO PRODUCTS COMPANY

EXHIBIT INDEX

Exhibit Number	Description
4	First Supplemental Indenture, dated as of June 23, 2004 between Registrant and The Bank of New York, as Trustee.
10.1	Registration Rights Agreement, dated as of June 23, 2004 between Registrant and Bank of America Securities LLC and Deutsche Bank Securities Inc.
10.2	Credit Agreement, dated as of July 7, 2004, among Registrant, the several lenders from time to time party thereto and Bank of America, N.A., as agent.
10.3	Membership Interest Purchase Agreement, dated April 28, 2004, among the Registrant, CorrFlex Graphics, LLC, CorrFlex Packaging, LLC, N717CF, LLC and the Members and Option and Warrant Holders of CorrFlex Graphics, LLC, as amended May 28, 2004.
10.4	Contribution Agreement, dated April 19, 2004, Registrant and Ahlstrom Corporation.
15	Letter re: unaudited interim financial information
31	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and 17 C.F.R. 240.13a-14(a)
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 17 C.F.R. 240.13a-14(b)

EXHIBIT 4

Execution Copy

==========

SONOCO PRODUCTS COMPANY

to

THE BANK OF NEW YORK,
as Trustee

FIRST SUPPLEMENTAL INDENTURE
Dated as of June 23, 2004

Supplemental to the Indenture
dated as of June 15, 1991

Establishing a series of Securities
designated 5.625% Notes Due 2016

==========

FIRST SUPPLEMENTAL INDENTURE, dated as of June 23, 2004 (herein called the "First Supplemental Indenture"), between Sonoco Products Company, a corporation duly organized and existing under the laws of the State of South Carolina (hereinafter called the "Company"), and The Bank of New York, successor to Wachovia Bank of North Carolina, National Association, as Trustee under the Original Indenture referred to below (hereinafter called the "Trustee").

WITNESSETH:

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture dated as of June 15, 1991 (hereinafter called the "Original Indenture"), to provide for the issuance from time to time in one or more series of its unsecured debentures, notes, bonds or other evidences of indebtedness (herein called the "Securities"), the form and terms of which are to be established as set forth in Sections 201 and 301 of the Original Indenture;

WHEREAS, Section 901(7) of the Original Indenture provides, among other things, that the Company and the Trustee may enter into indentures supplemental to the Original Indenture to, among other things, establish the form and terms of the Securities of any series as permitted in Sections 201 and 301 of the Original Indenture;

WHEREAS, the Company desires to create a series of the Securities in an aggregate principal amount of $150,000,000 to be designated the "5.625% Notes Due 2016", and all action on the part of the Company necessary to authorize the issuance of the Notes (as hereinafter defined) under the Original Indenture and this First Supplemental Indenture has been duly taken; and

WHEREAS, all acts and things necessary to make the Notes, when executed by the Company and completed, authenticated and delivered by the Trustee as provided in the Original Indenture and this First Supplemental Indenture, the valid and binding obligations of the Company and to constitute these presents a valid and binding supplemental indenture and agreement according to its terms, have been done and performed;

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH:

That in consideration of the premises and of the acceptance and purchase of the Notes by the holders thereof and of the acceptance of this trust by the Trustee, the Company covenants and agrees with the Trustee, for the equal benefit of holders of the Notes (as hereinafter defined), as follows:

ARTICLE ONE

DEFINITIONS

Except to the extent such terms are otherwise defined in this First Supplemental Indenture or the context clearly requires otherwise, all terms used in this First Supplemental Indenture which are defined in the Original Indenture or the form of Initial Note (as hereinafter defined) or Exchange Note (as hereinafter

defined) attached hereto as Exhibits A and B, respectively, have the meanings assigned to them therein.

In addition, as used in this First Supplemental Indenture, the following terms have the following meanings:

"Commission" means the U.S. Securities and Exchange Commission.

"Exchange Notes" means the 5.625% Notes Due 2016 to be issued under this First Supplemental Indenture in connection with a Registered Exchange Offer pursuant to the Registration Rights Agreement.

"Global Note" means a Rule 144A Global Note.

"Initial Notes" means the 5.625% Notes Due 2016 to be issued under this First Supplemental Indenture on or about the date of this First Supplemental Indenture.

"Initial Purchasers" means (a) Bank of America Securities LLC, Deutsche Bank Securities Inc., Tokyo-Mitsubishi International plc and Wachovia Capital Markets, LLC, in respect of the Initial Notes and (b) the purchasers of any additional Notes, as the case may be.

"Issue Date" means the date on which the Initial Notes are originally issued.

"Notes" means the Initial Notes, the Exchange Notes , the Private Exchange Notes and any other 5.625% Notes Due 2016 issued after the Issue Date in accordance with clause (iii) of Section 2.3 hereof treated as a single series of securities for all purposes, as amended or supplemented from time to time in accordance with the terms of this First Supplemental Indenture and the Original Indenture, that are issued pursuant to this First Supplemental Indenture.

"Private Exchange" means the offer by the Company, pursuant to the Registration Rights Agreement, to the Initial Purchasers to issue and deliver to the Initial Purchasers, in exchange for the Initial Notes held by the Initial Purchasers as part of their initial distribution, a like aggregate principal amount of Private Exchange Notes.

"Private Exchange Notes" means the 5.625% Notes Due 2016 to be issued pursuant to this First Supplemental Indenture in connection with a Private Exchange effected pursuant to the Registration Rights Agreement.

"Registered Exchange Offer" means an offer by the Company, pursuant to the Registration Rights Agreement, to certain Holders of Initial Notes, to issue and deliver to such Holders, in exchange for the Initial Notes, a like aggregate principal amount of Exchange Notes registered under the Securities Act.

"Registration Rights Agreement" means (a) the Registration Rights Agreement dated as of June 23, 2004 among the Company and the Initial Purchasers or (b) any registration rights agreement entered into in connection with the issuance of additional Notes following the Issue Date, as the case may be.

"Resale Restriction Termination Date" means (x) the date which is two years (or such shorter period of time as permitted by Rule 144(k) under the Securities Act) after the later of the issue date of a Restricted Security and the last date on which the Company or any of its "affiliates" (as defined in Rule 144 under the Securities Act) was the owner of such Restricted Security) (or any predecessor thereto); or (y) such later date, if any, as may be required by applicable law.

"Restricted Securities" has the meaning given to such term in Section 2.7(a) hereof.

"Rule 144A" means Rule 144A under the Securities Act, as may be amended and in effect from time to time, and any successor rules.

"Rule 144A Global Note" means the one or more Initial Notes or Private Exchange Notes deposited with a custodian for, and registered in the name of a nominee of, the Depositary, interests in which will be held for the benefit of purchasers of Initial Notes or Private Exchange Notes who are "qualified institutional buyers" as defined in Rule 144A.

"Shelf Registration Statement" means the registration statement filed by the Company with the Commission in connection with the offer and sale of Notes (other than Exchange Notes) on a continuous basis under Rule 415 of the Securities Act pursuant to the Registration Rights Agreement.

"Transfer Restricted Notes" means Notes that bear or are required to bear one or more of the legends set forth in Section 2.6 hereof.

ARTICLE TWO

TERMS AND ISSUANCE OF THE 5.625% NOTES DUE 2016

Section 2.1. Issue of Notes. A series of Securities which shall be designated the "5.625% Notes Due 2016" shall be executed, authenticated and delivered in accordance with the provisions of, and shall in all respects be subject to, the terms, conditions and covenants of, the Original Indenture, as amended, and this First Supplemental Indenture (including the form of Initial Notes and Exchange Notes set forth hereto as Exhibits A and B, respectively). The aggregate principal amount of the Notes which may be authenticated and delivered under this First Supplemental Indenture shall not, except as permitted by the provisions of the Original Indenture, initially exceed $150,000,000; provided that the Company may from time to time or at any time, without the consent of the Holders of the Notes, issue additional Notes, which additional Notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the Notes.

Section 2.2. Form of Notes; Incorporation of Terms. The Initial Notes, the Private Exchange Notes and any additional Notes issued in transactions exempt from registration under the Securities Act shall be substantially in the form of Exhibit A attached hereto and the Exchange Notes shall be substantially in the form of Exhibit B attached hereto. The Notes may have such notations, legends or endorsements approved as to form by the Company and required,

as applicable, by law, stock exchange or depository rule, agreements to which the Company is subject and/or usage. The terms of the Notes set forth in Exhibit A and Exhibit B are herein incorporated by reference and are part of the terms of this First Supplemental Indenture.

Section 2.3. Execution and Authentication. The Trustee, upon a Company Order and pursuant to the terms of the Original Indenture and this First Supplemental Indenture, shall authenticate and deliver (i) Initial Notes for original issue in an initial aggregate principal amount of $150,000,000, (ii) Exchange Notes or Private Exchange Notes for issue only in a Registered Exchange Offer or a Private Exchange, respectively, pursuant to the Registration Rights Agreement, for a like principal amount of Initial Notes and (iii) additional Notes for original issue after the Issue Date in the amounts specified by the Company. Such Company Order shall specify the amount of the Notes to be authenticated, the date on which the original issue of Notes is to be authenticated, whether the Notes are to be Initial Notes, Private Exchange Notes, Exchange Notes or Notes issued pursuant to clause (iii) above, and the aggregate principal amount of Notes outstanding on the date of authentication. All of the Notes issued under the Original Indenture and this First Supplemental Indenture shall be treated as a single series for all purposes under the Original Indenture and this First Supplemental Indenture, including, without limitation, waivers, amendments, and offers to purchase.

Section 2.4. Depositary for Global Securities. The Depositary for the Securities of the series of which the Notes are a part shall be The Depository Trust Company in the City of New York.

Section 2.5. Place of Payment. The Place of Payment in respect of the Notes will be at the principal office or agency of the Company in the City of New York, State of New York or at the office or place of business of the Trustee or its successor in trust under the Original Indenture, which, at the date hereof, is located at [Trustee's address].

Section 2.6. Legends.

(a) Except as permitted by the following paragraphs (b) and (c), each Note certificate for Notes that are Restricted Securities shall bear a legend in substantially the following form:

"THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT: (A) PRIOR TO: (X) THE DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(k) UNDER THE SECURITIES ACT) AFTER THE LATER OF THE ISSUE DATE OF THE NOTES AND THE LAST DATE ON WHICH WE OR ANY OF OUR "AFFILIATES" (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) WAS THE OWNER OF SUCH NOTES (OR ANY PREDECESSOR THERETO); OR (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (i) (a) TO A PERSON WHO IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE

144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (ii) TO THE COMPANY, OR (iii) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THE SECURITY EVIDENCED HEREBY.

THE HOLDER OF THIS SECURITY IS SUBJECT TO, AND ENTITLED TO THE BENEFITS OF, THE REGISTRATION RIGHTS AGREEMENT DATED JUNE 23, 2004, AMONG THE COMPANY AND THE OTHER PARTIES REFERRED TO THEREIN."

(b) Upon any sale or transfer of a Transfer Restricted Note pursuant to Rule 144 under the Securities Act, the Depositary shall, subject to approval by the Company and the provisions of Section 305 of the Original Indenture, permit the Holder thereof to request the issuance of a Global Note that does not bear one or more of the legends set forth above and rescind any restrictions on the transfer of such Transfer Restricted Note, if the sale or exchange was made in reliance on Rule 144 and the Holder certifies to that effect in writing to the Depositary.

(c) After a transfer of any Initial Notes or Private Exchange Notes pursuant to and during the period of the effectiveness of a Shelf Registration Statement with respect to such Initial Notes or Private Exchange Notes, as the case may be, all requirements pertaining to legends on such Initial Note or such Private Exchange Note shall cease to apply, and a global Initial Note or Private Exchange Note without legends shall be available (subject to Section 305 of the Original Indenture) to the transferee of the Holder of such Initial Notes or Private Exchange Notes or upon receipt of directions to transfer such Holder's interest in a global Initial Note or Private Exchange Note, as applicable.

(d) Upon the completion of a Registered Exchange Offer with respect to the Initial Notes pursuant to which Holders of such Initial Notes are offered Exchange Notes in exchange for their Initial Notes, all requirements pertaining to such Initial Notes that Initial Notes issued to

certain Holders be issued in global form shall still apply and Initial Notes in global form with one or more of the legends set forth in Exhibit A shall be available to Holders of such Initial Notes that do not exchange their Initial Notes, and Exchange Notes in global form shall be available (subject to Section 305 of the Original Indenture) to Holders that exchange such Initial Notes in such Registered Exchange Offer.

(e) Upon the completion of a Private Exchange with respect to the Initial Notes pursuant to which Holders of such Initial Notes are offered Private Exchange Notes in exchange for their Initial Notes, all requirements pertaining to such Initial Notes that Initial Notes issued to certain Holders be issued in global form shall still apply, and Private Exchange Notes in global form with one or more of the legends set forth in Exhibit A shall be available to Holders that exchange such Initial Notes in such Private Exchange.

Section 2.7. Restrictions on Transfer and Exchange of Initial Notes.

(a) All Rule 144A Global Notes and all beneficial interests in one or more Rule 144A Global Notes shall be restricted securities (within the meaning of Rule 144 under the Securities Act; hereinafter, collectively, "Restricted Securities") and shall be subject to the restrictions on transfer provided in the legend set forth in Section 2.6(a) hereof. The Holder of each Restricted Security, by such Holder's acceptance thereof, agrees to be bound by such restrictions on transfer. All Restricted Securities shall bear the legend set forth in Section 2.6(a).

(b) Unless and until an Initial Note is exchanged for an Exchange Note in connection with an effective Exchange Offer Registration Statement or a Shelf Registration Statement is declared effective with respect to such Initial Notes and an Initial Note is sold pursuant to the plan of distribution thereunder, the following provisions shall apply:

(i) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Global Note may be transferred to persons who take delivery thereof in the form of a beneficial interest in the same Global Note in accordance with the transfer restrictions in the applicable legends.

(ii) Transfer of Beneficial Interests in a Global Note to Another Global Note. A beneficial interest in any Global Note may be transferred to a person who takes delivery thereof in the form of a beneficial interest in another Global Note if the transfer complies with the requirements of the applicable procedures of The Depository Trust Company and the transferor delivers to the Trustee a certificate in the form of Exhibit C hereto.

ARTICLE THREE

MISCELLANEOUS

Section 4.1. Execution as Supplemental Indenture. This First Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Original Indenture and, as provided in the Original Indenture, this First Supplemental Indenture forms a part thereof.

Section 4.2. Conflict with Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with another provision hereof, or with a provision of the Original Indenture, which is required to be included in this First Supplemental Indenture, or in the Original Indenture, respectively, by any of the provisions of the Trust Indenture Act, such required provision shall control.

Section 4.3. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 4.4. Successors and Assigns. All covenants and agreements by the Company in this First Supplemental Indenture shall bind its successors and assigns, whether so expressed or not.

Section 4.5. Separability Clause. In case any provision in this First Supplemental Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 4.6. Benefits of First Supplemental Indenture. Nothing in this First Supplemental Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this First Supplemental Indenture.

Section 4.7. Execution and Counterparts. This First Supplemental Indenture may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 4.8. Governing Law. This First Supplemental Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles thereof.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

(CORPORATE SEAL)

SONOCO PRODUCTS COMPANY

By

Name:
Title:

Attest:

By

Name:
Title:

(SEAL)

THE BANK OF NEW YORK,
As Trustee

By:

Name:
Title:

Attest:

By:

Name:
Title:

STATE OF _____)
)
COUNTY OF _____)

On this ___ day of _____, 2004, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he is a _____ of Sonoco Products Company, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

STATE OF _____)
)
COUNTY OF _____)

On this ___ day of _____, 2004, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he is a _____ of The Bank of New York, a New York banking organization described in and which executed the foregoing instrument; that he knows the seal of said organization; that the seal affixed to said instrument is such organization seal; that it was so affixed by authority of the Board of Directors of said organization, and that he signed his name thereto by like authority.

[FORM OF FACE OF INITIAL NOTES]

[IF THE SECURITY IS TO BE A GLOBAL SECURITY, INSERT -- UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS SECURITY IS A GLOBAL SECURITY AS REFERRED TO IN THE INDENTURE HEREINAFTER REFERENCED AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL SECURITIES REPRESENTED HEREBY IN DEFINITIVE FORM, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.]

[IF A RESTRICTED SECURITY, INSERT -- THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT: (A) PRIOR TO: (X) THE DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(k) UNDER THE SECURITIES ACT) AFTER THE LATER OF THE ISSUE DATE OF THE NOTES AND THE LAST DATE ON WHICH WE OR ANY OF OUR "AFFILIATES" (AS DEFINED IN RULE 144 UNDER THE

SECURITIES ACT) WAS THE OWNER OF SUCH NOTES (OR ANY PREDECESSOR THERETO); OR (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (i) (a) TO A PERSON WHO IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (ii) TO THE COMPANY, OR (iii) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THE SECURITY EVIDENCED HEREBY.

THE HOLDER OF THIS SECURITY IS SUBJECT TO, AND ENTITLED TO THE BENEFITS OF, THE REGISTRATION RIGHTS AGREEMENT DATED JUNE 23, 2004, AMONG THE COMPANY AND THE OTHER PARTIES REFERRED TO THEREIN.

SONOCO PRODUCTS COMPANY

5.625% NOTES DUE 2016

$_____

NO. _____ CUSIP _____

SONOCO PRODUCTS COMPANY, a corporation duly organized and existing under the laws of the State of South Carolina (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on June 15, 2016, and to pay interest thereon from June 23, 2004, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on June 15 and December 15 in each year, commencing December 15, 2004, at the rate of 5.625% per annum, until the principal hereof is paid or made available for payment (assuming a 360-day year consisting of twelve 30-day months). The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in

whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture; provided, however, that if (i) a registration statement (the "Exchange Offer Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), registering a security substantially identical to this Security (except that such Security will not contain terms with respect to the Additional Interest payments described below or legends reflecting transfer restrictions) pursuant to an exchange offer (the "Exchange Offer") has not been filed or has not been declared effective on or before the date on which such registration statement is required to be filed or is required to become or be declared effective pursuant to the Registration Rights Agreement dated as of June 23, 2004 (the "Registration Rights Agreement"), among the Company and the other parties referred to therein, or, if required, a registration statement registering this Security for resale (a "Shelf Registration Statement") has not been filed or has not become or been declared effective on or before the date on which such registration statement is required to become or be declared effective pursuant to the Registration Rights Agreement, or (ii) the Exchange Offer has not been completed on or before the date on which such Exchange Offer is required to be completed pursuant to the Registration Rights Agreement in each case in Clauses (i) and (ii) upon the terms and conditions set forth in the Registration Rights Agreement (each such event referred to in clauses (i) through (ii) above, a "Registration Default"), the interest rate borne by the Securities shall be increased ("Additional Interest") by one-quarter of one percent (0.25%) per annum, which interest shall accrue (in addition to any stated interest on the Securities) from and including the date on which a Registration Default occurs to but excluding the first date (the "Step-Down Date") that no Registration Default exists, which rate will increase by one quarter of one percent (0.25%) at the beginning of each succeeding 90-day period (or portion thereof) that such Additional Interest continues to accrue under any such circumstance; provided, however, that the maximum aggregate increase in the interest rate will in no event exceed one percent (1%) per annum, and provided further, that no Additional Interest shall be payable, and Additional Interest shall cease to be payable, in accordance with the terms of the Registration Rights Agreement. If the Shelf Registration Statement is declared effective but becomes unusable for any reason, then the interest rate borne by the Securities shall be increased under the circumstances described in the Registration Rights Agreement. Upon the Shelf Registration Statement once again becoming usable, the interest rate borne by the Securities will be reduced to the original interest rate. Accrued Additional Interest, if any, shall be paid semi-annually on June 15 and December 15 in each year, and the amount of accrued Additional Interest shall be determined on the basis of the number of days during which such Registration Default is in effect. The Company shall provide the Trustee with written notice of the date of any Registration Default and the Step-Down Date. Any accrued and unpaid interest (including Additional Interest, if any) on this Security upon the issuance of an Exchange Security (as defined in the Indenture) in exchange for this Security shall cease to be payable to the Holder hereof but such accrued and unpaid interest (including Additional Interest, if any) shall be payable to the Holder of such Exchange Security with the next Interest Payment for such Exchange Security.

Payment of the principal of (and premium, if any) and interest on this Security will be

made at the office or agency of the Company maintained for that purpose in New York, New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register, or by wire transfer to the Person entitled thereto.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

SONOCO PRODUCTS COMPANY

By: _____

Attest: Name:

Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

The Bank of New York, As Trustee

Date:

By: _____
Authorized Officer

[FORM OF REVERSE OF INITIAL NOTES]

SONOCO PRODUCTS COMPANY

5.625% Notes due 2016

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of June 15, 1991, as supplemented by a First Supplemental Indenture, dated as of June 23, 2004 (as so supplemented, herein called the "Indenture"), between the Company and The Bank of New York, as successor Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, which series is initially limited in aggregate principal amount to $150,000,000; provided that the Company may from time to time or at any time, without the consent of Holders of the Securities of this series, issue additional Notes. Such additional Notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the Notes.

The Securities of this series are subject to redemption upon not less than 30 days' notice by mail, in whole or in part, at any time at the election of the Company, at a redemption price equal to the greater of (i) 100% of the principal amount of the Securities, or (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the Securities (not including any portion of those payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis assuming a 360 day year consisting of twelve 30 day months at the Treasury Rate (as defined below) plus 15 basis points plus, in each case, accrued and unpaid interest on the Securities to the redemption date.

"Treasury Rate" means, with respect to any redemption date, the annual rate equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Securities to be redeemed that would be utilized, at the time of a selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of at least three Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of five or more Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than five Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so obtained.

"Reference Treasury Dealer" means (i) each of Banc of America Securities LLC and Deutsche Bank Securities Inc. and their respective successors; however, if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute another Primary Treasury Dealer; and (ii) any other Primary Treasury Dealer selected by the Company.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by the Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding the redemption date.

"Quotation Agent" means the Reference Treasury Dealer appointed by the Company.

In the case of a partial redemption, selection of the Securities for redemption will be made pro rata, by lot or such other method as the Trustee in its sole discretion deems appropriate and fair. No Securities of a principal amount of $1,000 or less will be redeemed in part. Notice of any redemption will be mailed by first class mail at least 30 days but not more than 60 days before the redemption date to each holder of the Securities to be redeemed at its registered address. If any Securities are to be redeemed in part only, the notice of redemption that relates to the Securities will state the portion of the Securities to be redeemed. New Securities in principal amounts of $1,000 equal to the unredeemed portion of the Securities will be issued in the name of the holder of the Securities upon surrender for cancellation of the original Securities. Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Securities or the portions of the Securities called for redemption.

Unless the context otherwise requires, the Initial Notes (as defined in the Indenture) and the Exchange Notes (as defined in the Indenture) of the same series shall constitute one series for all purposes under the Indenture, including without limitation, amendments, waivers and redemptions.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness on this Security and (b) certain restrictive covenants upon compliance by the Company with certain conditions, set forth therein, which provisions apply to the Securities of this series.

The Indenture permits, with certain exceptions as therein provided, the amendment

thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of 66 2/3% in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Securities of this series are not subject to any sinking fund.

The Securities of this series shall be governed by and construed in accordance with the laws of the State of New York.

All capitalized terms used but not defined in this Security shall have the meanings assigned to them in the Indenture.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

[FORM OF FACE OF EXCHANGE NOTES]

[IF THE SECURITY IS TO BE A GLOBAL SECURITY, INSERT -- UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS SECURITY IS A GLOBAL SECURITY AS REFERRED TO IN THE INDENTURE HEREINAFTER REFERENCED AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL SECURITIES REPRESENTED HEREBY IN DEFINITIVE FORM, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.]

SONOCO PRODUCTS COMPANY
5.625% NOTES DUE 2016

$ _____

NO. _____ CUSIP _____

SONOCO PRODUCTS COMPANY, a corporation duly organized and existing under the laws of the State of South Carolina (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on June 15, 2016, and to pay interest thereon from June 23, 2004, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on June 15 and December 15 in each year, commencing December 15, 2004, at the rate of 5.625% per annum, until the principal hereof is paid or made available for payment (assuming a 360-day year consisting of twelve 30-day months). The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or

December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in New York, New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register, or by wire transfer to the Person entitled thereto.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

SONOCO PRODUCTS COMPANY

By: _____
Name:
Title:

Attest:

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

The Bank of New York, As Trustee

Date:

By: _____
Authorized Officer

[FORM OF REVERSE OF EXCHANGE NOTES]

SONOCO PRODUCTS COMPANY

5.625% Notes due 2016

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture, dated as of June 15, 1991, as supplemented by a First Supplemental Indenture, dated as of June 23, 2004 (as so supplemented, herein called the "Indenture"), between the Company and The Bank of New York, as successor Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, which series is initially limited in aggregate principal amount to $150,000,000; provided that the Company may from time to time or at any time, without the consent of Holders of the Securities of this series, issue additional Notes. Such additional Notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the Notes.

The Securities of this series are subject to redemption upon not less than 30 days' notice by mail, in whole or in part, at any time at the election of the Company, at a redemption price equal to the greater of (i) 100% of the principal amount of the Securities, or (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the Securities (not including any portion of those payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis assuming a 360 day year consisting of twelve 30 day months at the Treasury Rate (as defined below) plus 15 basis points plus, in each case, accrued and unpaid interest on the Securities to the redemption date.

"Treasury Rate" means, with respect to any redemption date, the annual rate equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Securities to be redeemed that would be utilized, at the time of a selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of at least three Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of five or more Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than five Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so obtained.

"Reference Treasury Dealer" means (i) each of Banc of America Securities LLC and Deutsche Bank Securities Inc. and their respective successors; however, if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute another Primary Treasury Dealer; and (ii) any other Primary Treasury Dealer selected by the Company.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by the Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding the redemption date.

"Quotation Agent" means the Reference Treasury Dealer appointed by the Company.

In the case of a partial redemption, selection of the Securities for redemption will be made pro rata, by lot or such other method as the Trustee in its sole discretion deems appropriate and fair. No Securities of a principal amount of $1,000 or less will be redeemed in part. Notice of any redemption will be mailed by first class mail at least 30 days but not more than 60 days before the redemption date to each holder of the Securities to be redeemed at its registered address. If any Securities are to be redeemed in part only, the notice of redemption that relates to the Securities will state the portion of the Securities to be redeemed. New Securities in principal amounts of $1,000 equal to the unredeemed portion of the Securities will be issued in the name of the holder of the Securities upon surrender for cancellation of the original Securities. Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Securities or the portions of the Securities called for redemption.

Unless the context otherwise requires, the Initial Notes (as defined in the Indenture) and the Exchange Notes (as defined in the Indenture) of the same series shall constitute one series for all purposes under the Indenture, including without limitation, amendments, waivers and redemptions.

If an Event of Default with respect to Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture contains provisions for defeasance at any time of (a) the entire indebtedness on this Security and (b) certain restrictive covenants upon compliance by the Company with certain conditions, set forth therein, which provisions apply to the Securities of this series.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of 66 2/3% in principal amount of the Securities at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registerable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in any place where the principal of and any premium and interest on this Security are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Securities of this series are not subject to any sinking fund.

The Securities of this series shall be governed by and construed in accordance with the laws of the State of New York.

All capitalized terms used but not defined in this Security shall have the meanings assigned to them in the Indenture.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

EXHIBIT C

[Form of Restricted Securities Transfer Certificate]

CERTIFICATE TO SUNOCO PRODUCTS COMPANY
AND TRUSTEE

5.625% NOTES DUE 2016

With respect to U.S. $_____ principal amount of the above-captioned securities presented or surrendered on the date hereof (the "Surrendered Notes") for registration of transfer, or for exchange where the securities issuable upon such exchange are to be registered in a name other than that of the undersigned Holder (each such transaction being a "transfer"), as of the date hereof the undersigned Holder (as defined in the Indenture) of the Surrendered Notes represents and certifies for the benefit of Sonoco Products Company (the "Company") and The Bank of New York, successor trustee, as trustee, (the "Trustee") that the transfer of Surrendered Notes associated with such transfer complies with the restrictive legends set forth on the face of the Surrendered Notes for the reason checked below:

1. [ ] The Surrendered Notes are being transferred to a person whom we reasonably believe is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933) (a "QIB") that purchases for its own account or for the account of one or more QIBs to whom notice has been given that the resale, pledge or transfer is being made in reliance on Rule 144A under the Securities Act; or

2. [ ] The transfer of the Surrendered Notes complies with Rule 144 under the Securities Act;* or

3. [ ] The Surrendered Notes are being transferred to the Company; or

4. [ ] The Surrendered Notes are being transferred pursuant to an effective registration statement; or

5. [ ] The Surrendered Notes are being transferred pursuant to an incompliance with Regulation S under the Securities Act.*

Capitalized terms used herein, but not defined herein, shall have the meaning assigned to such terms in the Indenture dated as of June 15, 1991, between the Company and The Bank of New York, successor trustee, as trustee (the "Trustee"), as amended by the First Supplemental Indenture dated as of June 23, 2004 (the "First Supplemental Indenture") between the Company and the Trustee (the "Indenture").

- -----------

* These transfers may require an opinion of counsel.

_____
[Name of Holder]

Dated: _____, ____

[To be dated the date of presentation or surrender]

- ---

TO BE COMPLETED BY TRANSFEROR IF (1) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

_____

Dated:

EXHIBIT 10.1

Execution Copy

REGISTRATION RIGHTS AGREEMENT

DATED AS OF JUNE 23, 2004

BETWEEN

SONOCO PRODUCTS COMPANY, AS ISSUER

AND

BANC OF AMERICA SECURITIES LLC

DEUTSCHE BANK SECURITIES INC.

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into this 23rd day of June, 2004, between Sonoco Products Company, a South Carolina corporation (the "Company"), as issuer, and Banc of America Securities LLC ("BofA") and Deutsche Bank Securities Inc. ("Deutsche Bank"), as representatives (the "Representatives") of the several initial purchasers (the "Initial Purchasers") listed on Schedule A to the Purchase Agreement (as defined below).

This Agreement is made pursuant to the Purchase Agreement, dated June 16, 2004, between the Company and the Initial Purchasers (the "Purchase Agreement"), which provides for the sale by the Company to the Initial Purchasers of an aggregate of $150,000,000 principal amount of the Company's 5.625% Notes due 2016 (the "Securities"). In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Company has agreed with the Initial Purchasers to provide to the Holders (as defined below) the registration rights set forth in this Agreement. The execution of this Agreement is a condition to the closing under the Purchase Agreement.

In consideration of the foregoing, the parties hereto agree as follows:

1. Definitions.

As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"1933 Act" shall mean the Securities Act of 1933, as amended from time to time.

"1934 Act" shall mean the Securities Exchange Act of l934, as amended from time to time.

"Additional Interest" shall have the meaning set forth in Section 2.5 hereof.

"Affiliate" shall have the meaning set forth in Section 4(a) hereof.

"BofA" shall have the meaning set forth in the preamble.

"Business Day" shall mean a day that is not a Saturday, a Sunday, or a day on which banking institutions in New York, New York are authorized or required to be closed.

"Closing Date" shall mean the Closing Time as defined in the Purchase Agreement.

"Company" shall have the meaning set forth in the preamble and shall also include the Company's successors.

"CUSIP number" means the alphanumeric designation assigned to a Security by Standard and Poor's CUSIP Service Bureau.

"Depositary" shall mean The Depository Trust Company, or any other depositary appointed by the Company; provided, however, that such depositary must have an address in the Borough of Manhattan, in The City of New York.

"Deutsche Bank" shall have the meaning set forth in the preamble hereof.

"Exchange Offer" shall mean the exchange offer by the Company of Exchange Securities for Registrable Securities pursuant to Section 2.1 hereof.

"Effectiveness Period" shall have the meaning set forth in Section 2.2(b).

"Event Date" shall have the meaning set forth in Section 2.5.

"Exchange Offer Registration" shall mean a registration under the 1933 Act effected pursuant to Section 2.1 hereof.

"Exchange Offer Registration Statement" shall mean an exchange offer registration statement on Form S-4 (or, if applicable, on another appropriate form), and all amendments and supplements to such registration statement, including the Prospectus contained therein, all exhibits thereto and all documents incorporated by reference therein.

"Exchange Period" shall have the meaning set forth in Section 2.1(b) hereof.

"Exchange Securities" shall mean the 5.625% Notes due 2016 issued by the Company under the Indenture containing terms identical to the Securities in all material respects (except for references to certain interest rate provisions, restrictions on transfers and restrictive legends), to be offered to Holders of Securities in exchange for Registrable Securities pursuant to the Exchange Offer.

"Holder" shall mean an Initial Purchaser, for so long as it owns any Registrable Securities, and each of its successors, assigns and direct and indirect transferees, any registered owners of Registrable Securities under the Indenture, and each Participating Broker-Dealer that holds Exchange Securities for so long as such Participating Broker-Dealer is required to deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities.

"Indenture" shall mean the Indenture relating to the Securities dated as of June 15, 1991, between the Company and The Bank of New York, as Trustee, as amended by a supplemental indenture thereto to be dated as of June 23, 2004 relating to the Securities (the "First Supplemental Indenture"), and as may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof.

"Initial Purchaser" or "Initial Purchasers" shall have the meaning set forth in the preamble.

"Majority Holders" shall mean the Holders of a majority of the aggregate principal amount of Outstanding (as defined in the Indenture) Registrable Securities; provided, however, that whenever the consent or approval of Holders of a specified percentage of Registrable

Securities is required hereunder, Registrable Securities held by the Company and other obligors on the Securities or any "affiliate" (as such term is defined in Rule 405 under the 1933 Act) of the Company shall be disregarded in determining whether such consent or approval was given by the Holders of such required percentage amount.

"NASD" shall mean the National Association of Securities Dealers, Inc.

"Participating Broker-Dealer" shall mean any of BofA, Deutsche Bank and any other broker-dealer which makes a market in the Securities and exchanges Registrable Securities in the Exchange Offer for Exchange Securities.

"Person" shall mean an individual, partnership (general or limited), corporation, limited liability company, joint venture, association, joint stock company, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"Private Exchange" shall have the meaning set forth in Section 2.1(f) hereof.

"Private Exchange Securities" shall have the meaning set forth in Section 2.1(f) hereof.

"Prospectus" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including any such prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by a Shelf Registration Statement, and by all other amendments and supplements to a prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"Purchase Agreement" shall have the meaning set forth in the preamble.

"Registrable Securities" shall mean the Securities and, if issued, the Private Exchange Securities; provided, however, that Securities and, if issued, the Private Exchange Securities, shall cease to be Registrable Securities when (i) a Registration Statement with respect to such Securities shall have been declared effective under the 1933 Act and such Securities shall have been disposed of pursuant to such Registration Statement, (ii) such Securities are eligible to be sold to the public pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the 1933 Act, (iii) such Securities shall have ceased to be outstanding or (iv) the Exchange Offer is consummated (except in the case of Securities purchased from the Company continuing to be held by the Initial Purchasers and having the status of an unsold allotment in the initial distribution).

"Registration Default" shall have the meaning set forth in Section 2.5 hereof.

"Registration Expenses" shall mean any and all expenses incidental to performance of or compliance by the Company with this Agreement, including without limitation: (i) all SEC or NASD registration and filing fees, including, if applicable, the reasonable fees and expenses of any "qualified independent underwriter" (and its counsel) that is required to be retained by any holder of Registrable Securities in accordance with the rules and regulations of the NASD, (ii) all fees and expenses incurred in connection with compliance with state securities or blue sky laws and compliance with the rules of the NASD (including reasonable fees and disbursements of

counsel for any underwriters or Holders that are Initial Purchasers in connection with blue sky qualification of any of the Exchange Securities or Registrable Securities and any filings with the NASD), (iii) the cost of preparing or assisting in preparing, word processing, printing and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements and other documents relating to the performance of and compliance with this Agreement, including, but not limited to, any expenses of counsel to the Company, (iv) any rating agency fees, (v) the fees and disbursements of counsel for the Company and of the independent public accountants of the Company, including the expenses of any special audits or "cold comfort" letters required by Holders or underwriters of Registrable Securities who may be entitled to request such audits or letters pursuant to this Agreement, (vi) the fees and expenses of the Trustee, and any escrow agent or custodian, (vii) the reasonable out-of-pocket expenses of the Initial Purchasers in connection with the Exchange Offer, including the reasonable fees and expenses of counsel to the Initial Purchasers in connection therewith, (viii) the reasonable fees and disbursements of Milbank, Tweed, Hadley & McCloy LLP, counsel representing the Holders of Shelf Registrable Securities or Special Counsel and (ix) the reasonable out-of-pocket expenses of any underwriters customarily required to be paid by an issuer or seller of securities in an underwritten offering or an offering pursuant to a securities sales agency agreement, but excluding underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of Registrable Securities by a Holder.

"Registration Statement" shall mean the Exchange Offer Registration Statement or the Shelf Registration Statement and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"SAS 72" shall mean Statement on Auditing Standards No. 72, as amended or supplemented from time to time.

"SEC" shall mean the United States Securities and Exchange Commission or any successor agency or government body performing the functions currently performed by the United States Securities and Exchange Commission.

"Securities" shall have the meaning set forth in the preamble.

"Shelf Registrable Securities" shall have the meaning set forth in Section 2.5.

"Shelf Registration" shall mean a registration effected pursuant to Section 2.2 hereof.

"Shelf Registration Statement" shall mean a "shelf" registration statement of the Company pursuant to the provisions of Section 2.2 of this Agreement which covers all of the Registrable Securities or all of the Private Exchange Securities on an appropriate form under Rule 415 under the 1933 Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, and upon request, all exhibits thereto and all material incorporated by reference therein.

"Special Counsel" shall have the meaning set forth in Section 3(g) hereof.

"Suspension Period" shall have the meaning set forth in Section 2.4(c) hereof.

"TIA" shall mean the U.S. Trust Indenture Act of 1939, as amended, any reference herein to the TIA or a particular provision thereof shall mean such Act or provision, as the case may be, as amended or replaced from time to time or as supplemented from time to time by the rules or regulations adopted by the SEC under or in furtherance of the purposes of the Act or provision as the case may be.

"Trustee" shall mean the trustee with respect to the Securities under the Indenture.

"Underwriter" shall have the meaning set forth in Section 4(a) hereof.

2. Registration Under the 1933 Act.

2.1 Exchange Offer. The Company shall, for the benefit of the Holders, at the Company's cost, (A) use its reasonable best efforts to file with the SEC an Exchange Offer Registration Statement within 120 days of the Closing Date on an appropriate form under the 1933 Act with respect to a proposed Exchange Offer and the issuance and delivery to the Holders, in exchange for the Registrable Securities (other than Private Exchange Securities), of a like principal amount of Exchange Securities, (B) use its reasonable best efforts to cause the Exchange Offer Registration Statement to be declared effective under the 1933 Act within 180 days of the Closing Date, (C) use its reasonable best efforts to keep the Exchange Offer Registration Statement effective until the closing of the Exchange Offer, (D) use its reasonable best efforts to cause the Exchange Offer to be consummated not later than 210 days following the Closing Date and (E) for a period of 90 days following the consummation of the Exchange Offer, to make available a prospectus meeting the requirements of the 1933 Act to any such participating broker-dealer for use in connection with any resale of any exchange notes acquired in the exchange offer. If the Company has not consummated the Exchange Offer within 210 days of the Closing Date, then the Company will file as promptly as practicable a Shelf Registration Statement (as described in Section 2.2 hereof). The Exchange Securities will be issued under the Indenture. Upon the effectiveness of the Exchange Offer Registration Statement, the Company shall promptly commence the Exchange Offer, it being the objective of such Exchange Offer to enable each Holder eligible and electing to exchange Registrable Securities for Exchange Securities (assuming that such Holder (a) is not an "affiliate" (as such term is defined in Rule 405 under the 1933 Act) of the Company (b) is not a broker-dealer tendering Registrable Securities acquired directly from the Company for its own account, (c) acquired the Exchange Securities in the ordinary course of such Holder's business and (d) has no arrangements or understandings with any Person to participate in the Exchange Offer for the purpose of distributing the Exchange Securities) to transfer such Exchange Securities from and after their receipt without any limitations or restrictions under the 1933 Act or under state securities or blue sky laws. Exchange Securities will be issued under the Exchange Offer as evidence of the same continuing indebtedness under the Securities. Under no circumstances will the surrender of the Securities and the issue of Exchange Securities constitute new indebtedness or obligate the Company to repay the principal amount of the Securities.

In connection with the Exchange Offer, the Company shall:

(a) mail as promptly as practicable to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(b) keep the Exchange Offer open for acceptance for a period of not less than 20 Business Days after the date notice thereof is mailed to the Holders (or longer if required by applicable law) (such period referred to herein as the "Exchange Period");

(c) utilize the services of the Depositary for the Exchange Offer;

(d) permit Holders to withdraw tendered Registrable Securities at any time prior to 5:00 PM, New York City time, on the last Business Day of the Exchange Period, by sending to the institution specified in the notice, a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Registrable Securities delivered for exchange, and a statement that such Holder is withdrawing such Holder's election to have such Securities exchanged;

(e) notify each Holder that any Registrable Security not tendered will remain outstanding and continue to accrue interest, but will not retain any rights under this Agreement (except in the case of the Initial Purchasers and Participating Broker-Dealers as provided herein); and

(f) otherwise comply in all respects with all applicable laws relating to the Exchange Offer.

If, prior to consummation of the Exchange Offer, the Initial Purchasers hold any Securities acquired by them and having the status of an unsold allotment in the initial distribution, the Company upon the request of any Initial Purchaser shall, simultaneously with the delivery of the Exchange Securities in the Exchange Offer, issue and deliver to such Initial Purchaser in exchange (the "Private Exchange") for such Securities held by such Initial Purchaser, a like principal amount of unsubordinated debt securities of the Company that are identical (except that such securities shall bear appropriate transfer restrictions) to the Exchange Securities (the "Private Exchange Securities").

The Exchange Securities and the Private Exchange Securities shall be issued under (i) the Indenture or (ii) an indenture identical in all material respects to the Indenture, which, in either case, has been qualified under the TIA, or is exempt from such qualification, and shall provide that the Exchange Securities shall not be subject to the transfer restrictions set forth in the Indenture but that the Private Exchange Securities shall be subject to such transfer restrictions. The Indenture or such indenture shall provide that the Exchange Securities, the Private Exchange Securities and the Securities shall vote and consent together on all matters as one class and that none of the Exchange Securities, the Private Exchange Securities or the Securities will have the right to vote or consent as a separate class on any matter. The Private Exchange Securities shall be of the same series as, and the Company shall use its reasonable best efforts to have the Private Exchange Securities bear the same CUSIP number as, the Exchange Securities.

As soon as practicable after the close of the Exchange Offer and/or the Private Exchange, as the case may be, the Company shall:

(i) accept for exchange all Registrable Securities duly tendered and not validly withdrawn pursuant to the Exchange Offer in accordance with the terms of the Exchange Offer Registration Statement and the letter of transmittal which shall be an exhibit thereto;

(ii) accept for exchange all Registrable Securities properly tendered and not validly withdrawn pursuant to the Private Exchange;

(iii) deliver, cause to be delivered, to the Trustee for cancellation all Registrable Securities so accepted for exchange; and

(iv) cause the Trustee promptly to authenticate and deliver Exchange Securities or Private Exchange Securities, as the case may be, to each Holder of Registrable Securities so accepted for exchange in a principal amount equal to the principal amount of the Registrable Securities of such Holder so accepted for exchange.

Interest on each Exchange Security and Private Exchange Security will accrue from the last date on which interest was paid on the Securities surrendered in exchange therefor or, if no interest has been paid on the Securities, from the date of original issuance. The Exchange Offer and the Private Exchange shall not be subject to any conditions, other than (i) that the Exchange Offer or the Private Exchange, or the making of any exchange by a Holder, as the case may be, does not violate applicable law or any applicable interpretation of the staff of the SEC, (ii) the valid tendering of Registrable Securities in accordance with the Exchange Offer and the Private Exchange, (iii) that each Holder of Registrable Securities exchanged in the Exchange Offer shall have represented that all Exchange Securities to be received by it shall be acquired in the ordinary course of its business and that at the time of the consummation of the Exchange Offer it shall have no arrangement or understanding with any person to participate in the distribution (within the meaning of the 1933 Act) of the Exchange Securities and shall have made such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to render the use of Form S-3 or other appropriate form under the 1933 Act available and (iv) that no action or proceeding shall have been instituted or threatened in any court or by or before any governmental agency with respect to the Exchange Offer or the Private Exchange which, in the judgment of the Company would reasonably be expected to impair the ability of the Company to proceed with the Exchange Offer or the Private Exchange. The Company shall, to the extent such information is available to the Company, inform the Initial Purchasers of the names and addresses of the Holders to whom the Exchange Offer is made, subject to the right of any Holder to object to the disclosure of such information with respect to such Holder, and the Initial Purchasers shall have the right, subject to applicable law, to contact such Holders and otherwise facilitate the tender of Registrable Securities in the Exchange Offer.

Upon consummation of the Exchange Offer in accordance with this Agreement, the Company shall have no further obligation to register the Registrable Securities pursuant to Section 2.2 of this Agreement other than pursuant to Section 2.2(iii), (iv) or (v) below.

2.2 Shelf Registration. (i) If, because of any changes in law, SEC rules or regulations or applicable interpretations thereof by the staff of the SEC, the Company determines, after consultation with its outside counsel, that the Company is not permitted to effect the Exchange

Offer as contemplated by Section 2.1 hereof, (ii) if for any other reason (A) the Exchange Offer Registration Statement is not declared effective within 180 days following the Closing Date or (B) the Exchange Offer is not consummated within 210 days after the Closing Date, (iii) upon the request of any of the Initial Purchasers holding Private Exchange Securities issued with respect to Registrable Securities that were not eligible to be exchanged for Exchange Securities in the Exchange Offer or if the Initial Purchasers do not receive freely tradable Exchange Securities in the Exchange Offer, (iv) upon notice of any Holder (other than an Initial Purchaser) given to the Company in writing within 20 days after the commencement of the Exchange Offer that (A) due to a change in law or SEC policy it is not entitled to participate in the Exchange Offer, (B) due to a change in law or SEC policy it may not resell the Exchange Securities acquired by it in the Exchange Offer to the public without delivering a prospectus and the prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) it is a broker-dealer and owns Registrable Securities acquired directly from the Company or an "affiliate" of the Company (as such term is defined in Rule 405 under the 1933 Act) or (v) the holders of a majority of the Exchange Securities may not resell the Exchange Notes acquired by them in the Exchange Offer to the public without restriction under the 1933 Act and without restriction under applicable blue sky or state securities laws, then in case of each of clauses (i) through (v) the Company shall, at the Company's cost:

(a) As promptly as practicable, and, in any event, no later than 60 days after such filing obligation arises, file with the SEC, and thereafter shall use their reasonable best efforts to cause to be declared effective as promptly as practicable but, in any event, no later than 150 days after such obligation arises, a Shelf Registration Statement relating to the offer and sale of the Registrable Securities by the Holders from time to time in accordance with the methods of distribution elected by the Majority Holders participating in the Shelf Registration and set forth in such Shelf Registration Statement.

(b) Use their reasonable best efforts to keep the Shelf Registration Statement continuously effective in order to permit the Prospectus forming part thereof to be usable by Holders until the earlier of (A) two years from the date the Shelf Registration Statement is declared effective by the SEC, (B) the date on which the Registrable Securities become eligible for resale pursuant to Rule 144(k) or any successor provision or (C) the date on which all Registrable Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement or cease to be outstanding or otherwise to be Registrable Securities (the "Effectiveness Period"); provided, however, that the Effectiveness Period in respect of the Shelf Registration Statement shall be extended if and to the extent necessary to permit dealers to comply with the applicable prospectus delivery requirements of Rule 174 under the 1933 Act and as otherwise provided herein.

(c) Notwithstanding any other provisions hereof, use their reasonable best efforts to ensure that (i) any Shelf Registration Statement and any amendment thereto and any Prospectus forming part thereof and any supplement thereto complies in all material respects with the 1933 Act and the rules and regulations thereunder, (ii) any Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Shelf Registration

Statement, and any supplement to such Prospectus (as amended or supplemented from time to time), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

The Company further agrees, if necessary, to supplement or amend the Shelf Registration Statement, as required by Section 3(b) below, and to furnish to the Holders of Registrable Securities copies of any such supplement or amendment as promptly as reasonably practicable after its being used or filed with the SEC.

2.3 Expenses. The Company shall pay all Registration Expenses in connection with the registration pursuant to Section 2.1 or 2.2. Each Holder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Holder's Registrable Securities pursuant to the Shelf Registration Statement.

2.4 Effectiveness. (a) The Company will be deemed not to have used reasonable best efforts to cause the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, to become, or to remain, effective during the requisite period if the Company voluntarily takes any action that would, or omits to take any action which omission would, result in any such Registration Statement not being declared effective or in the Holders of Registrable Securities covered thereby not being able to exchange or offer and sell such Registrable Securities during that period as and to the extent contemplated hereby, unless (i) such action is required by applicable law, or (ii) such action is taken by the Company in good faith and for valid business reasons (not including avoidance of the Company's obligations hereunder), including the acquisition or divestiture of assets or a material corporate transaction or event, so long as the Company promptly thereafter complies with the requirements of Section 3(k) hereof, if applicable.

(b) An Exchange Offer Registration Statement pursuant to Section 2.1 hereof or a Shelf Registration Statement pursuant to Section 2.2 hereof will not be deemed to have become effective unless it has been declared effective by the SEC; provided, however, that if, after it has been declared effective, the offering of Registrable Securities pursuant to an Exchange Offer Registration Statement or a Shelf Registration Statement is interfered with by any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, such Registration Statement will be deemed not to have become effective during the period of such interference, until the offering of Registrable Securities pursuant to such Registration Statement may legally resume.

(c) During any period of 365 consecutive days, the Company may suspend the availability of a Shelf Registration Statement and the use of a related Prospectus for two periods of up to 45 consecutive days (each such period, a "Suspension Period") (except for such 45-day period immediately prior to maturity of the Securities), but no more than an aggregate of 60 days during any period of 365 consecutive days, if (A) any event shall occur as set forth in Section 2.4(a)(i) or (ii) or as a result of which it shall be necessary, in the good faith determination of the board of directors of the Company to amend the Shelf Registration Statement or amend or supplement any prospectus or prospectus supplement thereunder in order that each such document not include any untrue statements of a material fact or omit to state a material fact

necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or (B) the Company has not filed with the SEC the financial statements required by the applicable rules and regulations for the Shelf Registration Statement to remain active; provided, however, that the Company shall use reasonable best efforts to prepare and file any such amendment or supplement as promptly as practicable. The two-year period referred to in Section 2.2(b) shall be extended by an amount of time equal to all such Suspension Periods.

2.5 Interest. The Indenture will provide that in the event that either (a) the Exchange Offer Registration Statement is not filed with the SEC on or prior to the 120th day following the Closing Date, (b) the Exchange Offer Registration Statement has not been declared effective on or prior to the 180th day following the Closing Date or the Exchange Offer is not consummated on or prior to the 210th day after the Closing Date, or (c) if required, a Shelf Registration Statement is not filed with the SEC on or prior to the 60th day following the date such obligation arises or is not declared effective on or prior to the 150th day following the date such obligation arises (each such event referred to in clauses (a) through (c) above, a "Registration Default"), the interest rate borne by the Securities shall be increased ("Additional Interest") by one-quarter of one percent (0.25%) per annum upon the occurrence of each Registration Default, which rate will increase by one quarter of one percent (0.25%) at the beginning of each succeeding 90-day period (or portion thereof) that such Additional Interest continues to accrue under any such circumstance; provided, however, that the maximum aggregate increase in the interest rate will in no event exceed one percent (1%) per annum; provided further, that no Additional Interest shall be payable if the Exchange Offer Registration Statement is not filed or declared effective or the Exchange Offer is not consummated on account of the reasons set forth in clause (i) of the first paragraph of Section 2.2 (it being understood, however, that in any such case the Company shall be obligated to file a Shelf Registration Statement and Additional Interest shall be payable if the Shelf Registration Statement is not filed or is not declared effective in accordance with clause (c) above), or notice under clause (iv) of such paragraph was not made on a timely basis; and provided further, that Additional Interest shall only be payable in case the Shelf Registration Statement is not filed or is not declared effective as aforesaid. Immediately following the cure of a Registration Default, the accrual of Additional Interest with respect to that particular Registration Default will cease. Immediately following the cure of all Registration Defaults or the date on which the Exchange Securities are saleable pursuant to Rule 144(k) under the 1933 Act or any successor provision, the accrual of Additional Interest will cease and the interest rate will revert to the original rate.

If the Shelf Registration Statement is declared effective but becomes unusable by the Holders of Registrable Securities covered by such Shelf Registration Statement ("Shelf Registrable Securities") for any reason, and (a) the aggregate number of days in any consecutive 365 day period for which the Shelf Registration Statement shall not be usable exceeds 60 days in the aggregate or (b) there shall be more than two Suspension Periods, then the interest rate borne by the Shelf Registrable Securities will be increased by 0.25% per annum of the principal amount of the Securities for the first 90-day period (or portion thereof) beginning on the 61st such day that such Shelf Registration Statement remains unusable or the first day of the third Suspension Period, as the case may be. If the Shelf Registration Statement remains unusable for 60 days or if a third Suspension Period is ongoing, as the case may be, during any 90-day period for which Additional Interest shall be payable pursuant to this paragraph, then the interest rate borne by the Shelf Registrable Securities during such 90-day period shall be increased by an

additional 0.25% per annum of the principal amount of the Securities at the beginning of each such subsequent 90-day period; provided, however, that the maximum aggregate increase in the interest rate as a result of a Shelf Registration Statement being unusable (inclusive of any interest that accrues on such Shelf Registrable Securities pursuant to the first paragraph of this Section 2.5) will in no event exceed one percent (1%) per annum. Upon the Shelf Registration Statement once again becoming usable, the interest rate borne by the Shelf Registrable Securities will be reduced to the original interest rate. Additional Interest shall be computed based on the actual number of days elapsed in each 90-day period for which Additional Interest is due.

The Company shall notify the Trustee within five business days after each and every date on which an event occurs in respect of which Additional Interest is required to be paid (an "Event Date"). Additional Interest shall be paid in the same manner as regular interest pursuant to the Indenture. Any accrued and unpaid interest (including Additional Interest, if any) on a Registrable Security upon the issuance of an Exchange Security in exchange for a Registrable Security shall cease to be payable to the Holder thereof but such accrued and unpaid interest (including Additional Interest, if any) shall be payable to the Holder of such Exchange Security with the next Interest Payment for such Exchange Security. The Additional Interest due shall be payable on each interest payment date to the record Holder of Registrable Securities entitled to receive the interest payment to be paid on such date as set forth in the Indenture. Each obligation to pay Additional Interest shall be deemed to accrue from and including the day of the applicable Event Date.

3. Registration Procedures.

In connection with the obligations of the Company with respect to the Registration Statements and pursuant to Sections 2.1 and 2.2 hereof, the Company shall:

(a) prepare and file with the SEC a Registration Statement, within the relevant time period specified in Section 2, on the appropriate form under the 1933 Act, which form (i) shall be selected by the Company; (ii) shall, in the case of a Shelf Registration, be available for the sale of the Shelf Registrable Securities by the selling Holders thereof; and (iii) shall comply as to form in all material respects with the requirements of the applicable form and include or incorporate by reference all financial statements required by the SEC to be filed therewith or incorporated by reference therein, and use their reasonable best efforts to cause such Registration Statement to become effective and remain effective in accordance with Section 2 hereof;

(b) subject to Section 2.4 hereof, prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary under applicable law to keep such Registration Statement effective for the applicable period as provided for in Section 2 hereof; and cause each Prospectus to be supplemented by any required prospectus supplement, and as so supplemented to file such Prospectus pursuant to Rule 424 (or any similar provision then in force) under the 1933 Act and comply with the provisions of the 1933 Act, the 1934 Act and the rules and regulations thereunder applicable to them with respect to the disposition of all securities covered by each Registration Statement during the applicable period in accordance, in the case of a Shelf Registration, with the intended method or methods of distribution by the selling Holders thereof (including sales by any Participating Broker-Dealer);

(c) in the case of a Shelf Registration, (i) notify each Holder of Registrable Securities, at least five business days prior to filing, that a Shelf Registration Statement with respect to the Registrable Securities is being filed and advising such Holders that the distribution of Shelf Registrable Securities will be made in accordance with the method selected by the Initial Purchasers, if any, or if no Initial Purchaser is participating in the Shelf Registration, by the Majority Holders participating in the Shelf Registration; (ii) furnish to each Holder of Shelf Registrable Securities and to each underwriter of an underwritten offering of Shelf Registrable Securities, if any, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto and such other documents as such Initial Purchasers, Majority Holders or underwriter, selected by such Initial Purchasers or Majority Holders, as the case may be, may reasonably request considering the method of distribution selected by the Initial Purchasers, if any, or if no Initial Purchaser is participating in the Shelf Registration, by the Majority Holders, as the case may be, including financial statements and schedules and, if any Holder so requests, all exhibits (but not more than one set of such exhibits for each Holder) in order to facilitate the public sale or other disposition of the Shelf Registrable Securities; and (iii) hereby consent to the use of the Prospectus together with any amendment or supplement thereto by each of the selling Holders of Shelf Registrable Securities, subject to and in accordance with applicable law, in connection with the offering and sale of the Shelf Registrable Securities covered by the Prospectus or any amendment or supplement thereto;

(d) use its reasonable best efforts to register or qualify the Shelf Registrable Securities under all applicable state securities or "blue sky" laws of such jurisdictions as the Initial Purchasers or Majority Holders participating in the Shelf Registration and each underwriter of an underwritten offering of Shelf Registrable Securities shall reasonably request by the time the applicable Registration Statement is declared effective by the SEC, and do any and all other acts and things which may be reasonably necessary or advisable to enable each such Initial Purchasers or Majority Holders and underwriter, selected by such Initial Purchasers or Majority Holders, to consummate the disposition in each such jurisdiction of such Shelf Registrable Securities owned by the Holders; provided, however, that the Company shall not be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (ii) take any action which would subject it to general service of process or taxation in any such jurisdiction where it is not then so subject, or (iii) conform its capitalization or the composition of its assets at the time to the securities or blue sky laws of such jurisdiction, or (iv) make any changes to it articles of association or any agreement with its shareholders;

(e) notify promptly each Holder of Shelf Registrable Securities under a Shelf Registration or any Participating Broker-Dealer who has notified the Company that it is utilizing the Exchange Offer Registration Statement as provided in paragraph (f) below (which notice pursuant to clauses (ii), (iv), (v) and (vi) hereof shall be accompanied by an instruction to suspend use of the Prospectus until the requisite changes have been made) and, if requested by such Holder or Participating Broker-Dealer, confirm such advice in writing (if such notice was not originally given in writing) promptly (i) when a Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of any request by the SEC or any state securities authority for post-effective amendments and supplements to a Registration Statement and Prospectus or for additional information after the Registration Statement has become effective, (iii) of the issuance by the SEC or any state

securities authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iv) in the case of a Shelf Registration, if, between the effective date of a Registration Statement and the closing of any sale of Shelf Registrable Securities covered thereby, the representations and warranties of the Company contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to the offering cease to be true and correct in all material respects, (v) of the happening of any event, the existence of any condition or the discovery of any facts during the period a Shelf Registration Statement is effective which makes (A) any statement made in such Registration Statement untrue in any material respect or which requires the making of any changes in such Registration Statement in order to make the statements therein not misleading or (B) any statement made in the related Prospectus untrue in any material respect or which requires the making of any changes in such Prospectus in order to make the statements therein, in light of the circumstances under which they were made, not misleading, (vi) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities or the Exchange Securities, as the case may be, for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose and (vii) of any determination by the Company that a post-effective amendment to such Registration Statement would be appropriate;

(f) (i) in the case of the Exchange Offer Registration Statement (A) include in the Exchange Offer Registration Statement a section entitled "Plan of Distribution" which section shall be reasonably acceptable to BofA and Deutsche Bank, on behalf of the Participating Broker-Dealers, if any, and which shall contain a summary statement of the positions taken or policies made by the staff of the SEC with respect to the potential "underwriter" status of any broker-dealer that holds Registrable Securities acquired for its own account as a result of market-making activities or other trading activities and that will be the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of Exchange Securities to be received by such broker-dealer in the Exchange Offer, including a statement that any such broker-dealer who receives Exchange Securities for Registrable Securities pursuant to the Exchange Offer may be deemed a statutory underwriter and must deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities, (B) furnish to each Participating Broker-Dealer who has delivered to the Company the notice referred to in Section 3(e), without charge, as many copies of each Prospectus included in the Exchange Offer Registration Statement, including any preliminary prospectus, and any amendment or supplement thereto, as such Participating Broker-Dealer may reasonably request, (C) hereby consent to the use of the Prospectus forming part of the Exchange Offer Registration Statement together with any amendment or supplement thereto, by any Person subject to the prospectus delivery requirements of the SEC, including all Participating Broker-Dealers, in connection with the sale or transfer of the Exchange Securities covered by the Prospectus or any amendment or supplement thereto, and (D) include in the transmittal letter or similar documentation to be executed by an exchange offeree in order to participate in the Exchange Offer (x) the following provision:

> "If the exchange offeree is a broker-dealer holding Registrable Securities acquired for its own account as a result of market-making activities or other trading activities, it will deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of Exchange Securities received in respect of such Registrable Securities pursuant to the Exchange Offer;"

and (y) a statement to the effect that by a broker-dealer making the acknowledgment described in clause (x) and by delivering a Prospectus in connection with the exchange of Registrable Securities, the broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the 1933 Act; and (ii) in the case of any Exchange Offer Registration Statement, the Company agrees to deliver to BofA and Deutsche Bank, on behalf of the Participating Broker-Dealers upon the effectiveness of the Exchange Offer Registration Statement officers' certificates substantially in the form customarily delivered in a public offering of debt securities;

(g) (i) in the case of an Exchange Offer, furnish counsel for the Initial Purchasers and (ii) in the case of a Shelf Registration, furnish Milbank, Tweed, Hadley & McCloy LLP, as special counsel for the Holders of Shelf Registrable Securities (or, if Milbank, Tweed, Hadley & McCloy LLP is unable or unwilling to serve, such other special counsel (but not more than one) as may be selected by Holders of a majority in principal amount of such Shelf Registrable Securities ("Special Counsel")), copies of any comment letters received from the SEC or any other request by the SEC or any state securities authority for amendments or supplements to a Registration Statement and Prospectus or for additional information;

(h) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement at the earliest practicable moment;

(i) in the case of a Shelf Registration, furnish to each Holder of Shelf Registrable Securities, and each underwriter, if any, without charge, at least one conformed copy of each Registration Statement and any post-effective amendment thereto, including financial statements and schedules (without documents incorporated therein by reference or exhibits thereto, unless requested in writing);

(j) in the case of a Shelf Registration (unless any Registrable Securities shall be in book-entry form only), cooperate with the selling Initial Purchasers, if any, or Majority Holders of Shelf Registrable Securities to facilitate the timely preparation and delivery of certificates representing Shelf Registrable Securities to be sold and not bearing any restrictive legends; and enable such Shelf Registrable Securities to be in such denominations (consistent with the provisions of the Indenture) and registered in such names as the selling Initial Purchasers, if any, or Majority Holders or the underwriters, selected by such Initial Purchasers or Majority Holders, if any, may reasonably request at least three business days prior to the closing of any sale of Shelf Registrable Securities;

(k) in the case of a Shelf Registration, upon the occurrence of any event or the discovery of any facts, each as contemplated by Sections 3(e)(v) and 3(e)(vi) hereof, as promptly as practicable after the occurrence of such an event, subject to section 2.4(c), use its reasonable best efforts to prepare a supplement or post-effective amendment to the Registration Statement or the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Shelf Registrable Securities or Participating Broker-Dealers, such Prospectus will not contain at the time of such delivery any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. At such time as such public disclosure is otherwise made or the Company determines that such disclosure is not necessary, in each case to correct any misstatement of a

material fact or to include any omitted material fact, the Company agrees promptly to notify each Holder of such determination and to furnish each Holder such number of copies of the Prospectus as amended or supplemented, as such Holder may reasonably request and the Initial Purchasers, on their own behalf and on behalf of subsequent holders, hereby agree to suspend use of the Prospectus until the Company has amended or supplemented to correct such misstatement or omission;

(l) in the case of a Shelf Registration, a reasonable time prior to the filing of any Shelf Registration Statement, any Prospectus, any amendment to a Shelf Registration Statement or amendment or supplement to a Prospectus (other than any document which is to be incorporated by reference into a Shelf Registration Statement or a Prospectus after initial filing of a Shelf Registration Statement) provide copies of such Registration Statement, Prospectus, amendment or supplement to the Initial Purchasers, if any, or the Majority Holders on behalf of such Holders; and make representatives of the Company as shall be reasonably requested by the Majority Holders of Shelf Registrable Securities, or the Initial Purchasers on behalf of such Holders, available for discussion of such document;

(m) obtain a CUSIP number for all Exchange Securities, Private Exchange Securities or Registrable Securities, as the case may be, not later than the effective date of a Registration Statement, and provide the Trustee with printed certificates for the Exchange Securities, Private Exchange Securities or the Registrable Securities, as the case may be, in a form eligible for deposit with the Depositary;

(n) (i) cause the Indenture to be qualified under the TIA in connection with the registration of the Exchange Securities or Registrable Securities, as the case may be, (ii) cooperate with the Trustee to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the TIA and (iii) execute, and use its best efforts to cause the Trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the SEC to enable the Indenture to be so qualified in a timely manner;

(o) in the case of a Shelf Registration, and considering the method of distribution selected by the Majority Holders, enter into customary agreements (including underwriting agreements and, if requested by the Initial Purchasers, if any, or the Majority Holders, as the case may be, securities sales agreements providing for, among other things, the appointment of an agent for the selling Holders for the purpose of soliciting purchases of Shelf Registrable Securities, which agreement shall be in form, substance and scope customary for similar offerings) and take all other customary and appropriate actions in order to expedite or facilitate the disposition of such Shelf Registrable Securities, including in the case of an underwritten offering:

(i) make such representations and warranties to the underwriters selected by such Initial Purchasers or Majority Holders, as the case may be, and to the Holders selling through such underwriters, comparable in form, substance and scope to the representations and warranties made by the Company pursuant to the Purchase Agreement;

(ii) if so requested by the Initial Purchasers, if any, the Majority Holders or the underwriters selected by such Initial Purchasers or Majority Holders, as the case may be, obtain opinions of counsel to the Company (which counsel shall be reasonably satisfactory to the underwriters, if any, selected by such Initial Purchasers and Majority Holders) and updates thereof addressed to such underwriters and to the Holders selling through such underwriters, covering matters comparable in form, substance and scope to those covered in the opinions delivered by counsel to the Company pursuant to the Purchase Agreement and subject to exceptions and qualifications comparable in form, substance and scope to those contained in such delivered opinions;

(iii) if so requested by the Initial Purchasers, if any, the Majority Holders or the underwriters selected by such Initial Purchasers or Majority Holders, as the case may be, obtain "cold comfort" letters and updates thereof from the Company's independent certified public accountants (and, if necessary, any other independent certified public accountants of any subsidiary of the Company, or of any business acquired by the Company for which financial statements are, or are required to be, included in the Registration Statement) addressed to the underwriters selected by the Initial Purchasers or the Majority Holders, as the case may be, and to the Holders selling through such underwriters, such letters to be in customary form and in accordance with applicable accounting standards and covering matters of the type customarily covered in "cold comfort" letters to underwriters in connection with similar underwritten offerings;

(iv) cause the same to set forth indemnification provisions and procedures comparable in scope to the indemnification provisions and procedures set forth in Section 4 hereof with respect to the underwriters and all other parties to be indemnified pursuant to said Section or, at the request of any underwriters, such other indemnification provisions customarily provided to underwriters under the circumstances applicable to the offering; provided, however, that such underwriting agreement shall contain indemnification provisions and procedures regarding the indemnification of the Company with respect to information provided by the underwriter or by any other party to be indemnified under Section 4 hereof, comparable in scope to the indemnification provisions and procedures set forth in Section 4 hereof or, at the request of the Company, such other indemnification provisions customarily provided under the circumstances applicable to the offering; and

(v) deliver such documents and certificates as may be reasonably requested and as are customarily delivered in similar offerings to the Initial Purchasers, if any, the Holders of a majority in principal amount of the Shelf Registrable Securities being sold and the underwriters.

The above shall be done at each closing under any underwriting or similar agreement as and to the extent required thereunder;

(p) in the case of a Shelf Registration or if a Prospectus is required to be delivered by any Participating Broker-Dealer in the case of an Exchange Offer, make available for inspection by representatives of the Initial Purchasers, if any, the Majority Holders, any underwriters selected by such Initial Purchasers or Majority Holders, as the case may be, participating in any

disposition pursuant to a Shelf Registration Statement, any Participating Broker-Dealer (provided that a Participating Broker-Dealer shall not be deemed to be an underwriter solely as a result of it being required to deliver a prospectus in connection with any resale of Exchange Securities), any Special Counsel or any accountant retained by any of the foregoing, all such financial and other records, pertinent corporate documents and properties of the Company reasonably requested by any such persons, and cause the respective officers, directors, employees, and any other agents of the Company to respond to such queries, as shall be reasonably necessary to conduct a reasonable investigation within the meaning of Section 11 of the 1933 Act; provided, however, that such records, documents or information which the Company identifies as being confidential shall not be disclosed by the representative, Holder, attorney or accountant unless (i) the disclosure of such records, documents or information is necessary to avoid or correct a misstatement or omission in a Registration Statement, (ii) the release of such records, documents or information is ordered pursuant to a subpoena or other order from a court of competent jurisdiction or as part of the evidentiary procedures of a court of competent jurisdiction, subject to the requirements of such subpoena or order, and only after such person shall have given the Company reasonable prior notice of such requirements; or (iii) such records, documents or information have previously been generally made available to the public, and provided further, that the Company may require recipients of such records, documents or information to enter into a confidentiality agreement;

(q) (i) in the case of an Exchange Offer Registration Statement, a reasonable time prior to the filing of any Exchange Offer Registration Statement, any Prospectus forming a part thereof, any amendment to an Exchange Offer Registration Statement or amendment or supplement to such Prospectus, provide copies of such document to the Initial Purchasers and to Milbank, Tweed, Hadley & McCloy LLP, as counsel to the Holders of Registrable Securities, and make such changes in any such document prior to the filing thereof as the Initial Purchasers or such counsel to the Holders of Registrable Securities may reasonably request and, except as otherwise required by applicable law, not file any such document in a form to which the Initial Purchasers on behalf of the Holders of Registrable Securities and such counsel to the Holders of Registrable Securities shall not have previously been advised and furnished a copy of or to which the Initial Purchasers on behalf of the Holders of Registrable Securities or such counsel to the Holders of Registrable Securities shall reasonably object, and make the representatives of the Company available for discussion of such documents as shall be reasonably requested by the Initial Purchasers; and

(ii) in the case of a Shelf Registration, a reasonable time prior to filing any Shelf Registration Statement, any Prospectus forming a part thereof, any amendment to such Shelf Registration Statement or amendment or supplement to such Prospectus, provide copies of such document to the Initial Purchasers, if any, the Majority Holders, Special Counsel and to the underwriter or underwriters of an underwritten offering of Shelf Registrable Securities, if any, as appointed by the Initial Purchasers or the Majority Holders, as the case may be, make such changes in any such document prior to the filing thereof as the Initial Purchasers, Special Counsel or the underwriter or underwriters reasonably request and not file any such document in a form to which the Majority Holders of Shelf Registrable Securities, the Initial Purchasers on behalf of the Holders of Shelf Registrable Securities, Special Counsel or any underwriter shall not have previously been advised and furnished a copy of or to which such Majority Holders, the

Initial Purchasers on behalf of the Holders of Shelf Registrable Securities, Special Counsel or any underwriter shall reasonably object, and make the representatives of the Company available for discussion of such document as shall be reasonably requested by the Majority Holders, the Initial Purchasers on behalf of such Holders, Special Counsel or any underwriter;

(r) [RESERVED]

(s) in the case of a Shelf Registration, use its reasonable best efforts to cause the Shelf Registrable Securities to be rated by two nationally recognized statistical rating agencies, if so requested by the Initial Purchasers, if any, or the Majority Holders, or if requested by the underwriter or underwriters as appointed by the Initial Purchasers, if any, or the Majority Holders of an underwritten offering of Shelf Registrable Securities, if any;

(t) otherwise comply with all applicable rules and regulations of the SEC and make available to its security holders, as soon as reasonably practicable, an earnings statement of the Company covering at least 12 months which shall satisfy the provisions of Section 11(a) of the 1933 Act, including, at the option of the Company, Rule 158 thereunder;

(u) cooperate and assist in any filings required to be made with the NASD and, in the case of a Shelf Registration, in the performance of any due diligence investigation by any underwriter as appointed by the Initial Purchasers, if any, or the Majority Holders and such underwriter's counsel (including any "qualified independent underwriter" that is required to be retained in accordance with the rules and regulations of the NASD); and

(v) upon consummation of an Exchange Offer or a Private Exchange, obtain a customary opinion of counsel to the Company addressed to the Trustee for the benefit of all Holders of Registrable Securities participating in the Exchange Offer or Private Exchange, and which includes an opinion that (i) the Company has duly authorized, executed and delivered the Exchange Securities and/or Private Exchange Securities, as applicable, and the related indenture, and (ii) each of the Exchange Securities and related indenture constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms (with customary exceptions).

In the case of a Shelf Registration Statement, the Company may (as a condition to such Holder's participation in the Shelf Registration) require each Holder of Shelf Registrable Securities to furnish to the Company such information regarding the Holder and the proposed distribution by such Holder of such Shelf Registrable Securities as the Company may from time to time reasonably request in writing for use in connection with any Shelf Registration Statement or Prospectus included therein, including without limitation, information specified in Item 507 of Regulation S-K under the 1933 Act.

In the case of a Shelf Registration Statement, each Holder agrees that, upon receipt of any notice from the Company of the happening of any event or the discovery of any facts, each of the kind described in Section 3(e)(v) hereof, such Holder will forthwith discontinue disposition of Shelf Registrable Securities pursuant to a Shelf Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(k)

hereof, and, if so directed by the Company, such Holder will deliver to the Company (at the expense of the Company) all copies in such Holder's possession, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Shelf Registrable Securities current at the time of receipt of such notice.

If any of the Shelf Registrable Securities covered by any Shelf Registration Statement are to be sold in an underwritten offering, the underwriter or underwriters and manager or managers that will manage such offering will be selected by the Majority Holders of such Shelf Registrable Securities included in such offering, provided, however, that such selection is acceptable to the Company. No Holder of Shelf Registrable Securities may participate in any underwritten registration hereunder unless such Holder (a) agrees to sell such Holder's Shelf Registrable Securities on the basis provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

4. Indemnification; Contribution.

(a) The Company agrees to indemnify and hold harmless each Initial Purchaser, its selling agents, each Holder, including Participating Broker-Dealers, each Person who participates as an underwriter (any such Person being an "Underwriter"), their respective affiliates (as such term is defined in Rule 501(b) under the 1933 Act (each, an "Affiliate")), and each Person, if any, who "controls" any of such indemnified parties within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment or supplement thereto) pursuant to which Exchange Securities or Registrable Securities were registered under the 1933 Act, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, or arising out of any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided, however, that (subject to Section 4(d) below) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including, in the case where the indemnified parties are entitled to appoint counsel in accordance with

paragraph (c) of this Section), the reasonable fees and disbursements of counsel chosen by the indemnified parties) reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by the Holder or Underwriter expressly for use in a Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto).

(b) In the case of a Shelf Registration, each Holder severally, but not jointly, agrees to indemnify and hold harmless the Company, the Initial Purchasers, each Underwriter and the other selling Holders, and each of their respective directors and officers, and each Person, if any, who controls the Company, the Initial Purchasers, any Underwriter or any other selling Holder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in Section 4(a) hereof, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Shelf Registration Statement (or any amendment thereto) or any Prospectus included therein (or any amendment or supplement thereto) in reliance upon and in conformity with written information with respect to such Holder furnished to the Company by such Holder expressly for use in the Shelf Registration Statement (or any amendment thereto) or such Prospectus (or any amendment or supplement thereto); provided, however, that no such Holder shall be liable for any claims hereunder in excess of the amount of net proceeds received by such Holder from the sale of Registrable Securities pursuant to such Shelf Registration Statement; and provided further, that no such underwriter shall be liable for any claims hereunder in excess of the amount of any underwriting fees or discounts received by such underwriter with respect to the sale of Shelf Registrable Securities pursuant to such Shelf Registration Statement.

(c) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party and any other indemnified parties as the indemnifying party may designate in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and

the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest; (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party; (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action; or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party; provided, however, that (i), (ii) and (iii) above notwithstanding, an indemnified party may participate at its own expense in the defense of any such action. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm (in addition to any local counsel) for all indemnified parties. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 4 (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for reasonable fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 4(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement; provided, however, that an indemnifying party shall not be liable for any such settlement effected without its consent if such indemnifying party, prior to the date of such settlement, (x) reimburses such indemnified party in accordance with such request for the amount of such fees and expenses of counsel as the indemnifying party believes in good faith to be reasonable, and (y) provides written notice to the indemnified party that the indemnifying party disputes in good faith the reasonableness of the unpaid balance of such fees and expenses.

(e) If the indemnification provided for in this Section 4 is for any reason unavailable or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Initial Purchasers on another hand, and the Holders on another hand, from the offering of the Exchange Securities or Registrable

Securities included in such offering or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand, and the Initial Purchasers on another hand, and the Holders on another hand, in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative fault of the Company on the one hand, and the Initial Purchasers on another hand, and the Holders on another hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the Initial Purchasers or the Holders and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Holders and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section 4 were determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 4. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 4 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 4, no Initial Purchaser shall be required to contribute any amount in excess of the amount by which any underwriting fees or discounts received by such Initial Purchaser with respect to the sale of Shelf Registrable Securities pursuant to the related Shelf Registration Statement exceeds the amount of any damages which such Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 4, each Person, if any, who controls an Initial Purchaser or Holder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act and each Initial Purchaser's or Holder's Affiliates and selling agents shall have the same rights to contribution as such Initial Purchaser or Holder, and each Person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The Initial Purchasers' respective obligations to contribute pursuant to this Section 4 are several in proportion to the principal amount of Securities set forth opposite their respective names in Schedule A to the Purchase Agreement and not joint.

5. Miscellaneous.

5.1 Rule 144 and Rule 144A. For so long as the Company is subject to the reporting requirements of Section 13 or 15 of the 1934 Act, the Company covenants that it will file the reports required to be filed by it under Section 13(a) or 15(d) of the 1934 Act and the rules and regulations adopted by the SEC thereunder. If the Company ceases to be so required to file such reports, the Company covenants that it will upon the request of any Holder of Registrable Securities (a) make publicly available such information as is necessary to permit sales pursuant to Rule 144 under the 1933 Act, (b) deliver such information to a prospective purchaser as is necessary under applicable rules and regulations to permit sales pursuant to Rule 144A under the 1933 Act and it will take such further action as any Holder of Registrable Securities may reasonably request, and (c) take such further action that is reasonable in the circumstances, in each case, to the extent required from time to time to enable such Holder to sell its Registrable Securities without registration under the 1933 Act within the limitation of the exemptions provided by (i) Rule 144 under the 1933 Act, as such Rule may be amended from time to time, (ii) Rule 144A under the 1933 Act, as such Rule may be amended from time to time, or (iii) any similar rules or regulations hereafter adopted by the SEC. Upon the request of any Holder of Registrable Securities, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements. The Company's obligations under this Section 5.1 shall terminate upon the later of the consummation of the Exchange Offer and the Effectiveness Period.

5.2 No Inconsistent Agreements. The Company has not entered into, and the Company will not after the date of this Agreement enter into, any agreement that could interfere with the Company's performance of its obligations hereunder or that could prevent or limit the Holders of Registrable Securities from enjoying the rights granted to them hereunder. The rights granted to the Holders hereunder do not and will not for the term of this Agreement in any way conflict with any material rights granted to the holders of the Company's other issued and outstanding securities under any such agreements.

5.3 Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of at least a majority in aggregate principal amount of the outstanding Registrable Securities affected by such amendment, modification, supplement, waiver or departure.

5.4 Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, registered first-class mail, telecopier, or any courier guaranteeing overnight delivery (a) if to a Holder, at the most current address given by such Holder to the Company by means of a notice given in accordance with the provisions of this Section 5.4, which address initially is the address set forth in the Purchase Agreement with respect to the Initial Purchasers; and (b) if to the Company initially at the address set forth in the Purchase Agreement, and thereafter at such other address of which notice is given in accordance with the provisions of this Section 5.4.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; two business days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged, if telecopied; and on the next business day if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands, or other communications shall be concurrently delivered by the person giving the same to the Trustee under the Indenture, at the address specified in such Indenture.

5.5 Successor and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent Holders; provided, however, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities such person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement and the Indenture, and such person shall be entitled to receive the benefits hereof.

5.6 Third Party Beneficiaries. The Initial Purchasers (even if the Initial Purchasers are not Holders of Registrable Securities) shall be third party beneficiaries to the agreements made hereunder between the Company and the Holders, and shall have the right to enforce such agreements directly to the extent they deem such enforcement necessary or advisable to protect their rights or the rights of Holders hereunder. Each Holder of Registrable Securities shall be a third party beneficiary to the agreements made hereunder between the Company and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent it deems such enforcement necessary or advisable to protect its rights hereunder.

5.7 Specific Enforcement. Without limiting the remedies available to the Initial Purchasers and the Holders, the Company acknowledges that any failure by the Company to comply with its obligations under Sections 2.1 through 2.4 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it would not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's obligations under Sections 2.1 through 2.4 hereof.

5.8 Restriction on Resales. Until the expiration of two years after the original issuance of the Securities, the Company will not, and will cause their "affiliates" (as such term is defined in Rule 144(a)(1) under the 1933 Act) not to, resell any Securities which are "restricted securities" (as such term is defined under Rule 144(a)(3) under the 1933 Act) that have been reacquired by any of them.

5.9 Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

5.10 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

5.11 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS THEREOF.

5.12 Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

SONOCO PRODUCTS COMPANY,
as Issuer

By: _____
Name: _____
Title: _____

CONFIRMED AND ACCEPTED
as of the date first above written:

BANC OF AMERICA SECURITIES LLC

By: _____
Authorized Signatory

DEUTSCHE BANK SECURITIES INC.

By: _____
Authorized Signatory

By: _____
Authorized Signatory

For themselves and as Representatives of the other Initial Purchasers set forth above

EXHIBIT 10.2

EXECUTION COPY

==========

CREDIT AGREEMENT

Dated as of July 7, 2004

among

SONOCO PRODUCTS COMPANY,
as the Borrower,

BANK OF AMERICA, N.A.,
as Administrative Agent and Swing Line Lender

and

The Other Lenders Party Hereto

BANC OF AMERICA SECURITIES LLC
and
WACHOVIA CAPITAL MARKETS, LLC,
as Joint Lead Arrangers and Joint Book Managers

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Syndication Agent

and

BANK OF TOKYO-MITSUBISHI TRUST COMPANY,

DEUTSCHE BANK SECURITIES INC.
and
SUNTRUST BANK
as Co-Documentation Agents

==========

TABLE OF CONTENTS

SCHEDULES

EXHIBITS

FORM OF

CREDIT AGREEMENT

This CREDIT AGREEMENT ("Agreement") is entered into as of July 7, 2004, among Sonoco Products Company, a South Carolina corporation (the "Borrower"), each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender"), and BANK OF AMERICA, N.A., as Administrative Agent and Swing Line Lender.

The Borrower has requested that the Lenders provide a revolving credit facility, and the Lenders are willing to do so on the terms and conditions set forth herein.

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

ARTICLE I.
DEFINITIONS AND ACCOUNTING TERMS

1.01 DEFINED TERMS.

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

"Absolute Rate" means a fixed rate of interest expressed in multiples of 1/100th of one basis point.

"Absolute Rate Loan" means a Bid Loan that bears interest at a rate determined with reference to an Absolute Rate.

"Additional Minimum Liability" has the meaning set forth is Section 7.07.

"Administrative Agent" means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify the Borrower and the Lenders.

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

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

"Aggregate Commitments" means the Commitments of all the Lenders, as such amount may be reduced or increased as set forth herein. The Aggregate Commitments as of the Closing Date shall be $350,000,000.

"Agreement" means this Credit Agreement.

"Applicable Percentage" means with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of the Aggregate Commitments represented by such Lender's Commitment at such time. If the commitment of each Lender to make Loans has been terminated pursuant to Section 8.02 or if the Aggregate Commitments have expired, then the Applicable Percentage of each Lender shall be determined based on the Applicable Percentage of such Lender most recently in effect, giving effect to any subsequent assignments. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

"Applicable Rate" means, from time to time, the following percentages per annum, based upon the Debt Rating as set forth below:

APPLICABLE RATE							
PRICING LEVEL	DEBT RATINGS	FACILITY FEE	LIBOR MARGIN	ALTERNATE BASE RATE MARGIN	ALL-IN DRAWN	UTILIZATION FEE	AID W/USAGE (greater than 50%)
I	greater than or equal to A+/A1	.080%	.220%	0	.300%	.100%	.400%
II	A/A2	.090%	.285%	0	.375%	.125%	.500%
III	A-/A3	.110%	.390%	0	.500%	.125%	.625%
IV	BBB+/Baa1	.140%	.485%	0	.625%	.125%	.750%
V	BBB/Baa2	.170%	.580%	0	.750%	.250%	1.000%
VI	less than or equal to BBB-/Baa3	.270%	.730%	0	1.000%	.250%	1.250%

"Debt Rating" means, as of any date of determination, the rating as determined by either S&P or Moody's (collectively, the "Debt Ratings") of the Borrower's non-credit-enhanced, senior unsecured long-term debt; provided that if a Debt Rating is issued by each of the foregoing rating agencies, then the higher of such Debt Ratings shall apply (with the Debt Rating for Pricing Level I being the highest and the Debt Rating for Pricing Level VI being the lowest), unless there is a split in Debt Ratings of more than one level, in which case the Pricing Level that is one level higher than the Pricing Level of the lower Debt Rating shall apply.

Initially, the Applicable Rate shall be determined based upon the Debt Rating specified in the certificate delivered pursuant to Section 4.01(a)(vii). Thereafter, each change in the Applicable Rate resulting from a publicly announced change in the Debt Rating shall be effective, in the case of an upgrade, during the period commencing on the date of delivery by the Borrower to the Administrative Agent of notice thereof pursuant to Section 6.03(d) and ending on the date immediately preceding the effective date of the next such change and, in the case of a downgrade, during the period commencing on the date of the public announcement thereof and ending on the date immediately preceding the effective date of the next such change. For purposes of the foregoing, (a) if no Debt Rating shall be available, such rating agencies shall be deemed to have established a Debt Rating which is one rating grade higher than the subordinated debt rating grade of the Borrower, (b) if no Debt Rating or subordinated debt rating grade shall be available, the Applicable Rate shall be as set forth in Pricing Level VI.

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

"Arrangers" means Banc of America Securities LLC and Wachovia Securities, Inc., each in its capacity as joint lead arranger and joint book manager.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit F or any other form approved by the Administrative Agent.

"Attributable Indebtedness" means, on any date, (a) in respect of any capital lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

"Audited Financial Statements" means the audited consolidated balance sheet of the Borrower and its Subsidiaries for the fiscal year ended December 31, 2003, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year of the Borrower and its Subsidiaries, including the notes thereto.

"Availability Period" means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Commitments pursuant to Section 2.06, and (c) the date of termination of the commitment of each Lender to make Loans pursuant to Section 8.02.

"Bank of America" means Bank of America, N.A. and its successors.

"Bankruptcy Code" means the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

"BAS" means Banc of America Securities, LLC in its capacity as joint lead arranger.

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

"Base Rate Committed Loan" means a Committed Loan that is a Base Rate Loan.

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

"Bid Borrowing" means a borrowing consisting of simultaneous Bid Loans of the same Type from each of the Lenders whose offer to make one or more Bid Loans as part of such borrowing has been accepted under the auction bidding procedures described in Section 2.03.

"Bid Loan" has the meaning specified in Section 2.03(a).

"Bid Loan Lender" means, in respect of any Bid Loan, the Lender making such Bid Loan to the Borrower.

"Bid Request" means a written request for one or more Bid Loans substantially in the form of Exhibit B-1.

"Book Net Worth" means, at any time, consolidated net shareholders' equity of the Borrower and its Subsidiaries determined in accordance with GAAP.

"Borrower" has the meaning specified in the introductory paragraph hereto.

"Borrowing" means a Committed Borrowing, a Bid Borrowing or a Swing Line Borrowing, as the context may require.

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

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

"Change of Control" means, with respect to any Person, an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire (such right, an "option right"), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 35% or more of the equity securities of such Person entitled to vote for members of the board of directors or equivalent governing body of such Person on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right); or

(b) during any period of 24 consecutive months, a majority of the members of the board of directors or other equivalent governing body of such Person cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or

equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors).

"Closing Date" means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 4.01 (or, in the case of Section 4.01(b), waived by the Person entitled to receive the applicable payment).

"Code" means the Internal Revenue Code of 1986.

"Commitment" means, as to each Lender, its obligation to (a) make Committed Loans to the Borrower pursuant to Section 2.01 and (b) purchase participations in Swing Line Loans, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"Committed Borrowing" means a borrowing consisting of simultaneous Committed Loans of the same Type and, in the case of Eurodollar Rate Committed Loans, having the same Interest Period made by each of the Lenders pursuant to Section 2.01.

"Committed Loan" has the meaning specified in Section 2.01.

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

"Competitive Bid" means a written offer by a Lender to make one or more Bid Loans, substantially in the form of Exhibit B-2, duly completed and signed by a Lender.

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

"Consolidated Parties" means a collective reference to the Borrower and its Subsidiaries, and "Consolidated Party" means any one of them.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

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

"Debt Rating" has the meaning set forth in the definition of "Applicable Rate."

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

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

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

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

"Dollar" and "$" mean lawful money of the United States.

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

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent and the Swing Line Lender, and (ii) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"Equity Interests" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

"Eurodollar Bid Margin" means the margin above or below the Eurodollar Rate to be added to or subtracted from the Eurodollar Rate, which margin shall be expressed in multiples of 1/100th of one basis point.

"Eurodollar Margin Bid Loan" means a Bid Loan that bears interest at a rate based upon the Eurodollar Rate.

"Eurodollar Rate" means for any Interest Period with respect to any Eurodollar Rate Loan:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately

11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

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

(c) if the rates referenced in the preceding clauses (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America (or, in the case of a Bid Loan, the applicable Bid Loan Lender) and with a term equivalent to such Interest Period would be offered by Bank of America's (or such Bid Loan Lender's) London Branch to major banks in the London interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

"Eurodollar Rate Committed Loan" means a Committed Loan that bears interest at a rate based on the Eurodollar Rate.

"Eurodollar Rate Loan" means a Eurodollar Rate Committed Loan or a Eurodollar Margin Bid Loan.

"Event of Default" has the meaning specified in Section 8.01.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 10.14), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with Section 3.01(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.01(a).

"Existing Credit Agreement" means that certain Credit Agreement dated as of July 9, 2003 among the Borrower, Bank of America, as administrative agent, and a syndicate of lenders.

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

"Fee Letter" means the letter agreement, dated May 27, 2004, among the Borrower, the Administrative Agent and BAS.

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

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

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

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

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Granting Lender" has the meaning specified in Section 10.07(h).

"Guarantee" means, as to any Person, any (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the

purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Indebtedness" means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments;

(c) net obligations of such Person under any Swap Contract;

(d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business);

(e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(f) capital leases and Synthetic Lease Obligations; and

(g) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof

as of such date. The amount of any capital lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitees" has the meaning set forth in Section 10.05.

"Interest Payment Date" means, (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan (including a Swing Line Loan), the last Business Day of each March, June, September and December and the Maturity Date.

"Interest Period" means (a) as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or (in the case of any Eurodollar Rate Committed Loan) converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Borrower in its Committed Loan Notice or Bid Request, as the case may be, and (b) as to each Absolute Rate Loan, a period of not less than 7 days and not more than 180 days as selected by the Borrower in its Bid Request; provided that:

(i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Rate Loan, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period pertaining to a Eurodollar Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Maturity Date.

"IRS" means the United States Internal Revenue Service.

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

"Lender" has the meaning specified in the introductory paragraph hereto and, as the context requires, includes the Swing Line Lender.

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

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

"Loan" means an extension of credit by a Lender to the Borrower under Article II in the form of a Committed Loan, a Bid Loan or a Swing Line Loan.

"Loan Documents" means this Agreement, each Note and the Fee Letter.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Borrower or the Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of the Borrower to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower of any Loan Document to which it is a party.

"Maturity Date" means July ___, 2009.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Note" means a promissory note made by the Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of Exhibit D.

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

"Off-Balance Sheet Liabilities" means, with respect to any Person as of any date of determination thereof, without duplication and to the extent not included as a liability on the consolidated balance sheet of such Person and its Subsidiaries in accordance with GAAP: (a) with respect to any asset securitization transaction (including any accounts receivable purchase

facility) (i) the unrecovered investment of purchasers or transferees of assets so transferred and (ii) any other payment, recourse, repurchase, hold harmless, indemnity or similar obligation of such Person or any of its Subsidiaries in respect of assets transferred or payments made in respect thereof, other than limited recourse provisions that are customary for transactions of such type and that neither (x) have the effect of limiting the loss or credit risk of such purchasers or transferees with respect to payment or performance by the obligors of the assets so transferred nor (y) impair the characterization of the transaction as a true sale under applicable Laws (including Debtor Relief Laws); (b) the monetary obligations under any financing lease or so-called "synthetic," tax retention or off-balance sheet lease transaction which, upon the application of any Debtor Relief Law to such Person or any of its Subsidiaries, would be characterized as indebtedness; (c) the monetary obligations under any sale and leaseback transaction which does not create a liability on the consolidated balance sheet of such Person and its Subsidiaries; and (d) any other monetary obligation arising with respect to any other transaction which (i) upon the application of any Debtor Relief Law to such Person or any of its Subsidiaries, would be characterized as indebtedness for tax purposes but not for accounting purposes in accordance with GAAP or (ii) is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the consolidated balance sheet of such Person and its Subsidiaries (for purposes of this clause (d), any transaction structured to provide tax deductibility as interest expense of any dividend, coupon or other periodic payment will be deemed to be the functional equivalent of a borrowing).

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

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

"Outstanding Amount" means with respect to Committed Loans, Bid Loans, and Swing Line Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Committed Loans, Bid Loans, and Swing Line Loans, as the case may be, occurring on such date.

"Participant" has the meaning specified in Section 10.07(d).

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

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

"Plan" means any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) established by the Borrower or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any ERISA Affiliate.

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

"Register" has the meaning set forth in Section 10.07(c).

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

"Request for Borrowing" means (a) with respect to a Borrowing, conversion or continuation of Committed Loans, a Committed Loan Notice, (b) with respect to a Bid Loan, a Bid Request, and (c) with respect to a Swing Line Loan, a Swing Line Loan Notice.

"Required Lenders" means, as of any date of determination, Lenders having more than 50% of the Aggregate Commitments or, if the commitment of each Lender to make Loans has been terminated pursuant to Section 8.02, Lenders holding in the aggregate more than 50% of the Total Outstandings, excluding Bid Loans (with the aggregate amount of each Lender's risk participation and funded participation in Swing Line Loans being deemed "held" by such Lender for purposes of this definition); provided that the Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"Responsible Officer" means the chief executive officer, president, chief financial officer, treasurer or assistant treasurer of the Borrower. Any document delivered hereunder that is signed by a Responsible Officer of the Borrower shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of the Borrower and such Responsible Officer shall be conclusively presumed to have acted on behalf of the Borrower.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other Equity

Interest, or on account of any return of capital to the Borrower's stockholders, partners or members (or the equivalent Person thereof).

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

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

"SPC" has the meaning specified in Section 10.07(h).

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

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward interest or exchange rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) (i.e. the current fair market value) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Swing Line" means the revolving credit facility made available by the Swing Line Lender pursuant to Section 2.04.

"Swing Line Borrowing" means a borrowing of a Swing Line Loan pursuant to Section 2.04.

"Swing Line Lender" means Bank of America in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

"Swing Line Loan" has the meaning specified in Section 2.04(a).

"Swing Line Loan Notice" means a notice of a Swing Line Borrowing pursuant to Section 2.04(b), which, if in writing, shall be substantially in the form of Exhibit C.

"Swing Line Sublimit" means an amount equal to the lesser of (a) $15,000,000 and (b) the Aggregate Commitments. The Swing Line Sublimit is part of, and not in addition to, the Aggregate Commitments.

"Synthetic Lease Obligation" means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

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

"Threshold Amount" means $50,000,000.

"Total Assets" means at any time, all items which would, in accordance with GAAP, be classified as assets (other than intangible assets) on a consolidated balance sheet of the Borrower and its Subsidiaries.

"Total Outstandings" means the aggregate Outstanding Amount of all Loans.

"Type" means (a) with respect to a Committed Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan, and (b) with respect to a Bid Loan, its character as an Absolute Rate Loan or a Eurodollar Margin Bid Loan.

"Unfunded Pension Liability" means the excess of the present value of all vested and non-vested benefit liabilities of a Pension Plan (determined in accordance with then current funding assumptions) over the market value of that Pension Plan's assets.

"United States" and "U.S." mean the United States of America.

1.02 OTHER INTERPRETIVE PROVISIONS.

With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

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

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

1.03 ACCOUNTING TERMS.

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

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall

provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04 ROUNDING.

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

1.05 TIMES OF DAY.

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

ARTICLE II.
THE COMMITMENTS AND BORROWINGS

2.01 COMMITTED LOANS.

Subject to the terms and conditions set forth herein, each Lender severally agrees to make loans (each such loan, a "Committed Loan") to the Borrower from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Commitment; provided, however, that after giving effect to any Committed Borrowing, (i) the Total Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Committed Loans of any Lender plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment. Within the limits of each Lender's Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01, prepay under Section 2.05, and reborrow under this Section 2.01. Committed Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

2.02 BORROWINGS, CONVERSIONS AND CONTINUATIONS OF COMMITTED LOANS.

(a) Each Committed Borrowing, each conversion of Committed Loans from one Type to the other, and each continuation of Eurodollar Rate Committed Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by telephone (provided that such telephonic notice complies with the information requirements of the form of Committed Loan Notice attached hereto as Exhibit A). Each such notice must be received by the Administrative Agent not later than 1:00 p.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Committed Loans or of any conversion of Eurodollar Rate Committed Loans to Base Rate Committed Loans, and (ii) on the requested date of any Borrowing of Base Rate Committed Loans. Not later than 11:00 a.m., three Business Days before the requested date of such Borrowing,

conversion or continuation, the Administrative Agent shall notify the Borrower (which notice may be by telephone) whether or not the requested Interest Period has been consented to by all the Lenders. Each telephonic notice by the Borrower pursuant to this Section 2.02(b) must be confirmed promptly by delivery to the Administrative Agent of a written Committed Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Each Borrowing of, conversion to or continuation of Eurodollar Rate Committed Loans shall be in a principal amount of $5,000,000 or a whole multiple of $1,000,000 in excess thereof. Except as provided in Section 2.04(c), each Borrowing of or conversion to Base Rate Committed Loans shall be in a principal amount of $500,000 or a whole multiple of $100,000 in excess thereof. Each Committed Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a Committed Borrowing, a conversion of Committed Loans from one Type to the other, or a continuation of Eurodollar Rate Committed Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Committed Loans to be borrowed, converted or continued, (iv) the Type of Committed Loans to be borrowed or to which existing Committed Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Committed Loan in a Committed Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Committed Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Committed Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Eurodollar Rate Committed Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Committed Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage of the applicable Committed Loans, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in the preceding subsection. In the case of a Committed Borrowing, each Lender shall make the amount of its Committed Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 3:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Borrowing is the initial Borrowing, Section 4.01), the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower; provided, however, that if, on the date the Committed Loan Notice with respect to such Borrowing is given by the Borrower, there are Swing Line Loans outstanding, then the proceeds of such Borrowing, first, shall be applied, to the payment in full of any such Swing Line Loans, and second, shall be made available to the Borrower as provided above.

(c) Except as otherwise provided herein, a Eurodollar Rate Committed Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate

Committed Loan. During the existence of a Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Committed Loans without the consent of the Required Lenders.

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

(e) After giving effect to all Committed Borrowings, all conversions of Committed Loans from one Type to the other, and all continuations of Committed Loans as the same Type, there shall not be more than ten Interest Periods in effect with respect to Committed Loans.

2.03 BID LOANS.

(a) General. Subject to the terms and conditions set forth herein, each Lender agrees that the Borrower may from time to time request the Lenders to submit offers to make loans (each such loan, a "Bid Loan") to the Borrower prior to the Maturity Date pursuant to this Section 2.03; provided, however, that after giving effect to any Bid Borrowing, the Total Outstandings shall not exceed the Aggregate Commitments. There shall not be more than three different Interest Periods in effect with respect to Bid Loans at any time.

(b) Requesting Competitive Bids. The Borrower may request the submission of Competitive Bids by delivering a Bid Request to the Administrative Agent not later than 2:00 p.m. (i) one Business Day prior to the requested date of any Bid Borrowing that is to consist of Absolute Rate Loans, or (ii) four Business Days prior to the requested date of any Bid Borrowing that is to consist of Eurodollar Margin Bid Loans. Each Bid Request shall (x) specify (i) the requested date of the Bid Borrowing (which shall be a Business Day), (ii) the aggregate principal amount of Bid Loans requested (which must be $5,000,000 or a whole multiple of $2,000,000 in excess thereof), (iii) the Type of Bid Loans requested, and (iv) the duration of the Interest Period with respect thereto, and shall be signed by a Responsible Officer of the Borrower and (y) be accompanied by the Bid Request fee specified in Section 2.03(k). No Bid Request shall contain a request for (i) more than one Type of Bid Loan or (ii) Bid Loans having more than three different Interest Periods. Unless the Administrative Agent otherwise agrees in its sole and absolute discretion, the Borrower may not submit a Bid Request if it has submitted another Bid Request within the prior five Business Days.

(c) Submitting Competitive Bids.

(i) The Administrative Agent shall promptly notify each Lender of each Bid Request received by it from the Borrower and the contents of such Bid Request.

(ii) Each Lender may (but shall have no obligation to) submit a Competitive Bid containing an offer to make one or more Bid Loans in response to such Bid Request. Such Competitive Bid must be delivered to the Administrative Agent not later than 10:30 a.m. (A) on the requested date of any Bid Borrowing that is to consist of Absolute Rate

Loans, and (B) three Business Days prior to the requested date of any Bid Borrowing that is to consist of Eurodollar Margin Bid Loans; provided, however, that any Competitive Bid submitted by Bank of America in its capacity as a Lender in response to any Bid Request must be submitted to the Administrative Agent not later than 10:15 a.m. on the date on which Competitive Bids are required to be delivered by the other Lenders in response to such Bid Request. Each Competitive Bid shall specify (A) the proposed date of the Bid Borrowing; (B) the principal amount of each Bid Loan for which such Competitive Bid is being made, which principal amount (x) may be equal to, greater than or less than the Commitment of the bidding Lender, (y) must be $5,000,000 or a whole multiple of $2,000,000 in excess thereof, and (z) may not exceed the principal amount of Bid Loans for which Competitive Bids were requested; (C) if the proposed Bid Borrowing is to consist of Absolute Rate Bid Loans, the Absolute Rate offered for each such Bid Loan and the Interest Period applicable thereto; (D) if the proposed Bid Borrowing is to consist of Eurodollar Margin Bid Loans, the Eurodollar Bid Margin with respect to each such Eurodollar Margin Bid Loan and the Interest Period applicable thereto; and (E) the identity of the bidding Lender.

(iii) Any Competitive Bid shall be disregarded if it (A) is received after the applicable time specified in clause (ii) above, (B) is not substantially in the form of a Competitive Bid as specified herein, (C) contains qualifying, conditional or similar language, (D) proposes terms other than or in addition to those set forth in the applicable Bid Request, or (E) is otherwise not responsive to such Bid Request. Any Lender may correct a Competitive Bid containing a manifest error by submitting a corrected Competitive Bid (identified as such) not later than the applicable time required for submission of Competitive Bids. Any such submission of a corrected Competitive Bid shall constitute a revocation of the Competitive Bid that contained the manifest error. The Administrative Agent may, but shall not be required to, notify any Lender of any manifest error it detects in such Lender's Competitive Bid.

(iv) Subject only to the provisions of Sections 3.02, 3.03 and 4.02 and clause (iii) above, each Competitive Bid shall be irrevocable.

(d) Notice to Borrower of Competitive Bids. Not later than 11:00 a.m. (i) on the requested date of any Bid Borrowing that is to consist of Absolute Rate Loans, or (ii) three Business Days prior to the requested date of any Bid Borrowing that is to consist of Eurodollar Margin Bid Loans, the Administrative Agent shall notify the Borrower of the identity of each Lender that has submitted a Competitive Bid that complies with Section 2.03(c) and of the terms of the offers contained in each such Competitive Bid.

(e) Acceptance of Competitive Bids. Not later than 11:30 a.m. (i) on the requested date of any Bid Borrowing that is to consist of Absolute Rate Loans, and (ii) three Business Days prior to the requested date of any Bid Borrowing that is to consist of Eurodollar Margin Bid Loans, the Borrower shall notify the Administrative Agent of its acceptance or rejection of the offers notified to it pursuant to Section 2.03(d). The Borrower shall be under no obligation to accept any Competitive Bid and may choose to reject all Competitive Bids. In the case of acceptance, such notice shall specify the aggregate principal amount of Competitive Bids for

each Interest Period that is accepted. The Borrower may accept any Competitive Bid in whole or in part; provided that:

(i) the aggregate principal amount of each Bid Borrowing may not exceed the applicable amount set forth in the related Bid Request;

(ii) the principal amount of each Bid Loan must be $5,000,000 or in integral multiples of $2,000,000 in excess thereof;

(iii) the acceptance of offers may be made only on the basis of ascending Absolute Rates or Eurodollar Bid Margins within each Interest Period; and

(iv) the Borrower may not accept any offer that is described in Section 2.03(c)(iii) or that otherwise fails to comply with the requirements hereof.

(f) Procedure for Identical Bids. If two or more Lenders have submitted Competitive Bids at the same Absolute Rate or Eurodollar Bid Margin, as the case may be, for the same Interest Period, and the result of accepting all of such Competitive Bids in whole (together with any other Competitive Bids at lower Absolute Rates or Eurodollar Bid Margins, as the case may be, accepted for such Interest Period in conformity with the requirements of Section 2.03(e)(iii)) would be to cause the aggregate outstanding principal amount of the applicable Bid Borrowing to exceed the amount specified therefor in the related Bid Request, then, unless otherwise agreed by the Borrower, the Administrative Agent and such Lenders, such Competitive Bids shall be accepted as nearly as possible in proportion to the amount offered by each such Lender in respect of such Interest Period, with such accepted amounts being rounded to the nearest whole multiple of $1,000,000.

(g) Notice to Lenders of Acceptance or Rejection of Bids. The Administrative Agent shall promptly notify each Lender having submitted a Competitive Bid whether or not its offer has been accepted and, if its offer has been accepted, of the amount of the Bid Loan or Bid Loans to be made by it on the date of the applicable Bid Borrowing. Any Competitive Bid or portion thereof that is not accepted by the Borrower by the applicable time specified in Section 2.03(e) shall be deemed rejected.

(h) Notice of Eurodollar Rate. If any Bid Borrowing is to consist of Eurodollar Margin Loans, the Administrative Agent shall determine the Eurodollar Rate for the relevant Interest Period, and promptly after making such determination, shall notify the Borrower and the Lenders that will be participating in such Bid Borrowing of such Eurodollar Rate.

(i) Funding of Bid Loans. Each Lender that has received notice pursuant to Section 2.03(g) that all or a portion of its Competitive Bid has been accepted by the Borrower shall make the amount of its Bid Loan(s) available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 1:00 p.m. on the date of the requested Bid Borrowing. Upon satisfaction of the applicable conditions set forth in Section 4.02, the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent.

(j) Notice of Range of Bids. After each Competitive Bid auction pursuant to this Section 2.03, the Administrative Agent shall notify each Lender that submitted a Competitive Bid in such auction of the ranges of bids submitted (without the bidder's name) and accepted for each Bid Loan and the aggregate amount of each Bid Borrowing.

(k) Bid Request Fee. The Borrower shall pay to the Administrative Agent for each Bid Request an administration fee in the amount set forth in the Fee Letter concurrently with delivery of any Bid Request (whether or not any Competitive Bid is offered by a Lender or accepted by the Borrower and whether or not any Bid Loan is extended by any Lender in connection with such Bid Request).

2.04 SWING LINE LOANS.

(a) The Swing Line. Subject to the terms and conditions set forth herein, the Swing Line Lender agrees, in reliance upon the agreements of the other Lenders set forth in this Section 2.04, to make loans (each such loan, a "Swing Line Loan") to the Borrower from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed at any time outstanding the amount of the Swing Line Sublimit, notwithstanding the fact that such Swing Line Loans, when aggregated with the Applicable Percentage of the Outstanding Amount of Committed Loans of the Lender acting as Swing Line Lender, may exceed the amount of such Lender's Commitment; provided, however, that after giving effect to any Swing Line Loan, (i) the Total Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Committed Loans of any Lender plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment, and provided, further, that the Borrower shall not use the proceeds of any Swing Line Loan to refinance any outstanding Swing Line Loan. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.04, prepay under Section 2.05, and reborrow under this Section 2.04. Each Swing Line Loan shall be a Base Rate Loan. Immediately upon the making of a Swing Line Loan, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a risk participation in such Swing Line Loan in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Swing Line Loan.

(b) Borrowing Procedures. Each Swing Line Borrowing shall be made upon the Borrower's irrevocable notice to the Swing Line Lender and the Administrative Agent, which may be given by telephone (provided that such telephonic notice complies with the informational requirements of the form of Swing Line Loan Notice attached hereto as Exhibit C). Each such notice must be received by the Swing Line Lender and the Administrative Agent not later than 2:00 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum of $500,000, and (ii) the requested borrowing date, which shall be a Business Day. Each such telephonic notice must be confirmed promptly by delivery to the Swing Line Lender and the Administrative Agent of a written Swing Line Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Promptly after receipt by the Swing Line Lender of any telephonic Swing Line Loan Notice, the Swing Line Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has also received such Swing Line Loan Notice and, if not, the Swing Line Lender will notify the Administrative Agent (by telephone or in writing) of the contents thereof.

Unless the Swing Line Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Lender) prior to 5:00 p.m. on the date of the proposed Swing Line Borrowing (A) directing the Swing Line Lender not to make such Swing Line Loan as a result of the limitations set forth in the proviso to the first sentence of Section 2.04(a), or (B) that one or more of the applicable conditions specified in Article IV is not then satisfied, then, subject to the terms and conditions hereof, the Swing Line Lender will, not later than 6:00 p.m. on the borrowing date specified in such Swing Line Loan Notice, make the amount of its Swing Line Loan available to the Borrower at its office by crediting the account of the Borrower on the books of the Swing Line Lender in immediately available funds.

(c) Refinancing of Swing Line Loans.

(i) The Swing Line Lender at any time in its sole and absolute discretion may request, on behalf of the Borrower (which hereby irrevocably authorizes the Swing Line Lender to so request on its behalf), that each Lender make a Base Rate Committed Loan in an amount equal to such Lender's Applicable Percentage of the amount of Swing Line Loans then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Committed Loan Notice for purposes hereof) and in accordance with the requirements of Section 2.02, without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, but subject to the unutilized portion of the Aggregate Commitments and the conditions set forth in Section 4.02. The Swing Line Lender shall furnish the Borrower with a copy of the applicable Committed Loan Notice promptly after delivering such notice to the Administrative Agent. Each Lender shall make an amount equal to its Applicable Percentage of the amount specified in such Committed Loan Notice available to the Administrative Agent in immediately available funds for the account of the Swing Line Lender at the Administrative Agent's Office not later than 1:00 p.m. on the day specified in such Committed Loan Notice, whereupon, subject to Section 2.04(c)(ii), each Lender that so makes funds available shall be deemed to have made a Base Rate Committed Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the Swing Line Lender.

(ii) If for any reason any Swing Line Loan cannot be refinanced by such a Committed Borrowing in accordance with Section 2.04(c)(i), the request for Base Rate Committed Loans submitted by the Swing Line Lender as set forth herein shall be deemed to be a request by the Swing Line Lender that each of the Lenders fund its risk participation in the relevant Swing Line Loan and each Lender's payment to the Administrative Agent for the account of the Swing Line Lender pursuant to Section 2.04(c)(i) shall be deemed payment in respect of such participation.

(iii) If any Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.04(c) by the time specified in Section 2.04(c)(i), the Swing Line Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the

greater of the Federal Funds Rate and a rate determined by the Swing Line Lender in accordance with banking rules on interbank compensation. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent manifest error.

(iv) Each Lender's obligation to make Committed Loans or to purchase and fund risk participations in Swing Line Loans pursuant to this Section 2.04(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Committed Loans pursuant to this Section 2.04(c) is subject to the conditions set forth in Section 4.02. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swing Line Loans, together with interest as provided herein.

(d) Repayment of Participations.

(i) At any time after any Lender has purchased and funded a risk participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Lender its Applicable Percentage of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's risk participation was funded) in the same funds as those received by the Swing Line Lender.

(ii) If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender under any of the circumstances described in Section 10.06 (including pursuant to any settlement entered into by the Swing Line Lender in its discretion), each Lender shall pay to the Swing Line Lender its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the Federal Funds Rate. The Administrative Agent will make such demand upon the request of the Swing Line Lender. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Interest for Account of Swing Line Lender. The Swing Line Lender shall be responsible for invoicing the Borrower for interest on the Swing Line Loans. Until each Lender funds its Base Rate Committed Loan or risk participation pursuant to this Section 2.04 to refinance such Lender's Applicable Percentage of any Swing Line Loan, interest in respect of such Applicable Percentage shall be solely for the account of the Swing Line Lender.

(f) Payments Directly to Swing Line Lender. The Borrower shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Swing Line Lender.

2.05 PREPAYMENTS.

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

(b) No Bid Loan may be prepaid without the prior consent of the applicable Bid Loan Lender.

(c) The Borrower may, upon notice to the Swing Line Lender (with a copy to the Administrative Agent), at any time or from time to time, voluntarily prepay Swing Line Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the date of the prepayment, and (ii) any such prepayment shall be in a minimum principal amount of $500,000. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(d) If for any reason the Total Outstandings at any time exceed the Aggregate Commitments then in effect, the Borrower shall immediately prepay Loans in an aggregate amount equal to such excess.

2.06 TERMINATION OR REDUCTION OF COMMITMENTS.

The Borrower may, upon notice to the Administrative Agent, terminate the Aggregate Commitments, or from time to time permanently reduce the Aggregate Commitments; provided that (i) any such notice shall be received by the Administrative Agent not later than 11:00 a.m. five Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of $10,000,000 or any whole multiple of $1,000,000 in excess thereof, (iii) the Borrower shall not terminate or reduce the Aggregate Commitments if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Outstandings would exceed the Aggregate Commitments and (iv) if, after giving effect to any reduction of the Aggregate Commitments, the Swing Line Sublimit exceeds the amount of the Aggregate

Commitments, such Sublimit shall be automatically reduced by the amount of such excess. The Administrative Agent will promptly notify the Lenders of any such notice of termination or reduction of the Aggregate Commitments. Any reduction of the Aggregate Commitments shall be applied to the Commitment of each Lender according to its Applicable Percentage. All fees accrued until the effective date of any termination of the Aggregate Commitments shall be paid on the effective date of such termination.

2.07 REPAYMENT OF LOANS.

(a) The Borrower shall repay to the Lenders on the Maturity Date the aggregate principal amount of Committed Loans outstanding on such date.

(b) The Borrower shall repay each Bid Loan on the earlier to occur of (i) the maturity date agreed to by the Bid Loan Lender (which maturity date shall not be (A) less than 7 days from advance thereof or (B) more than 180 days from advance thereof) and (ii) the last day of the Interest Period in respect thereof.

(c) The Borrower shall repay each Swing Line Loan on the earlier to occur of (i) the maturity date agreed to by the Swing Line Lender and the Borrower with respect to such Loan (which maturity date shall not be a date more than thirteen (13) days from the date of advance thereof) and (ii) the Maturity Date.

2.08 INTEREST.

(a) Subject to the provisions of subsection (b) below, (i) each Eurodollar Rate Committed Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate; (ii) each Base Rate Committed Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate; (iii) each Bid Loan shall bear interest on the outstanding principal amount thereof for the Interest Period therefor at a rate per annum equal to the Eurodollar Rate for such Interest Period plus (or minus) the Eurodollar Bid Margin, or at the Absolute Rate for such Interest Period, as the case may be; and (iv) each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to (x) the Base Rate plus the Applicable Rate or (y) a quoted rate mutually agreeable to the Swing Line Lender and the Borrower.

(b) If any amount payable by the Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws. Furthermore, upon the request of the Required Lenders, while any Event of Default exists, the Borrower shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

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

2.09 FEES.

(a) Facility Fee. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, a facility fee equal to the Applicable Rate times the actual daily amount of the Aggregate Commitments (or, if the Aggregate Commitments have terminated, on the Outstanding Amount of all Committed Loans and Swing Line Loans), regardless of usage. The facility fee shall accrue at all times during the Availability Period (and thereafter so long as any Committed Loans or Swing Line Loans remain outstanding), including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the Maturity Date (and, if applicable, thereafter on demand). The facility fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(b) Utilization Fee. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Applicable Percentage, a utilization fee equal to the Applicable Rate times the Total Outstandings on each day that the Total Outstandings exceed 50% of the actual daily amount of the Aggregate Commitments. The utilization fee shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the Maturity Date. The utilization fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Rate during any quarter, the daily amount shall be computed and multiplied by the Applicable Rate for each period during which such Applicable Rate was in effect. The utilization fee shall accrue at all times, including at any time during which one or more of the conditions in Article IV is not met.

(c) Other Fees. The Borrower shall pay to BAS and the Administrative Agent for their own respective accounts fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever. The Borrower's obligation to pay to the Administrative Agent the administrative agency fee pursuant to the Fee Letter shall terminate at such time as the Aggregate Commitments have been terminated and the aggregate amount of outstanding Loans, including principal, interest, fees and expenses, has been repaid in full.

2.10 COMPUTATION OF INTEREST AND FEES.

All computations of interest for Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made

on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.11 EVIDENCE OF DEBT.

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

(b) In addition to the accounts and records referred to in subsection (a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

2.12 PAYMENTS GENERALLY; ADMINISTRATIVE AGENT'S CLAWBACK.

(a) All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 4:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after such time shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Committed Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Committed Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Committed Borrowing available to the Administrative Agent, then such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the "Compensation Period") at a rate per annum equal to the Federal Funds Rate from time to time in effect. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's share of such Committed Borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to such Committed Borrowing. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Committed Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Committed Loan included in such Committed Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

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

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

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

shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Committed Loans and to fund participations in Swing Line Loans and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender to make any Committed Loan, to fund any such participation or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Committed Loan, to purchase its participation or to make its payment under Section 10.04(c).

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

2.13 SHARING OF PAYMENTS BY LENDERS.

If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Committed Loans made by it, or the participations in Swing Line Loans held by it resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Committed Loans or participations and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Committed Loans and subparticipations in Swing Line Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Committed Loans and other amounts owing them, provided that:

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

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

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to

such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

2.14 INCREASE IN AGGREGATE COMMITMENTS.

(a) Provided there exists no Default, upon notice to the Administrative Agent (which shall promptly notify the Lenders), the Borrower may from time to time, request an increase in the Aggregate Commitments; provided, however, that (i) the maximum amount of the Aggregate Commitments after giving effect to any such increase shall not exceed $450,000,000 and (ii) the Borrower may make a maximum of three such requests. The aggregate amount of any individual increase hereunder shall be in a minimum amount of $5,000,000 (and in integral multiples of $1,000,000 in excess thereof). To achieve the full amount of a requested increase, the Borrower may solicit increased commitments from existing Lenders and also invite additional Eligible Assignees to become Lenders; provided, however, that no existing Lender shall be obligated and/or required to accept an increase in its Commitment pursuant to this Section 2.14 unless it specifically consents to such increase in writing. Any Lender or Eligible Assignee agreeing to increase its Commitment or provide a new Commitment pursuant to this Section 2.14 shall, in connection therewith, deliver to the Administrative Agent a new commitment agreement in form and substance satisfactory to the Administrative Agent and its counsel.

(b) If the Aggregate Commitments are increased in accordance with this Section, the Administrative Agent and the Borrower shall determine the effective date (the "Increase Effective Date") and the final allocation of such increase. The Administrative Agent shall promptly notify the Borrower and the Lenders of the final allocation of such increase and the Increase Effective Date and Schedule 2.01 hereto shall be deemed amended to reflect such increase and final allocation. As a condition precedent to such increase, in addition to any deliveries pursuant to subsection (a) above, the Borrower shall deliver to the Administrative Agent each of the following in form and substance satisfactory to the Administrative Agent: (1) a certificate of the Borrower dated as of the Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of the Borrower (i) certifying and attaching the resolutions adopted by the Borrower approving or consenting to such increase, and (ii) certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in Article V and the other Loan Documents are true and correct on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Section 2.14, the representations and warranties contained in (x) subsections (a), (b) and (c) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to subsections (a) and (b), respectively, of Section 6.01 and (y) subsection (c) of Section 5.05 shall be deemed to refer to "through the Increase Effective Date" rather than "through the Closing Date", and (B) no Default exists; (2) a statement of reaffirmation from the Borrower pursuant to which the Borrower ratifies this Agreement and the other Loan Documents and acknowledges and reaffirms that, after giving effect to such increase, it is bound by all terms of this Agreement and the other Loan Documents; and (3) if the increase is being provided by a new Lender, a Note in favor of such Lender if so requested by such Lender. The Borrower shall prepay any Committed Loans outstanding on the Increase Effective Date (and pay any additional amounts required pursuant to Section 3.05) to the extent necessary to keep the outstanding

Committed Loans ratable with any revised Applicable Percentages arising from any nonratable increase in the Commitments under this Section.

(c) This Section shall supersede any provisions in Sections 2.12 or 10.01 to the contrary.

ARTICLE III.
TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 TAXES.

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

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

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

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

(e) Status of Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments

hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

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

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

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

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

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

(f) Treatment of Certain Refunds. If the Administrative Agent or any Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative

Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

3.02 ILLEGALITY.

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

3.03 INABILITY TO DETERMINE RATES.

If the Required Lenders determine that for any reason in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, or (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Committed Loan, or that the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Committed Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Committed Loans or, failing that, will be deemed to have converted such request into a request for a Committed Borrowing of Base Rate Loans in the amount specified therein.

3.04 INCREASED COSTS; RESERVES ON EURODOLLAR RATE LOANS.

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

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

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

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

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

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

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

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such

Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

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

3.05 FUNDING LOSSES.

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

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

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

(c) any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 10.16;

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

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

3.06 MITIGATION OBLIGATIONS; REPLACEMENT OF LENDERS.

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

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, the Borrower may replace such Lender in accordance with Section 10.14.

3.07 SURVIVAL.

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

ARTICLE IV.
CONDITIONS PRECEDENT TO BORROWINGS

4.01 CONDITIONS OF INITIAL BORROWING.

The occurrence of the Closing Date, the effectiveness of this Agreement and the obligation of each Lender to make its initial Loan hereunder is subject to satisfaction of the following conditions precedent:

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

(i) executed counterparts of this Agreement, in the number requested by the Administrative Agent or its legal counsel;

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

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

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that the Borrower is duly organized or formed, and that the Borrower is validly existing, in good standing and qualified to engage in business in (A) the jurisdiction of its incorporation or organization and (B) each other jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(v) a favorable opinion of Haynsworth Sinkler Boyd, P.A., counsel to the Borrower, addressed to the Administrative Agent and each Lender, covering enforceability of the Loan Documents and such other matters to be agreed upon;

(vi) a certificate of a Responsible Officer of the Borrower either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by the Borrower and the validity against the Borrower of the Loan Documents to which it is a party, and certifying that such consents, licenses and approvals are in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;

(vii) a certificate signed by a Responsible Officer of the Borrower certifying (A) that the conditions specified in Sections 4.02(a) and (b) have been satisfied, (B) that there has been no event or circumstance since the date of the Audited Financial Statements that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect; and (C) the current Debt Ratings;

(viii) evidence that the Existing Credit Agreement has been or concurrently with the Closing Date is being terminated and any and all Liens securing obligations under the Existing Credit Agreement have been or concurrently with the Closing Date are being released; and

(ix) such other assurances, certificates, documents, consents or opinions as the Administrative Agent, the Swing Line Lender or the Required Lenders reasonably may require.

(b) Any fees required to be paid on or before the Closing Date shall have been paid.

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

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

(e) No Default shall exist and be continuing as of the Closing Date.

(f) The Closing Date shall have occurred on or before July 8, 2004.

Without limiting the generality of the provisions of Section 9.04, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

4.02 CONDITIONS TO ALL BORROWINGS.

The obligation of each Lender to honor any Request for Borrowing (other than a Committed Loan Notice requesting only a conversion of Committed Loans to the other Type, or a continuation of Eurodollar Rate Committed Loans) is subject to the following conditions precedent:

(a) The representations and warranties of the Borrower contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the date of such Borrowing, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01.

(b) No Default shall exist, or would result from such proposed Borrowing or from the application of the proceeds thereof.

(c) The Administrative Agent and, if applicable, the Swing Line Lender shall have received a Request for Borrowing in accordance with the requirements hereof.

Each Request for Borrowing (other than a Committed Loan Notice requesting only a conversion of Committed Loans to the other Type or a continuation of Eurodollar Rate Committed Loans) submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Borrowing.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and the Lenders that:

5.01 EXISTENCE, QUALIFICATION AND POWER; COMPLIANCE WITH LAWS.

Each Consolidated Party (a) is a corporation duly organized or formed, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and is licensed and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, and (d) is in compliance with all Laws; except in each case referred to in clause (b)(i), (c) or (d), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.02 AUTHORIZATION; NO CONTRAVENTION.

The execution, delivery and performance by the Borrower of each Loan Document have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of the Borrower's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under (i) any Contractual Obligation to which the Borrower is a party or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which the Borrower or its property is subject; or (c) violate any Law, except in each case referred to in clause (b)(i),(b)(ii) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.03 GOVERNMENTAL AUTHORIZATION; OTHER CONSENTS.

No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Borrower of this Agreement or any other Loan Document.

5.04 BINDING EFFECT.

This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by the Borrower. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms.

5.05 FINANCIAL STATEMENTS; NO MATERIAL ADVERSE EFFECT.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Consolidated Parties as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Consolidated Parties as of the date thereof, including liabilities for taxes, material commitments and Indebtedness.

(b) The unaudited consolidated financial statements of the Consolidated Parties dated March 28, 2004, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal quarter ended on that date (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (ii) fairly present the financial condition of the Consolidated Parties as of the date thereof and their results of operations for the period covered thereby, subject, in the case of clauses (i) and (ii), to the absence of footnotes and to normal year-end audit adjustments.

(c) From the date of the Audited Financial Statements through the Closing Date, (i) no Consolidated Party has incurred any material Off-Balance Sheet Liabilities and (ii) there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

5.06 LITIGATION.

There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against any Consolidated Party or against any of their properties or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby, or (b) either individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

5.07 NO DEFAULT.

No Consolidated Party is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

5.08 OWNERSHIP OF PROPERTY; LIENS.

Each Consolidated Party has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of the Consolidated Parties is subject to no Liens, other than Liens permitted by Section 7.01.

5.09 ENVIRONMENTAL COMPLIANCE.

The Borrower and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof the Borrower has reasonably concluded that such Environmental Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.10 INSURANCE.

The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts (after giving effect to any self-insurance compatible with the following standards), with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or the applicable Subsidiary operates.

5.11 TAXES.

The Consolidated Parties have filed all Federal, state and other material tax returns and reports required to be filed, and have paid all Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against any Consolidated Party that would, if made, have a Material Adverse Effect.

5.12 ERISA COMPLIANCE.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of the Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. The Borrower and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of the Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could be reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred; (ii) no Pension Plan has any Unfunded Pension Liability (except with respect to certain non-qualified Pension Plans where the estimated

amount of such Unfunded Pension Liability is reflected on the consolidated balance sheet of the Consolidated Parties); (iii) neither the Borrower nor any ERISA Affiliate has incurred any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Borrower nor any ERISA Affiliate has incurred any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA; except in each case referred to above, to the extent that such occurrence could not reasonably be expected to have a Material Adverse Effect.

5.13 SUBSIDIARIES.

As of the Closing Date, except as set forth on Schedule 5.13, the Borrower has no material equity investments in any Subsidiary or other corporation or entity other than those specifically disclosed in Exhibit 21 to Borrower's Annual Report on Form 10-K for the year ended December 31, 2003.

5.14 MARGIN REGULATIONS; INVESTMENT COMPANY ACT; PUBLIC UTILITY HOLDING COMPANY ACT.

(a) The Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of the Borrower, any Person Controlling the Borrower, or any Subsidiary (i) is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, or (ii) is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

5.15 DISCLOSURE.

As of the Closing Date, the Borrower has disclosed to the Administrative Agent and the Lenders all matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No report, financial statement, certificate or other information furnished (whether in writing or orally) by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

5.16 COMPLIANCE WITH LAWS.

Each Consolidated Party is in compliance in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.17 INTELLECTUAL PROPERTY; LICENSES, ETC.

Each Consolidated Party owns, or possesses the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person except for those rights, the loss of which could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any Subsidiary infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Borrower, threatened, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE VI.
AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, the Borrower shall, and shall (except in the case of the covenants set forth in Sections 6.01, 6.02, 6.03 and 6.11) cause each Subsidiary to:

6.01 FINANCIAL STATEMENTS.

Deliver to the Administrative Agent, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) as soon as available, but in any event within the earlier of (i) the 90th day after the end of each fiscal year of the Borrower and (ii) the day that is three (3) Business Days after the date the Borrower's annual report on Form 10-K is required to be filed with the SEC (commencing with the fiscal year ending December 31, 2004), a consolidated balance sheet of the Consolidated Parties as at the end of such fiscal year, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by a report and opinion of PricewaterhouseCoopers LLP or another independent certified public accountant of nationally recognized standing reasonably acceptable to the Required Lenders, which report and opinion

shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification, exception, assumption or explanatory language or any qualification, exception, assumption or explanatory language as to the scope of such audit; and

(b) as soon as available, but in any event within the earlier of (i) the 45th day after the end of each of the first three fiscal quarters of each fiscal year of the Borrower and (ii) the day that is three (3) Business Days after the date the Borrower's quarterly report on Form 10-Q is required to be filed with the SEC (commencing with the fiscal quarter ending on or about June 30, 2004), a consolidated balance sheet of the Consolidated Parties as at the end of such fiscal quarter, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal quarter and for the portion of the Borrower's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of the Borrower as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes.

As to any information contained in materials furnished pursuant to Section 6.02(d), the Borrower shall not be separately required to furnish such information under clause (a) or (b) above, but the foregoing shall not be in derogation of the obligation of the Borrower to furnish the information and materials described in subsections (a) and (b) above at the times specified therein.

6.02 CERTIFICATES; OTHER INFORMATION.

Deliver to the Administrative Agent, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) concurrently with the delivery of the financial statements referred to in Section 6.01(a), a certificate of its independent certified public accountants certifying such financial statements and stating that in making the examination necessary therefor no knowledge was obtained of any Default under the financial covenants set forth herein or, if any such Default shall exist, stating the nature and status of such event;

(b) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of the Borrower;

(c) promptly after any written request by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Borrower by independent accountants in connection with the accounts or books of the Borrower or any Subsidiary, or any audit of any of them;

(d) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Borrower,

and copies of all annual, regular, periodic and special reports and registration statements which the Borrower may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(e) promptly after the Borrower has notified the Administrative Agent of any intention by the Borrower to treat the Loans and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4), a duly completed copy of IRS Form 8886 or any successor form; and

(f) promptly, such additional information regarding the business, financial or corporate affairs of the Borrower or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.01(a) or (b) or Section 6.02(d) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Borrower's behalf on IntraLinks/IntraAgency or another relevant website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Borrower, if it initially provides for electronic delivery of the Compliance Certificates required pursuant to Section 6.02(b), must, contemporaneously therewith, provide to the Administrative Agent a signed copy of such Compliance Certificates via facsimile and shall, within ten Business Days thereafter, provide paper copies of such Compliance Certificates to the Administrative Agent. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arranger will make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender"). The Borrower hereby agrees that so long as any Lender is a Public Lender (w) all Borrower Materials

that the Borrower intends to make available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Arranger and the Lenders to treat such Borrower Materials as either publicly available information or not material information (although it may be sensitive and proprietary) with respect to the Borrower or its securities for purposes of United States Federal and state securities laws; (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent and the Arranger shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor."

6.03 NOTICES.

Promptly notify the Administrative Agent:

(a) of the occurrence of any Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Borrower or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Borrower or any Subsidiary and any Governmental Authority; (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any Subsidiary, including pursuant to any applicable Environmental Laws; or (iv) the occurrence of any ERISA Event;

(c) of any material change in accounting policies or financial reporting practices by the Borrower or any Subsidiary; and

(d) of any announcement by Moody's or S&P of any change or possible change in a Debt Rating.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

6.04 PAYMENT OF OBLIGATIONS.

Pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness; unless the same are being contested in good faith by appropriate proceedings

diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary.

6.05 PRESERVATION OF EXISTENCE, ETC.

(a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization except in a transaction permitted by Section 7.03 or 7.04; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

6.06 MAINTENANCE OF PROPERTIES.

(a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; and (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.07 MAINTENANCE OF INSURANCE.

Maintain with financially sound and reputable insurance companies not Affiliates of the Borrower, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts (after giving effect to any self-insurance compatible with the following standards) as are customarily carried under similar circumstances by such other Persons.

6.08 COMPLIANCE WITH LAWS.

Comply in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, write, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.09 BOOKS AND RECORDS.

Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower or such Subsidiary, as the case may be.

6.10 INSPECTION RIGHTS.

Permit representatives and independent contractors of the Administrative Agent or the Required Lenders to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided, however, that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice.

6.11 USE OF PROCEEDS.

Use the proceeds of the Borrowings for (i) commercial paper backup, (ii) working capital, (iii) capital expenditures and (iv) general corporate purposes, in each case not in contravention of any Law or of any Loan Document.

ARTICLE VII.
NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, the Borrower shall not, nor shall it permit any Subsidiary (or in the case of Section 7.01 only, any Domestic Subsidiary) to, directly or indirectly:

7.01 LIENS.

Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired; provided, however, that the foregoing restriction shall not apply to:

(a) Liens on any assets of the Borrower or any Subsidiaries existing on the date hereof and set forth on Schedule 7.01;

(b) Liens on any assets of any corporation existing at the time such corporation becomes a Domestic Subsidiary (and not incurred in contemplation thereof);

(c) Liens on any assets existing at the time of acquisition of such assets by the Borrower or a Domestic Subsidiary, or Liens to secure the payment of all or any part of the purchase price of such assets upon the acquisition of such assets by the Borrower or a Domestic Subsidiary or to secure any Indebtedness incurred, assumed or guaranteed by the Borrower or a Domestic Subsidiary prior to, at the time of, or within 180 days after such acquisition (or in the case of real property, the completion of construction (including any improvements on an existing asset) or commencement of full operation of such asset, whichever is later) which Indebtedness is incurred, assumed or guaranteed for the purpose of financing all or any part of the purchase price thereof or, in the case of real property, construction or improvements thereon; provided, however, that in the case of any such acquisition, construction or improvement, the Lien shall not apply to any assets theretofore owned by the Borrower or a Domestic Subsidiary, other than, in

the case of any such construction or improvement, any real property on which the property so constructed, or the improvement, is located;

(d) Liens on any assets to secure Indebtedness of a Subsidiary to the Borrower or to any wholly owned Domestic Subsidiary;

(e) Liens on any assets of a corporation existing at the time such corporation is merged into or consolidated with the Borrower or a Domestic Subsidiary or at the time of a purchase, lease or other acquisition of the assets of a corporation or firm as an entirety or substantially as an entirety by the Borrower or a Domestic Subsidiary (and not incurred in contemplation thereof);

(f) Liens on any assets of the Borrower or a Domestic Subsidiary in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any State thereof, or in favor of any other country, or any political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Indebtedness incurred or guaranteed for the purpose of financing all or any part of the purchase price (or, in the case of real property, the cost of construction) of the assets subject to such Liens (including, but not limited to, Liens incurred in connection with pollution control, industrial revenue or similar financings);

(g) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing clauses (a) to (f), inclusive; provided, however, that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the assets which secured the Lien so extended, renewed or replaced (plus improvements and construction on real property);

(h) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person; and

(i) Liens not permitted by clauses (a) through (h) above if at the time of, and after giving effect to, the creation or assumption of any such Lien, the aggregate amount of all Indebtedness of the Borrower and its Domestic Subsidiaries secured by all such Liens not so permitted by clauses (a) through (h) above does not exceed 10% of Total Assets.

7.02 INDEBTEDNESS.

As to the Subsidiaries only, create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of the Subsidiaries existing as of the Closing Date as referenced in the financial statements referred to in Section 5.05 and renewals, refinancings or extensions

thereof in a principal amount not in excess of that outstanding as of the date of such renewal, refinancing or extension;

(b) Indebtedness of the Subsidiaries incurred after the Closing Date consisting of capital leases or Indebtedness incurred to provide all or a portion of the purchase price or cost of construction of an asset provided that (i) such Indebtedness when incurred shall not exceed the purchase price or cost of construction of such asset; (ii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing; and (iii) the total amount of all such Indebtedness shall not exceed $50,000,000 at any time outstanding;

(c) unsecured intercompany Indebtedness among the Borrower and its Subsidiaries;

(d) Indebtedness and obligations owing under any Swap Contracts, provided that (i) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person, and not for purposes of speculation or taking a "market view;" and (ii) such Swap Contract does not contain any provision exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party;

(e) Indebtedness and obligations of the Subsidiaries owing under documentary letters of credit for the purchase of goods or other merchandise (but not under standby, direct pay or other letters of credit) generally;

(f) Indebtedness of the Subsidiaries incurred in connection with acquisitions (including Indebtedness of Subsidiaries incurred or assumed in connection with joint ventures) provided that (i) such Indebtedness when incurred shall not exceed the purchase price for such acquisition (or the total capital (equity and debt) of a joint venture) and (ii) if the aggregate amount of any such Indebtedness (whether anticipated to be funded at one time or over a series of fundings) exceeds $100,000,000, then (A) the Borrower shall give the Administrative Agent prior written notice of such Indebtedness and (B) prior to the incurrence of any such Indebtedness the Borrower shall have provided to the Administrative Agent such evidence as the Administrative Agent may reasonably request demonstrating pro forma covenant compliance and the maintenance of an investment grade Debt Rating from S&P and Moody's (defined for purposes hereof as BBB- or better by S&P and Baa3 or better by Moody's); and

(g) other non-acquisition-related Indebtedness of the Subsidiaries which does not exceed $50,000,000 in the aggregate at any time outstanding.

7.03 FUNDAMENTAL CHANGES.

As to the Borrower only, merge, dissolve, liquidate, consolidate with or into another Person, or dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person.

7.04 DISPOSITIONS.

Sell, transfer or otherwise dispose of any of its properties and assets (including without limitation any capital stock in any of its Subsidiaries) except:

(a) sales or leases in the ordinary course of business; and

(b) other non-ordinary course of business sales, provided that (i) the aggregate net book value of the assets sold by the Borrower or any of its Subsidiaries in all such transactions after the Closing Date does not exceed 25% of Total Assets as of the Closing Date and (ii) no Default shall have occurred and be continuing at the time of any such sale or shall result upon giving effect thereto.

7.05 TRANSACTIONS WITH AFFILIATES.

Except (i) as otherwise specifically permitted in this Agreement, (ii) in regards to intercompany transactions among Subsidiaries and (iii) in regards to intercompany transactions between the Borrower and any Subsidiary (to the extent, in the case of this clause (iii), the Borrower is advantaged), enter into any transactions or series of transactions, whether or not in the ordinary course of business, with any officer, director, shareholder or Affiliate other than on terms and conditions substantially as favorable as would be obtainable in a comparable arm's length transaction with a Person other than an officer, director, shareholder or Affiliate.

7.06 USE OF PROCEEDS.

Use the proceeds of any Borrowing, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

7.07 MINIMUM BOOK NET WORTH.

Permit Book Net Worth to be less than $883,000,000 (which represents approximately 85% of Book Net Worth as of March 28, 2004) as of the last day of any fiscal quarter (commencing with the fiscal quarter ending on or about June 30, 2004); provided, however, (i) such amount shall be increased at the end of each fiscal quarter (commencing with the fiscal quarter ending June 30, 2004) by an amount equal to 25% of the Borrower and its Subsidiaries' net income for the fiscal quarter then ending (computed on a consolidated basis in accordance with GAAP and with no deduction for a net loss in any such fiscal quarter), such increases to be cumulative; (ii) such amount shall be decreased Dollar for Dollar by the aggregate cumulative amount of all payments made by the Borrower on and after the Closing Date for the redemption, retirement or other repurchase of any shares of the capital stock of the Borrower so long as the Borrower's Debt Rating is A- or higher by S&P and A3 or higher by Moody's at the time of such payments; and (iii) for the purpose of calculating Book Net Worth with respect to this Section 7.07, the calculation shall exclude (i.e., there will be added back to Book Net Worth) any year-end non-cash adjustment (on an after-tax basis) to other comprehensive income to reflect any Additional Minimum Liability (as defined below). With respect to clause (ii) of the proviso in the immediately preceding sentence, if, as a result of the payments made by the Borrower for such redemption, retirement or other repurchase of any shares of the capital stock of the

Borrower, the Debt Rating of the Borrower is lowered by either S&P or Moody's below the applicable level set forth in the preceding sentence within forty-five (45) days of the last of such payments, then any reduction in the minimum Book Net Worth amount previously made pursuant to clause (ii) of this Section 7.07 in connection with such payments shall be reversed. For purposes hereof, "Additional Minimum Liability" means, as of any date, with respect to the Borrower's U.S. defined benefit Pension Plans, the sum of the absolute values of (x) the unfunded accumulated benefit obligation existing as of the end of the fiscal year then ending or the most recently ended fiscal year, as applicable, plus (y) the Borrower's prepaid pension asset position existing as of the end of the fiscal year then ending or the most recently ended fiscal year, as applicable.

ARTICLE VIII.
EVENTS OF DEFAULT AND REMEDIES

8.01 EVENTS OF DEFAULT.

Any of the following shall constitute an Event of Default:

(a) Non-Payment. The Borrower fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan, or (ii) within three days after the same becomes due, any interest on any Loan, or any facility, utilization or other fee due hereunder, or (iii) within five days after the same becomes due, any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. The Borrower fails to perform or observe any term, covenant or agreement contained in any of Sections 6.03, 6.11, 7.02 or 7.07; or

(c) Other Defaults. The Borrower fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days after written notice thereof being received from the Administrative Agent or any Lender; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) Payment Cross-Default. The Borrower or any Subsidiary fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount, and such failure shall continue for more than the period of grace, if any, applicable thereto and shall not have been waived; provided, however, the occurrence of any of the foregoing events with respect to any Subsidiary of the Borrower shall not constitute an Event of Default unless such occurrence could reasonably be expected to have a Material Adverse Effect; or

(f) Insolvency Proceedings, Etc. The Borrower or any of its Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; provided, however, the occurrence of any of the foregoing events with respect to any Subsidiary of the Borrower shall not constitute an Event of Default unless such occurrence could reasonably be expected to have a Material Adverse Effect; or

(g) Inability to Pay Debts; Attachment. (i) The Borrower or any Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 30 days after its issue or levy; provided, however, the occurrence of any of the foregoing events with respect to any Subsidiary of the Borrower shall not constitute an Event of Default unless such occurrence could reasonably be expected to have a Material Adverse Effect; or

(h) Judgments. There is entered against the Borrower or any Subsidiary (i) a final judgment or order for the payment of money in an aggregate amount exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 60 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; provided, however, the occurrence of any of the foregoing events with respect to any Subsidiary of the Borrower shall not constitute an Event of Default unless such occurrence could reasonably be expected to have a Material Adverse Effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(j) Invalidity of Loan Documents. Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or the Borrower or any other Person acting by or on behalf of the Borrower contests in any manner the

validity or enforceability of any Loan Document; or the Borrower denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(k) Change of Control. There occurs any Change of Control with respect to the Borrower.

8.02 REMEDIES UPON EVENT OF DEFAULT.

If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; and

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Administrative Agent or any Lender.

8.03 APPLICATION OF FUNDS.

After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including Attorney Costs and amounts payable under Article III), ratably among them in proportion to the amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans and Swap Contracts between the Borrower and any Lender or Affiliate of any Lender, ratably among the Lenders in proportion to the respective amounts described in this clause Fourth held by them; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

ARTICLE IX.
ADMINISTRATIVE AGENT

9.01 APPOINTMENT AND AUTHORITY.

Each of the Lenders hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and the Borrower shall not have rights as a third party beneficiary of any of such provisions.

9.02 RIGHTS AS A LENDER.

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

9.03 EXCULPATORY PROVISIONS.

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

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

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated

hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

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

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower or a Lender.

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

9.04 RELIANCE BY ADMINISTRATIVE AGENT.

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

it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.05 DELEGATION OF DUTIES.

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

9.06 RESIGNATION OF ADMINISTRATIVE AGENT.

The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

9.07 NON-RELIANCE ON ADMINISTRATIVE AGENT AND OTHER LENDERS.

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

9.08 NO OTHER DUTIES, ETC.

Anything herein to the contrary notwithstanding, none of the Book Managers, Arrangers, or Syndication Agent listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

9.09 ADMINISTRATIVE AGENT MAY FILE PROOFS OF CLAIM.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.09 and 10.04) allowed in such judicial proceeding; and

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

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 10.04.

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

ARTICLE X.
MISCELLANEOUS

10.01 AMENDMENTS, ETC.

No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 4.01(a) without the written consent of each Lender;

(b) except pursuant to Section 2.14, extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) or any mandatory reduction of the Aggregate Commitments hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan, or (subject to clause (iii) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest at the Default Rate;

(e) change Section 2.13 or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;

(f) change any provision of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; or

(g) modify the pro rata distribution of payments, proceeds, or fees payable to Lenders under this Agreement without the written consent of each Lender;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, affect the rights or duties of the Swing Line Lender under this Agreement; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iii) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that (x) the Commitment of such Lender may not be increased or extended and (y) Section 2.13 and Section 8.03 may not be changed in a manner that would alter the pro rata sharing of payments required thereby, in each case without the consent of such Lender.

10.02 NOTICES; EFFECTIVENESS; ELECTRONIC COMMUNICATION.

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

(i) if to the Borrower, the Administrative Agent or the Swing Line Lender, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

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

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

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

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

(c) Change of Address, Etc. Each of the Borrower, the Administrative Agent and the Swing Line Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent and the Swing Line Lender.

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

10.03 NO WAIVER; CUMULATIVE REMEDIES.

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

10.04 EXPENSES; INDEMNITY; DAMAGE WAIVER.

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

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

(b) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof) and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available (A) to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction and (B) with respect to a dispute among two or more Indemnitees which does not arise as a result of the action or inaction of the Borrower.

(c) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof) or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby. Nothing contained in this Section 10.04 shall be deemed to restrict the Borrower's right to pursue any and all legal remedies available to the Borrower for breach of any representation, covenant, warranty or other agreement set forth in any Loan Document.

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

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

10.05 PAYMENTS SET ASIDE.

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

10.06 SUCCESSORS AND ASSIGNS.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b)

of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) or (i) of this Section, or (iv) to an SPC in accordance with the provisions of subsection (h) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), Swing Line Loans) at the time owing to it); provided that

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund (as defined in subsection (g) of this Section) with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this clause (ii) shall not apply to rights in respect of Bid Loans or Swing Line Loans;

(iii) any assignment of a Commitment must be approved by the Administrative Agent and the Swing Line Lender unless the Person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee), such approval not to be unreasonably withheld or delayed; and

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500, and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this

Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, 10.04 and 10.05 with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

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

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that directly affects such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.09 as though it were a Lender, provided such Participant agrees to be subject to Section 2.13 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 10.15 as though it were a Lender.

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

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

(h) Special Purpose Funding Vehicles. Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower (an "SPC") the option to provide all or any part of any Committed Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Committed Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Committed Loan, the Granting Lender shall be obligated to make such Committed Loan pursuant to the terms hereof. Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including its obligations under Section 3.04), (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. The making of a Committed Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Committed Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation

proceeding under the laws of the United States or any State thereof. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or any portion of its right to receive payment with respect to any Committed Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Committed Loans to any rating agency, commercial paper dealer or provider of any surety or Guarantee or credit or liquidity enhancement to such SPC.

(i) Resignation as Swing Line Lender after Assignment. Notwithstanding anything to the contrary contained herein, any Lender that is a Fund may create a security interest in all or any portion of the Loans owing to it and the Note, if any, held by it to the trustee for holders of obligations owed, or securities issued, by such Fund as security for such obligations or securities, provided that unless and until such trustee actually becomes a Lender in compliance with the other provisions of this Section 10.07, (i) no such pledge shall release the pledging Lender from any of its obligations under the Loan Documents and (ii) such trustee shall not be entitled to exercise any of the rights of a Lender under the Loan Documents even though such trustee may have acquired ownership rights with respect to the pledged interest through foreclosure or otherwise.

(j) Notwithstanding anything to the contrary contained herein, if at any time Bank of America assigns all of its Commitment and Loans pursuant to subsection (b) above, Bank of America may, upon 5 Business Days' notice to the Borrower and the Lenders, resign as Swing Line Lender. In the event of any such resignation as Swing Line Lender, the Borrower shall be entitled to appoint from among the Lenders a successor Swing Line Lender hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of Bank of America as Swing Line Lender, as the case may be. If Bank of America resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Committed Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.04(c).

10.07 TREATMENT OF CERTAIN INFORMATION; CONFIDENTIALITY.

Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory authority; (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; (d) to any other party to this Agreement; (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any Eligible Assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's

professional advisor) to any credit derivative transaction relating to obligations of the Borrower; (g) with the consent of the Borrower; (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower; or (i) to the National Association of Insurance Commissioners or any other similar organization. In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry, and service providers to the Administrative Agent and the Lenders in connection with the administration and management of this Agreement, the other Loan Documents, the Commitments and the Borrowings. For purposes of this Section, "Information" means all information received from the Borrower or any Subsidiary relating to the Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary, provided that, in the case of information received from the Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

10.08 RIGHT OF SETOFF.

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

10.09 INTEREST RATE LIMITATION.

Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid

principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

10.10 COUNTERPARTS; INTEGRATION; EFFECTIVENESS.

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

10.11 INTEGRATION.

This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

10.12 SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Borrowing, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

10.13 SEVERABILITY.

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

10.14 REPLACEMENT OF LENDERS.

If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, if any Lender is a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 10.06(b);

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

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

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

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

10.15 GOVERNING LAW; JURISDICTION; ETC.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK

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

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

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

10.16 WAIVER OF JURY TRIAL.

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND

THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.17 USA PATRIOT ACT NOTICE.

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

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

SONOCO PRODUCTS COMPANY

By: ----------

Name: ----------

Title: ----------

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

By:

Name:

Title:

BANK OF AMERICA, N.A., as a Lender and Swing Line Lender

By:

Name:

Title:

[OTHER LENDERS]

EXHIBIT 10.3

Execution Copy

MEMBERSHIP INTEREST PURCHASE AGREEMENT

AMONG

SONOCO PRODUCTS COMPANY,

CORRFLEX GRAPHICS, LLC,

CORRFLEX PACKAGING, LLC,

N717CF, LLC

AND

THE MEMBERS AND OPTION AND WARRANT HOLDERS OF
CORRFLEX GRAPHICS, LLC

APRIL 28, 2004

THIS AGREEMENT IS SUBJECT TO ARBITRATION PURSUANT TO SECTION 8.7

TABLE OF CONTENTS

MEMBERSHIP INTEREST PURCHASE AGREEMENT

THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT entered into this 28th day of April, 2004, among SONOCO PRODUCTS COMPANY, a South Carolina corporation (hereinafter sometimes referred to as "Purchaser"), CORRFLEX GRAPHICS, LLC, a North Carolina limited liability company (hereinafter sometimes referred to as the "Company"), CORRFLEX PACKAGING, LLC, a North Carolina limited liability company, N717CF, LLC, a North Carolina limited liability company (each an "Excluded Subsidiary" and collectively the "Excluded Subsidiaries") and each Person identified on Schedule 2.1 (each referred to herein as a "Member" and collectively the "Members").

WITNESSETH:

WHEREAS, the Members own all of the membership or other equity interest, or rights to acquire such interests, of the Company; and

WHEREAS, the Purchaser desires to purchase and the Members desire to sell all of the membership or other equity interest, or rights to acquire such interests, of the Company, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual promises, representations, warranties and covenants hereinafter set forth, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

As used herein, the following terms shall have the following meanings unless the context otherwise requires:

1.1 "Allied" shall have the meaning assigned to such term in SECTION 2.14.1

1.2 "AAA Rules" shall have the meaning assigned to such term in Section 8.7.

1.3 "Affiliate" means, with respect to any Person, any other Person, directly or indirectly, controlling, controlled by, or under common control with, such Person. For purposes of this definition, the term "control" (including the correlative terms "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

1.4 "Agreement" shall mean this Membership Interest Purchase Agreement.

1.5 "Agreement Termination Date" shall have the meaning assigned to such term in Section 9.1.

1.6 Allocation Schedule" shall have the meaning assigned to such term in Section 2.11.2.

1.7 "Assets" shall mean all of the assets (other than the excluded assets set forth on Schedule 2.2(b)) of the Company and the Retained Subsidiaries, including, without limitation, (a) all owned real property, leasehold and subleasehold estates, improvements, fixtures and fittings thereon owned by the Company and the Retained Subsidiaries, and easements, rights-of-way and other appurtenances thereto, (b) all tangible personal property (such as machinery, equipment, inventories of raw materials and supplies, manufactured and purchased parts, goods in process and finished goods, furniture, automobiles, trucks, tractors, trailers, tools, jigs, dies and office equipment) owned by the Company and the Retained Subsidiaries, (c) Intellectual Property of the Company and the Retained Subsidiaries, the goodwill associated therewith, licenses and sublicenses granted and obtained with respect thereto, and rights thereunder including the name "CorrFlex" and the stylized trade mark "CorrFlex", (d) accounts, accounts receivable, notes receivable and all other receivables owned by the Company and the Retained Subsidiaries, (e) cash and cash equivalents owned by the Company and the Retained Subsidiaries, (f) prepaid assets owned by the Company and the Retained Subsidiaries, (g) marketable securities owned by the Company and the Retained Subsidiaries and (h) deposits owned by the Company and the Retained Subsidiaries.

1.8 "Assumption Notice" shall have the meaning assigned to such term in Section 8.6(a).

1.9 "Audited Statements" shall have the meaning assigned to such term in Section 3.5.

1.10 "CERCLA" shall mean the federal Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C.ss.9601 et seq.).

1.11 "Class C Membership Interests" shall mean the membership Interests obtained by the exercise of the option under the Class C Agreement.

1.12 "Class C Agreement" shall mean the Class C Membership Option and Redemption Agreement between the Company and John G. Sutlive dated October 13, 1998.

1.13 "Class D Membership Interests" shall mean the membership Interests obtained by the exercise of the option under the Class D Agreement.

1.14 "Class D Agreement" shall mean the Class D Membership Option and Redemption Agreement between the Company and John G. Sutlive dated October 13, 1998.

1.15 "Class E Membership Interests" shall mean the membership Interests obtained by the exercise of the option under the Class E Agreement.

1.16 "Class E Agreement" shall mean the Class E Membership Option and Redemption Agreement between the Company and John G. Sutlive dated October 13, 1998.

1.17 "Closing" shall mean the consummation of the transactions provided for in this Agreement.

1.18 "Closing Date" shall mean the date on which the Closing occurs pursuant to SECTION 7.1 hereof.

1.19 "Closing Date Balance Sheet" shall have the meaning assigned such term in SECTION 2.3.

1.20 "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.21 "Confidential Information" shall have the meaning assigned such term in SECTION 10.10.

1.22 "Company" shall have the meaning assigned to such term in the preamble.

1.23 "Consent" shall mean any approval, consent, ratification, waiver, or other authorization (including any Governmental Authorization).

1.24 "Contemplated Transactions" shall mean all of the transactions contemplated by this Agreement including the purchase of the Membership Interests and the performance by Purchaser, the Company and the Members of their respective covenants and obligations under this Agreement.

1.25 "Contracts" shall mean all of the agreements, contracts, licenses and undertakings of the Company and the Retained Subsidiaries including those listed on Schedule 3.12(a) and Schedule 3.10.

1.26 "Damages" shall have the meaning assigned to such term in SECTION 8.2.

1.27 "Dispute" shall have the meaning assigned to such term in SECTION 8.7.

1.28 "Environmental Information" shall have the meaning assigned to such term in SECTION 2.8.

1.29 "Environmental Requirements" means all laws, statutes, rules, regulations, ordinances, guidance documents, judgments, decrees, orders, agreements and other restrictions and requirements of any governmental authority, including, without limitation, federal, state and local authorities, relating to the regulation or protection of the environment, or the storage, treatment, disposal, transportation,

handling or other management of industrial or solid waste, hazardous waste, hazardous or toxic substances or chemicals, pollutants or Hazardous Substances, including without limitation, CERCLA; the Resource Conservation and Recovery Act, as amended, 42 U.S.C.ss.6901 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C.ss.1251 et seq.; the Toxic Substances Control Act, 15 U.S.C.ss.2601 et seq.; the Clean Air Act, 42 U.S.C.ss.7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. 300f et seq.; and their foreign, state and local counterparts and equivalents.

1.30 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.31 "Escrow Agent" shall mean Wachovia Bank, National Association or such other financial institution as agreed to by the parties.

1.32 "Escrow Agreement" shall mean the escrow agreement between Purchaser, Members and the Escrow Agent in the form of Exhibit 1.32.

1.33 "Escrow Amount" shall have the meaning assigned to such term in SECTION 2.1.

1.34 "Excluded Subsidiaries" shall have the meaning assigned to such term in the preamble.

1.35 "Financial Debt" shall mean all interest-bearing debt, capital leases and obligations under the Class C Membership Interest including such debt and other items set forth in Schedule 2.2(a).

1.36 "Financial Debt Payoff" shall have the meaning assigned to such term in SECTION 2.1.

1.37 "Financial Statements" shall have the meaning assigned to such term in SECTION 3.15.

1.38 "GAAP" means generally accepted accounting principles as recognized by the American Institute of Certified Public Accountants, applied on a basis consistent with the basis on which the Financial Statements were prepared.

1.39 "Governmental Entity" shall mean any federal, state, local, foreign or other governmental or administrative authority, agency, entity, body, court or tribunal.

1.40 "Governmental Authorization" means any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Entity or pursuant to any Legal Requirement.

1.41 "Group Members" shall have the meaning assigned to such term in SECTION 3.19(c).

1.42 "Hazardous Substance" shall mean (i) any "hazardous substance" as defined in ss.101(14) of CERCLA, or any regulations promulgated thereunder, or the Occupational Safety and Health Act of 1970, as amended from time to time (29 U.S.C. ss. 651 et seq.), or any regulations promulgated thereunder; (ii) petroleum and petroleum by-products, asbestos and asbestos-containing materials polychlorinated biphenyls and pesticides; or (iii) any additional substances or materials that are currently classified or considered to be hazardous or toxic under Environmental Requirements.

1.43 "Holding Company" shall have the meaning assigned to such term in SECTION 10.16.

1.44 "HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or any successor law, and regulations and rules issued pursuant to the Act or any successor law.

1.45 "Incentive Bonus Plan" shall mean the CorrFlex Graphics, LLC Incentive Bonus Plan as adopted on January 28, 2002, as amended.

1.46 "Indemnification Threshold" shall have the meaning assigned to such term in SECTION 8.6(a).

1.47 "Indemnifying Party" shall have the meaning assigned to such term in SECTION 8.6(a).

1.48 "Indemnitee" shall have the meaning assigned to such term in SECTION 8.6(a).

1.49 "Intellectual Property" shall have the meaning assigned to such term in SECTION 3.18 hereof.

1.50 "IRS" shall have the meaning assigned to such term in SECTION 3.19(a).

1.51 "Key Employees" shall have the meaning assigned to such term in SECTION 2.10.

1.52 "Knowledge of the Company" or similar words shall mean the actual knowledge of the Members and, with respect to Members who also are officers of Company and the Retained Subsidiaries, their actual knowledge after commercially reasonable due inquiry.

1.53 "Legal Requirement" shall mean any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

1.54 "Liabilities" means any liability whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated or whether due or to become due.

1.55 "Liens" shall mean all liens, mortgages, security interests, encumbrances, pledges, charges, adverse claims, options, buy-sell agreements, rights of first refusal agreements, and property settlement or marital dissolution agreements.

1.56 "Material Adverse Effect" shall mean any effect or change that is or would be reasonably expected to be, materially adverse (i) to the business, assets, condition (financial or otherwise), operating results, operations or business prospects of the Company and the Retained Subsidiaries, taken as a whole, considered within the context of the terms of the Contemplated Transactions including, but not limited to, the limitations in SECTIONS 8.1, 8.2 and 8.4; or (ii) to the ability of any party to consummate timely the transactions contemplated hereby ; provided that the following shall not be considered when determining whether a Material Adverse Effect has occurred: any effect resulting from (i) economic or industry conditions within the United States or generally affecting the industry in which the Company and the Retained Subsidiaries operate, (ii) changes in U.S. or global financial markets or conditions, (iii) any generally applicable change in law, rule or regulation or GAAP or interpretation of any thereof or (iv) the announcement of this Agreement or the Contemplated Transactions.

1.57 "Material Permits" shall have the meaning assigned to such term in SECTION 3.7.

1.58 "Member" or "Members" shall have the meaning assigned to such term as in the preamble. With respect to Allied Capital Corporation, the terms "Member" or "Members" as used herein and in any other document relating to the Contemplated Transactions are used solely for drafting simplicity. The parties acknowledge and agree that Allied Capital Corporation is not a member of the Company or the Subsidiaries but in fact is solely the owner and holder or the warrants and purchase options shown on Schedule 2.1.

1.59 "Membership Interests" shall mean all of the membership or equity ownership interests and the rights to acquire such interests in the Company owned by the Members as set forth in Schedule 2.1. With respect to Allied Capital Corporation, the terms "Membership Interest" or "Membership Interests" as used herein and in any other document relating to the Contemplated Transactions are used solely for drafting simplicity. The parties acknowledge and agree that Allied Capital Corporation does not own or hold any membership interests in the Company or the Subsidiaries but in fact is solely the owner and holder or the warrants and purchase options shown on Schedule 2.1 and which are being purchased pursuant to this Agreement by the Purchaser.

1.60 "Members' Representative" shall have the meaning assigned to such term in SECTION 2.14.1.

1.61 "Monthly Financial Statements" shall the meaning assigned to such term in SECTION 2.13.

1.62 "Noncompetition Agreement" shall mean the agreements between the Company and certain of the Members in the form of Exhibit 1.62.

1.63 "Organizational Documents" means (a) the articles or certificate of incorporation and the bylaws or code of regulations of a corporation; (b) the partnership agreement and any certificate or statement of partnership of a general partnership; (c) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (d) the articles or certificate of organization of a limited liability company and the operating agreement or limited liability company agreement of a limited liability company; (e) any charter or similar document adopted or filed in connection with the creation, formation or organization of a Person; and (f) any amendment to any of the foregoing.

1.64 "PBGC" means the Pension Benefit Guaranty Corporation.

1.65 "Permitted Encumbrance" or "Permitted Lien" shall mean (i) any Lien for taxes or assessments that are not delinquent or are being contested in good faith by appropriate proceedings, (ii) any statutory Lien, including, without limitation, Liens of carriers, warehousemen, mechanics, materialmen and landlords, arising in the ordinary course of business by operation of law with respect to a liability that is not yet due or delinquent or is being contested in good faith by appropriate proceedings, (iii) any Liens set forth on Schedule 1.65, and, in addition with respect to Real Property, (iv) imperfections of title that, individually or in the aggregate, do not materially detract from the value or impair the present use of the Real Property subject thereto; (v) zoning laws and other land use restrictions; (vi) items that are reflected on surveys of the Real Property which have been delivered to the Purchaser by the Company or the Members and (vii) all Liens disclosed in policies of title insurance or title commitments that have been delivered to Purchaser by the Company or the Members.

1.66 "Person" shall mean any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Entity.

1.67 "Plans" shall have the meaning assigned to such term in SECTION 3.10.

1.68 "Preliminary Working Capital" shall mean the Working Capital estimated as of the Closing Date by the Company by virtue of a statement to be delivered by the Company at Closing signed by the President and Chief Financial Officer of the Company certifying that such statement is their best estimate of Working Capital as of the Closing.

1.69 "Proceeding" shall mean any action, arbitration, audit, hearing, litigation, or suit (whether civil, criminal or administrative) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Entity or arbitrator.

1.70 "Pro-Forma Statements" shall have the meaning assigned to such term in SECTION 3.5.

1.71 "Purchase Price" shall have the meaning assigned to such term in SECTION 2.2 hereof.

1.72 "Purchaser" shall have the meaning assigned to such term in the preamble.

1.73 "Purchaser Indemnified Persons" shall have the meaning assigned to such term in SECTION 8.2.

1.74 "Real Property" shall have the meaning assigned to such term in SECTION 3.9(a).

1.75 "Real Property Leases" shall have the meaning assigned to such term in SECTION 3.10.

1.76 "Remediation Amount" shall mean the amount, if any, to be added to the Escrow Amount pursuant to SECTION 2.16.

1.77 The terms "removal," "remedial" and "response" action shall include the types of activities required by CERCLA or RCRA, and shall additionally include, without limitation, any other form of response or cleanup, corrective action, removal, containment, monitoring, treatment or other mitigation or remediation of Hazardous Materials on, in, under or about the Real Property, or offsite, and other work on the Real Property or offsite incidental to such actions.

1.78 "Representative" means, with respect to a particular Person, any director, officer, employee, agent, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

1.79 "Retained Subsidiaries" shall mean CorrFlex Display & Packaging, LLC, a North Carolina limited liability company and CorrFlex D&P, LLC a North Carolina limited liability company.

1.80 "Subject Property" means all Real Property and all property subject to the Real Property Leases.

1.81 "Subsidiaries" shall mean the Excluded Subsidiaries and the Retained Subsidiaries.

1.82 "Subsidiary Membership Interests" shall have the meaning assigned to such term in SECTION 3.4.

1.83 "Taxes" means all taxes (including, without limitation, income, corporation, capital, sales, withholding, franchise, customs duties, profits, gross receipts, excise, property, stamp, transfer, water, business, and goods and services taxes), imposts, duties, levies, deductions, withholdings, charges, assessments,

reassessments or fees of any nature (including, without limitation, interest, penalties and additions) that are imposed by any relevant taxing authority; and "Tax" shall mean any one of them.

1.84 "Third Party Claim" shall have the meaning assigned to such term in SECTION 8.6(a).

1.85 "Third Party Claim Notice" shall have the meaning assigned to such term in SECTION 8.6(a).

1.86 "Third Party Intellectual Property" shall have the meaning assigned to such term in SECTION 3.18.

1.87 "Threshold Working Capital" shall mean $16,000,000.

1.88 "Transition Services Agreement" shall mean the transition services agreement to be entered into at Closing between the Excluded Subsidiaries and the Company in the form of Exhibit 1.88.

1.89 "Working Capital" shall mean "current assets" reduced by "current liabilities" of the Company and the Retained Subsidiaries consistently calculated as reflected on Schedule 1.89.

1.90 "Working Capital Escrow Account" shall have the meaning assigned such term in SECTION 2.1.

ARTICLE II

COVENANTS AND UNDERTAKINGS

2.1 PURCHASE OF MEMBERSHIP INTERESTS. On the Closing Date, Purchaser agrees to purchase from the Members, and the Members agree to sell to Purchaser, all of the Membership Interests as set forth on Schedule 2.1 and certain of the Members (as identified on Schedule 2.10.2) agree to enter into the Noncompetition Agreements for a total purchase price of $250,000,000 (i) reduced by the (A) the Financial Debt Payoff and (B) any bonuses paid to employees outside of the ordinary course of business including any bonus paid to Robert Tiede during the period beginning on the date hereof until Closing; and (ii) increased to the extent Preliminary Working Capital is greater than Threshold Working Capital and decreased to the extent Preliminary Working Capital is less than Threshold Working Capital (the "Purchase Price"). The Purchase Price, less the sum of $12,500,000 plus (x) the greater of $500,000 or any positive adjustment to the Purchase Price under (ii) of this Section 2.1 (the "Working Capital Escrow Amount") and (y) any Remediation Amount (collectively, the "Escrow Amount") shall be paid to the Members and/or the Members' Representative (as directed in writing by the Members' Representative at or prior to the Closing) by wire transfer at Closing. The Escrow Amount shall be paid to the Escrow Agent by wire transfer at Closing. At Closing, the Company shall deliver to the Purchaser a schedule as of the date of Closing listing all Financial Debt and the then current balance of such debt, accrued interest through the date of Closing,

prepayment and other costs or expenses payable by the Company in connection with such Financial Debt, along with letters from all financial institutions or lenders of such Financial Debt stating the total amount payable by the Company on the Closing Date in complete satisfaction of all obligations under the Financial Debt and that any and all Liens on the Assets or the Membership Interests held by such lender shall be released upon the payment of such stated amount on the Closing Date (the "Financial Debt Payoff"). Purchaser shall cause the Company to pay the Financial Debt Payoff at Closing pursuant to such letters.

2.2 ADDITIONAL COVENANTS.

(a) The Company and each of the Retained Subsidiaries, between the date hereof and Closing, shall collect its receivables in the ordinary course of business, purchase and sell its inventory in the ordinary course of business, and pay its accounts payable and retire its other obligations in the ordinary course of its business, consistent with prior practice, except as otherwise provided in this Agreement.

(b) The parties acknowledge and agree that prior to Closing, all excluded assets on Schedule 2.2(b) shall be paid or distributed to, or for the benefit of the Members, as provided in SECTION 10.16 or in accordance with SECTION 2.5.3.

2.3 PURCHASE PRICE ADJUSTMENT. Within thirty (30) days after the Closing, the Company shall prepare and deliver to the Members' Representative a statement of Working Capital as of the Closing Date ("Closing Date Working Capital Statement") which shall be prepared on a basis consistent with the method used in calculating Schedule 1.89. In the event the Members' Representative does not object by written notice to the Purchaser to such Closing Date Balance Sheet within thirty (30) days from receipt thereof by the Members' Representative, the Closing Date Working Capital Statement shall be deemed accepted. If the Members' Representative makes a timely objection to the Closing Date Working Capital Statement, Purchaser and the Members' Representative shall have ten (10) calendar days from receipt of such objection by Purchaser in which to reach agreement as to the Closing Date Working Capital Statement. If no agreement is reached in said ten (10) calendar day period, at the end of such period, Purchaser and the Members' Representative shall appoint Ernst & Young to arbitrate the dispute and calculate the Closing Date Working Capital Statement. The determination shall be binding on the parties. Purchaser shall pay one-half of the fees and expenses of such accounting firm and one-half of such fees shall be a reduction of the Working Capital of the Company at Closing to be calculated based on such Closing Date Working Capital Statement. The Purchase Price shall be reduced to the extent the Working Capital as determined based on the Closing Date Working Capital Statement is less than Preliminary Working Capital and the Purchase Price shall be increased to the extent the Working Capital as determined based on the Closing Date Working Capital Statement is greater than Preliminary Working Capital. Any required reduction to the Purchase Price made under this SECTION 2.3 shall be paid by the Escrow Agent to Purchaser pursuant to the Escrow Agreement (such amount to be paid first from the Working Capital Account and thereafter, to the extent necessary, from the Primary Account (as such terms are used in the Escrow Agreement). Any required addition to the Purchase Price shall be paid by Purchaser to the Members or the Members' Representative by wire transfer to the same wire transfer instructions delivered to the Purchaser for Closing. Upon receipt of the Closing Date Working Capital Statement, the parties will instruct the

Escrow Agent to release to the Members' Representative the balance of the funds, if any, remaining with respect to the Working Capital Escrow Amount held by the Escrow Agent. All such payments required under this SECTION 2.3 shall be made within 5 business days after final determination of the Closing Date Working Capital Statement.

2.4 CONDUCT OF THE BUSINESS OF THE COMPANY PRIOR TO CLOSING. Except with the consent in writing of Purchaser or as provided otherwise in this Agreement, the Company covenants that, between the date of this Agreement and the Closing Date, the Company and the Retained Subsidiaries will conduct their business in the ordinary course, which shall include: (a) using commercially reasonable efforts to preserve the business intact and to preserve the goodwill of customers and others having material business relations with the Company and the Retained Subsidiaries; (b) using commercially reasonable efforts to (i) maintain the Assets in all material respects in the same working order and condition as such Assets are in as of the date of this Agreement, reasonable wear and tear, casualty and other events beyond the Company's and the Retained Subsidiaries control, excepted and subject to the sale of any of such Assets in the ordinary course of business, and (ii) not liquidate the Assets to cash except in the ordinary course of business; (c) using commercially reasonably efforts to retain its employees, subject to the termination of employees in the ordinary course of business or for cause; (d) keeping in force at no less than their present limits, if available at commercially reasonable cost, all existing bonds and policies of insurance insuring the Assets or the business of the Company and the Retained Subsidiaries; (e) not unreasonably delay the acceptance of any new equipment or machinery presently on order; (f) not unreasonably delay commencing or completing any material capital expenditure or capital improvement project heretofore approved by the Company or the Retained Subsidiaries; (g) not enter into any material contract, commitment, arrangement or transaction of the type described in SECTION 3.12 hereof, except for contracts for the sale of goods or services or the purchase of inventory and supplies, personal property leases and nondisclosure agreements, in each case in the ordinary course of business; and (h) using commercially reasonable efforts to cause the Company and the Retained Subsidiaries not to suffer, permit or incur any of the transactions or events described in SECTION 3.26 hereof to the extent such events or transactions are within the control of the Company and the Retained Subsidiaries.

2.5 CONSENTS OF THIRD PARTIES; GOVERNMENTAL AUTHORIZATIONS.

2.5.1 The Company shall use commercially reasonable efforts to secure the Consent, in form and substance reasonably satisfactory to Purchaser, from any party to any Contract as required to be obtained to permit the consummation of the Contemplated Transactions; provided that the Company shall not, and the Company shall cause the Members not to, make any agreement or understanding materially affecting the Assets, the Company, the Retained Subsidiaries or their business after Closing as a condition for obtaining any such Consent except with the prior written consent of Purchaser, such consent not to be unreasonably withheld. During the period prior to the Closing Date, Purchaser shall act diligently and reasonably to cooperate with the Company and the Members (to the extent their participation is required) to obtain the Consents contemplated by this SECTION 2.5.1.

2.5.2 During the period prior to the Closing Date, the Purchaser shall, the Company shall, and the Company shall cause the Members to (to the extent their participation is

required), act diligently and reasonably, and shall cooperate with each other, in making any required filing or notification and in securing any Consents of any Governmental Entity required to be obtained by them in order to permit the consummation of the Contemplated Transactions, or to otherwise satisfy the conditions set forth in Article V or Article VI; provided that the Company shall not, and the Company shall cause the Members not to, make any agreement or understanding materially affecting the Assets, the Company, the Retained Subsidiaries or their business as a condition to obtaining any such Consents except with the prior written consent of Purchaser, such consent not to be unreasonably withheld. The Purchaser shall be responsible for all filing fees payable to any Governmental Entity in connection with the foregoing.

2.5.3 The Excluded Subsidiaries and Purchaser (on behalf of itself, the Company and the Retained Subsidiaries) shall use commercially reasonable efforts to secure the Consent to a partial assignment, as applicable, from any party to a Contract entered into by the Company or a Retained Subsidiary that covers any excluded assets set forth on Schedule 2.2. Each such Consent shall be in form and substance reasonably satisfactory to the Excluded Subsidiaries and Purchaser. If any such Consent is not obtained, or if an attempted partial assignment thereof would be ineffective, the Excluded Subsidiaries and Purchaser (on behalf of itself, the Company and the Retained Subsidiaries) will cooperate with each other in any reasonable arrangement pursuant to which the Excluded Subsidiaries will continue to obtain the benefits of use of the applicable excluded asset and perform the contractual obligations associated with such excluded asset.

2.6 NEGOTIATION WITH OTHERS. From and after the date of this Agreement until the earlier of Closing or the Agreement Termination Date, the Company shall not, and the Company shall cause the Members not to, directly or indirectly, except as it may relate exclusively to the Excluded Subsidiaries:

2.6.1 solicit, initiate discussions or engage in negotiations with any Person, or take any action to facilitate the efforts of any Person, other than Purchaser, relating to the possible acquisition of all or a substantial part of the Assets, the Company, the Retained Subsidiaries or their business (whether by way of merger, purchase of capital stock, purchase of assets or otherwise);

2.6.2 except for information furnished to Purchaser or to third parties required for the Company to obtain all necessary consents in connection with the transactions contemplated by this Agreement, provide information with respect to the Company to any Person, other than Purchaser and its advisors or the Company's Members, officers and advisors, relating to the possible acquisition of all or a substantial part of the Assets, the Company or its business (whether by way of merger, purchase of equity interests, purchase of assets or otherwise);

2.6.3 enter into any agreement with any Person, other than Purchaser, providing for the possible acquisition of all of a substantial part of the Assets, the Company, the Retained Subsidiaries or their business (whether by way of merger, purchase of capital stock, purchase of assets or otherwise); or

2.6.4 make or authorize any statement, recommendation or solicitation in support of any possible acquisition by any Person, other than Purchaser, of all or a substantial part of the Assets, the Company, the Retained Subsidiaries or their business (whether by way of merger, purchase of capital stock, purchase of assets or otherwise).

Each Member shall be severally liable for its breach of this SECTION 2.6, and no other Member shall be liable (jointly or otherwise) for the breach hereof by another Member.

2.7 INVESTIGATIONS. Following the date of this Agreement, the Company shall provide Purchaser and its representatives and agents such access to the books and records of the Company and the Retained Subsidiaries and furnish to Purchaser such financial and operating data and other information in the Company's or the Retained Subsidiaries' possession with respect to the businesses and property of the Company and the Retained Subsidiaries as it may reasonably request from time to time, and permit Purchaser and its representatives and agents to make such inspections of the Company's and the Retained Subsidiaries' real and personal properties as they may reasonably request. The foregoing access and inspections shall be allowed during normal business hours and upon reasonable notice, and shall be conducted in such a manner as not to interfere unreasonably with the normal operations of the Company or the Retained Subsidiaries. The Company shall promptly arrange for Purchaser and its representatives and agents to meet with such directors, officers, employees and agents of the Company and the Retained Subsidiaries as requested.

2.8 ENVIRONMENTAL INSPECTION. Following the date of this Agreement, the Company shall provide to Purchaser access to all records and information in the Company's and the Retained Subsidiaries' possession concerning all Hazardous Substances, used, stored, generated, treated or disposed of by the Company or the Retained Subsidiaries, all environmental or safety studies in the Company's and the Retained Subsidiaries' possession conducted by or on behalf of the Company or the Retained Subsidiaries and all reports, correspondence or filings to Governmental Entities with jurisdiction over Environmental Requirements concerning the compliance of the Subject Property or the operation of the Subject Property with Environmental Requirements, all policies and procedures manuals or guidelines utilized by the Company and the Retained Subsidiaries to comply with Environmental Requirements in the Company's or the Retained Subsidiaries' possession, and any other information reasonably requested by Purchaser in the Company's or the Retained Subsidiaries' possession pertaining to environmental, health and safety issues (the "Environmental Information"). The Company agrees that Purchaser shall have the right to inspect the Environmental Information and the Subject Property, including the performance of a "Phase 1" environmental site assessment and audit, and, at the discretion of Purchaser, perform subsurface or other invasive investigations, including air monitoring, at or near the Subject Property all at Purchaser's expense, subject to (i) compliance by Purchaser with all applicable Legal Requirements (including without limitation any applicable well permitting requirements), and (ii) as to property covered by the Real Property Leases or otherwise owned by third parties, approval of the lessor or other property owner of such work in writing if required under such leases which the Company or the Retained Subsidiaries shall diligently assist in obtaining; and (iii) SECTION 10.10. Except to the extent required by Applicable Law, Purchaser shall not disclose any Environmental Information or the results of any Phase I or other environmental investigation to any third party who is not Purchaser's agent, without first

obtaining the consent of the Company, which consent shall not be unreasonably withheld. Purchaser shall indemnify, defend and hold harmless the Company, the Subsidiaries and the Members from and against all claims, actions, damages, liens, liabilities, obligations and expenses (including reasonable attorneys' fees and court costs) arising out of or relating in any manner to Purchaser's work and investigations under this SECTION 2.8 and SECTION 2.7 above, which indemnity shall survive Closing or termination of this Agreement. In the event of Termination of this Agreement without a Closing, Purchaser shall repair any damage resulting from such activities (including without limitation, proper closure of all well and borings installed by Purchaser and removal at Purchaser's sole cost of all waste derived from such investigation).

2.9 TITLE ABSTRACTS AND SURVEYS. The Company has delivered to Purchaser, with respect to each parcel of Real Property, (i) the Company's or the Retained Subsidiaries' most recent title insurance policy and copies of all documents referenced in the policies, to the extent in the Company's or the Retained Subsidiaries' possession, and (ii) the Company's or the Retained Subsidiaries' most recent survey, to the extent in the Company's or the Retained Subsidiaries' possession.

2.10 KEY EMPLOYEES. The Company agrees to use commercially reasonable efforts to assist and cooperate with Purchaser in encouraging the Key Employees to remain employed by the Company or the Retained Subsidiaries after Closing. The "Key Employees" are the individuals identified on Schedule 2.10.

2.11 TAX MATTERS.

2.11.1 Tax Returns. The Members' Representative shall prepare, or cause to be prepared, and deliver to the Purchaser for review the partnership tax returns for the calendar year 2003, if not prepared prior to the date hereof. The Members' Representative shall prepare, or cause to be prepared, and deliver to the Purchaser for review the Company's final partnership tax returns for the period beginning January 1, 2004 through the Closing Date within 150 days after the Closing. Purchaser's review and approval of such tax returns shall not be unreasonably withheld. If the parties cannot agree on such returns, such dispute shall be submitted to any nationally recognized firm of certified public accountants except for Grant Thornton or PricewaterhouseCoopers for resolution. Once the returns are agreed to by the parties, the parties shall require officers of the Company to execute and file the returns. Purchaser shall provide to the Members' Representative fully executed copies of such tax return(s) following their filing. For an appropriate period of time after the Closing Date, Purchaser shall provide or cause to be provided to the Members' Representative such records and information concerning the Company and the Retained Subsidiaries as the Members may reasonably require, to prepare, determine or verify the Members' tax liability in respect of the Company.

2.11.2 Allocation Schedule. The parties have agreed upon an allocation of the purchase price for the Membership Interests and the Noncompetition Agreements as attached hereto as Schedule 2.11.2 (the "Allocation Schedule"). The Purchaser shall obtain a third party appraisal of the Assets and shall provide the Members' Representative a copy of such appraisal. The Allocation Schedule and the valuation shown on such appraisal shall be binding on all parties for tax purposes and no party shall file any tax returns inconsistent with the Allocation

Schedule and such appraisal unless required to do so pursuant to a determination (as defined in Section 1313(a) of the Code) or any similar state or local Tax provision. If such a determination is made, no party shall bear any liability to any other party hereunder for taking such an inconsistent position. In addition, neither party shall have any liability to any other party hereunder if a Tax authority takes any position inconsistent with the Allocation Schedule or any adjustment resulting therefrom.

2.12 EFFORTS TO SATISFY CLOSING CONDITIONS. The Company and the Purchaser shall use commercially reasonable efforts to cause the conditions in Articles V and VI to be satisfied in a timely manner and, in any event, by July 15, 2004. As promptly as practicable after the date of this Agreement, the Company and the Purchaser shall make all filings required by the Legal Requirements to be made by them to consummate the transactions contemplated hereby (including all filings under the HSR Act). Between the date of this Agreement and the Closing Date, the Purchaser shall cooperate with the Company in obtaining all of the Consents identified in Schedule 3.15. The Purchaser and the Company shall each request early termination of the applicable waiting period under the HSR Act.

2.13 MONTHLY FINANCIAL STATEMENTS. Between the date hereof and the Closing, Company shall provide to Purchaser, as soon as reasonably available, a monthly financial statement for each calendar month ending 30 days or more prior to the Closing Date (the "Monthly Financial Statements").

2.14 MEMBERS' REPRESENTATIVE

2.14.1 Each Member hereby irrevocably appoints and authorizes L. Kerry Vickar and Bryan L. Smith, acting jointly, to act as its representatives (the "Members' Representative"). So long as two individuals serve jointly as the Members' Representative, any action approved by both individuals shall be the action of the Members' Representative. In the event of the death, incapacity or refusal to serve (i) of either Messrs. Vickar or Smith, then the other shall be the sole Members' Representative or (ii) of both Messrs. Vickar and Smith, then a majority of the Members (based on their fully-diluted percentage interests, or rights to acquire such interests, in the Company immediately prior to the Closing) shall appoint a successor Members' Representative, which appointment shall be subject to the consent (not to be unreasonably withheld) of Allied Capital Corporation ("Allied"). The Members' Representative is hereby granted full authority, in its sole discretion, on behalf of all of the Members to (i) oversee the preparation and completion of all matters and execution of all documents for Closing and post-Closing as contemplated herein (including, without limitation, the Escrow Agreement), (ii) collect the Purchase Price (including funds released from the Escrow from time to time) and use such funds to (A) settle and pay the selling expenses of the Company, (B) pay any required tax make-up payment to Allied Capital Corporation, (C) fund the Incentive Bonus Plan, (D) pay any required taxes or tax withholding, and, thereafter, (E) distribute the net proceeds to the Members pro rata in accordance with the Allocation Schedule, provided that the ratable share of the Purchase Price payable to Allied after giving effect to the adjustments in clauses (A) through (D) above shall be paid directly to Allied, unless Allied consents otherwise in writing, (iii) negotiate, defend, pursue, settle and pay (from the Escrow only) any indemnification claims, and (iv) take any other action that may be necessary or desirable on behalf of the Members in connection with

this Agreement, provided that such action affects the Members ratably, unless each Member affected by more than its ratable share consents otherwise in writing. By each Member's execution of this Agreement it shall irrevocably make, constitute and appoint the Members Representative as such Member's attorney-in-fact and authorizes and empowers the Members' Representative to act with the foregoing authority (provided that the Members' Representative is not authorized to execute any Noncompetition Agreement or employment agreement on behalf of any Member or otherwise bind or subject any Member to individual liability other than claims to be satisfied exclusively from the Escrow). Nothing set forth herein shall convey or be construed to authorize the Members' Representative to take any action on behalf of Allied in its capacity as a creditor of the Company or its affiliates.

2.14.2 The Members' Representative shall have no duties or obligations other than those specifically set forth herein and shall not be liable under any circumstances for any actions or inactions in such capacity other than for its or their willful misconduct. Any individual Members' Representative may resign at any time upon ten days' notice to all Members and the Purchaser. The Members agree to indemnify and hold the Members' Representative harmless from any claims, losses, expenses (including reasonable attorneys' fees) and damages arising out of his or their services hereunder. The Members' Representative is authorized to pay or reimburse any such claims, losses, expenses and damages from the Purchase Price, including any funds in the Escrow that may be released from time to time.

2.14.3 Each of the Members and the Members' Representative acknowledge and agree that Purchaser may rely on the Members' appointment of the Members' Representative and deal exclusively with the Members' Representative consistent with such appointment as provided herein and the provisions of this Agreement and the Escrow Agreement dealing with actions to be taken by the Members' Representative on behalf of the Members, and the Members agree to indemnify and save harmless the Purchaser from and against any loss, liability, cost or expense that it may incur by reason of its relying upon the authority of the Members' Representative as provided herein.

2.15 COLLECTION OF RECEIVABLES. After the Closing, the Purchaser shall cause the Company to use commercially reasonable efforts to collect all accounts receivable existing as of Closing in the ordinary course of business consistent with past practice.

2.16 ENVIRONMENTAL.

2.16.1 After the date hereof, Purchaser shall conduct the limited environmental investigation at the properties owned by the Company in Winston-Salem, North Carolina and York, Pennsylvania (the "Sites") as set forth in the letter from ERM to Purchaser dated April 27, 2004 attached hereto as Schedule 2.16. Immediately following such investigation, Purchaser shall cause ERM to issue a written report identifying any environmental conditions that require remediation in order for the Sites to comply with applicable Environmental Laws and providing an estimate of the cost of such remediation (collectively, the "ERM Findings"). If the Company does not object by written notice to the ERM Findings within ten (10) days after the Company's receipt of the ERM letter, the ERM Findings shall be deemed accepted. In such event, the Company will use commercially reasonable efforts to complete the required remediation prior to

Closing. If such remediation has not been completed prior to Closing, ERM shall provide to the parties an estimate of the remaining cost of such remediation, which shall constitute the initial Remediation Amount. Such amount shall be added to the Escrow Amount and held by the Escrow Agent to reimburse Purchaser, pursuant to the Escrow Agreement, for the costs of such post-Closing remediation incurred in accordance with this Section 2.16.

2.16.2 If the Company objects to the ERM Findings (based on either the recommended scope of remediation or the estimated costs), it shall provide written notice to Purchaser identifying the objections and if a final determination of the cost of remediation has not been made prior to Closing, the costs of remediation included in the ERM Findings shall constitute the initial Remediation Amount. Such amount shall be added to the Escrow Amount and held by the Escrow Agent to reimburse Purchaser, pursuant to the Escrow Agreement, for the costs of such post-Closing remediation incurred in accordance with this Section 2.16. Following delivery of a written notice of objections, the Company, at the direction of the Members' Representative, shall retain a national environmental contracting firm (the "Company Consultant") to conduct an evaluation of the disputed ERM Findings (which may, in the discretion of the Members' Representative, involve a limited investigation similar to the one conducted by ERM). The Company shall provide Purchaser and the Members' Representative with a copy of the written findings of the Company Consultant, which shall include an estimate of the costs of any remediation required at the Sites to comply with applicable Environmental Laws. If the findings of the Company Consultant differ from the ERM Findings, and the Members' Representative and Purchaser are unable to resolve such differences within five (5) days after Purchaser's receipt of such report, the parties shall select a qualified, independent environmental contracting firm (the "Third Party Consultant") to evaluate the disputed ERM Findings (which may, in the discretion of the Third Party Consultant, involve a limited investigation similar to the one conducted by ERM), and provide an estimate of the costs of any remediation required in order for the Sites to comply with applicable Environmental Laws. In the event the Members' Representative and Purchaser are unable to agree upon a Third Party Consultant within seven (7) days after Purchaser's receipt of the report of the Company Consultant, then ERM and the Company Consultant shall mutually select such firm within five (5) days thereafter. Upon completion of its investigation, the Third Party Consultant shall deliver a written report to the Members' Representative and Purchaser identifying any environmental conditions that require remediation at the Sites in order to comply with applicable Environmental Laws and providing an estimate of the cost of such remediation. If the Third Party Consultant's estimate is closer to the Company Consultant's estimate than it is to ERM's estimate, the Remediation Amount shall be deemed to be the Company Consultant's estimate (and any excess Remediation Amount then held in escrow shall be distributed by the Escrow Agent in accordance with the Escrow Agreement). If the Third Party Consultant's estimate is closer to ERM's Estimate than it is to the Company Consultant's estimate (or the Third Party Consultant's estimate is equidistant from ERM's Estimate and the Company Consultant's Estimate), the Remediation Amount shall not change.

2.16.3 In performing any post-Closing remediation hereunder, Purchaser shall employ cost- effective methods and shall limit such work to the minimum needed to satisfy applicable Environmental Laws. Purchaser may take into account operational concerns in determining the cost-effectiveness of a remedial method, provided that under no circumstances shall

the Members have any obligation to pay for any work required as a result of (a) a change in the use of the applicable property from its use as of the Closing, or (b) any hazardous material released on or about, or migrating to, the applicable property after the Closing. Upon completion of any post-Closing remediation work performed in accordance with this Section 2.16, Purchaser shall submit to the Escrow Agent and the Members' Representative invoices or other written evidence of the expenses incurred by Purchaser in connection with such remediation work. Unless the Members' Representative objects in writing within five (5) days after receipt thereof, he shall execute a joint direction to the Escrow Agent to distribute to Purchaser an amount equal to its documented expenses, provided that, in no event shall such distribution exceed the then remaining Remediation Amount. If the Members' Representative delivers a timely objection, the dispute shall be resolved in accordance with this Agreement. Upon completion of the required post-Closing remediation as determined in accordance with this Section 2.16 and the distribution of any of the Remediation Amount to Purchaser as required hereunder, the parties will instruct the Escrow Agent to release to the Members' Representative the balance of the funds, if any, remaining with respect to the Remediation Amount held by the Escrow Agent.

2.16.4 The Remediation Amount shall be held by the Escrow Agent solely for the purpose of reimbursing to Purchaser the remaining costs of remediation incurred in accordance with this Section 2.16 after the Closing and shall not be used for any other purpose. The Remediation Amount shall constitute Purchaser's sole and exclusive remedy for any remediation work conducted after the Closing that arises from the ERM Findings.

2.17 CORRFLEX NAME. On or before the later of the date which is 6 months after the Closing Date or December 31, 2004, CorrFlex Packaging, LLC shall change its name to delete any reference to the name "CorrFlex" and discontinue using such name in any form or manner except as required to comply with any applicable Legal Requirement. At Closing, CorrFlex Packaging, LLC shall discontinue the use of the "CorrFlex" stylized trademark.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Purchaser, as of the date hereof and subject to the disclosure in the schedules that corresponds to each such representation and warranty (whether directly or through the related definitions), as follows:

3.1 AUTHORIZATION. This Agreement has been duly executed and delivered by the Company, the Excluded Subsidiaries and the Members and constitutes the valid and binding obligation of each such party, enforceable in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, (ii) the remedies of specific performance and injunctive relief are subject to certain equitable defenses and to the discretion of the court before which any proceedings may be brought and (iii) rights to indemnification hereunder may be limited under applicable securities laws. The Company and the Excluded Subsidiaries have full limited

liability company power, capacity and authority to execute this Agreement and all other agreements and documents contemplated hereby.

3.2 ORGANIZATIONAL, EXISTENCE AND GOOD STANDING OF THE COMPANY AND THE SUBSIDIARIES. The Company and each of the Subsidiaries is a limited liability company duly organized, validly existing and in good standing under the laws of the state of North Carolina with all limited liability company power and authority to own, lease and operate their properties and to carry on their business as now being conducted. The Company and each of the Subsidiaries is duly qualified or licensed as a foreign limited liability company and in good standing in each jurisdiction in which the character or location of the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so duly qualified or licensed would not have a Material Adverse Effect. Set forth on Schedule 3.2 is a list of the jurisdictions in which the Company and each of the Subsidiaries is qualified or licensed to do business as a foreign corporation. Set forth in Schedule 3.2 is a listing of all names of all predecessor companies for the past five (5) years of the Company and each of the Retained Subsidiaries, including the names of any entities from whom the Company or any of the Retained Subsidiaries previously acquired assets with a purchase price in excess of $5,000,000 (and in the event of any such acquisitions, a copy of the related purchase agreement has been delivered to the Purchaser). In addition, set forth on Schedule 3.2 is a complete list of all the names under which the Company or any of the Subsidiaries does or has done business since its formation. True, complete and correct copies of the Articles of Organization of the Company and each of the Subsidiaries certified by the Secretary of State of the State of North Carolina as of the date not more than twenty (20) days prior to the date of execution of this Agreement and of the operating agreement of the Company and each of the Retained Subsidiaries has been delivered to the Purchaser. The minute books of the Company and each of the Subsidiaries, as heretofore delivered to Purchaser, are true copies of the minute books for each of the Company and the Subsidiaries. The minute books of the Company and each of the Subsidiaries have been maintained in accordance with applicable Legal Requirements in all material respects.

3.3 MEMBERSHIP INTEREST OF THE COMPANY.

(a) The Membership Interests represents all of the membership interests or other equity ownership interest in the Company. All of the Membership Interests have been validly issued and are fully paid and are nonassessable. Except as set forth on Schedule 3.3, there are no outstanding conversion or exchange rights, subscriptions, options, warrants or other arrangements or commitments obligating the Company to issue any additional membership or equity interests in the Company or other securities or to purchase, redeem or otherwise acquire any membership or equity interests in the Company or other securities, or to make any distribution in respect thereof.

(b) The Members own of record and beneficially and have good title to all of the Membership Interests, free and clear of any and all Liens other than standard state and federal securities law private offering legends and restrictions and the restrictions set forth in the Company's Operating Agreement.

(c) The Company does not, and shall not at Closing or after Closing, have any obligations (i) to any holders of Class C Membership Interests, Class D Membership Interests, or Class E Membership Interests or (ii) under the Class C Agreement, Class D Agreement or Class E Agreement except for an obligation to the holders of the Class C Membership Interests which is included in Financial Debt and will be included in the Financial Debt Payoff at Closing.

3.4 SUBSIDIARIES. Except for the Subsidiaries, the Company and the Subsidiaries do not presently own, of record or beneficially, or control directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, nor is the Company or any of the Subsidiaries, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity. The Company owns of record and beneficially and has good title to 100% of the membership interests or other equity ownership interests ("Subsidiary Membership Interests") in each of the Retained Subsidiaries free of any Liens other than standard state and federal securities law private offering legends and restrictions and the restrictions set forth in the applicable Operating Agreement. All of the Subsidiary Membership Interests have been validly issued and are fully paid and nonassessable. There are no outstanding conversion or exchange rights, subscriptions, options, warrants or other arrangements or commitments obligating any Subsidiary to issue any additional membership or equity interests in any Retained Subsidiaries or other securities or to purchase, redeem or otherwise acquire any membership or equity interests in any subsidiaries or other securities, or to make any distribution in respect thereof.

3.5 FINANCIAL STATEMENTS. Attached as Schedule 3.5 are (i) the audited balance sheet of the Company and the Subsidiaries as of December 31, 2001, December 31, 2002 and December 31, 2003 and the related statements of income, Members' equity and cash flows (the Audited Financial Statements"), (ii) the Company's and the Retained Subsidiaries (but excluding the Excluded Subsidiaries) unaudited pro-forma statement of Working Capital and fixed assets as of December 31, 2003, and the related statement of operating income for the 12-month period then ended, and (iii) the Company and the Retained Subsidiaries (but excluding the Excluded Subsidiaries) unaudited pro-forma statement of Working Capital and fixed assets as of March 31, 2004 and the related statement of operating income for the 3-month period ended then ended (collectively items (ii) and (iii), the "Pro-Forma Statements") and together with the Audited Statements, the "Financial Statements"). The Audited Statements present fairly, in all material respects, the financial position and results of operations of the Company as of the indicated dates and for the indicated periods in accordance with GAAP. The Pro-Forma Statements present fairly, in all material respects, the Working Capital and fixed assets and operating income of the Company and the Retained Subsidiaries as of the indicated dates and for the indicated periods, and except as set forth on Schedule 3.5 are in accordance with GAAP in all material respects.

3.6 ACCOUNTS AND NOTES RECEIVABLE. Set forth on Schedule 3.6 is an accurate list of the accounts and notes receivable of the Company and the Retained Subsidiaries, as of March 31, 2004, and including receivables from and advances to employees and the Members (other than routine travel advances to be repaid or formally accounted for within sixty (60) days). Schedule 3.6 sets forth information showing the aging of all such accounts and notes receivable. Except to the extent reflected on Schedule 3.6, all such accounts and notes are legal, valid and

binding obligations of the obligors, collectible in the amount shown on Schedule 3.6 net of reserves reflected on the Audited Financial Statements.

3.7 GOVERNMENTAL PERMITS. Except with respect to environmental permits or authorizations (which are covered exclusively in SECTION 3.11), the Company and the Retained Subsidiaries hold all licenses, franchises, permits and authorizations from Governmental Entities (including Real Property licenses and permits) which are required by applicable Legal Requirements and material to the operation of the business of the Company and the Retained Subsidiaries as currently conducted (the "Material Permits"). An accurate list is set forth on Schedule 3.7 hereto of all such Material Permits. The Material Permits are valid, and neither the Company nor any Retained Subsidiary has received any written notice that any Governmental Entity intends to cancel, terminate or not renew any such Material Permit. Except as disclosed on Schedule 3.7, the Company and the Retained Subsidiaries have conducted and are conducting their business in compliance in all materials respects with the requirements, standards, criteria and conditions set forth in the Material Permits and are not in violation in any material respect of any of the foregoing. Except as specifically provided on Schedule 3.7, the Contemplated Transactions will not result in a default under or a breach or violation of any such Material Permits.

3.8 TAX MATTERS.

(a) The Company and the Subsidiaries have filed all income tax returns required to be filed by the Company and the Subsidiaries and all returns, reports and forms of other Taxes required to be filed by the Company and the Subsidiaries. The Company and the Subsidiaries have paid or provided for all Taxes shown to be due on such returns and all such returns are accurate and correct in all material respects. Except as set forth on Schedule 3.8, (i) no action or proceeding for the assessment or collection of any Taxes is pending against the Company and no notice of any claim for Taxes, whether pending or threatened, has been received; (ii) no deficiency, assessment or other formal claim for any Taxes has been asserted or made against the Company or any Retained Subsidiary that has not been fully paid or finally settled; and (iii) no issue has been formally raised by any taxing authority in connection with an audit or examination of any return of Taxes; (iv) no federal, state or foreign income tax returns of the Company or the Subsidiaries have been audited by any Governmental Entity, and (v) there are no outstanding agreements or waivers extending the applicable statutory periods of limitation for such Taxes for any period. All Taxes that the Company and the Subsidiaries have been required to collect or withhold have been duly withheld or collected and, to the extent required, have been paid to the proper taxing authority. No Taxes will be assessed on or after the Closing Date against the Company or any Subsidiary for any tax period ending on or prior to the Closing Date in excess of the amounts reserved therefor.

(b) Neither the Company nor any of the Subsidiaries is a party to any Tax allocation or sharing agreement (other than the tax provisions of the Company's operating agreement.)

(c) None of the assets of the Company or any of the Subsidiaries constitute tax-exempt bond financed property or tax-exempt use property, within the meaning of Section 168 of the Code. Neither the Company nor any of the Subsidiaries is a party to any "safe harbor lease"

that is subject to the provisions of Section 168(f)(8) of the Code as in effect prior to the Tax Reform Act of 1986, or to any "long-term contract" within the meaning of Section 460 of the Code.

3.9 ASSETS AND PROPERTIES.

(a) Real Property. Neither the Company nor any of the Retained Subsidiaries owns or holds any ownership interest in any real property other than as set forth in Schedule 3.9(a) (the "Real Property"). Except as set forth on such schedule, the Company or the Retained Subsidiaries have good and marketable title to all Real Property and none of the Real Property is subject to any Lien, except for Permitted Liens and Liens securing any of the Financial Debt which will be released upon payment of the Financial Debt at or prior to Closing as provided herein. All facilities on the Real Property are supplied with utilities and other similar services necessary for the current operation of such facilities.

(b) Personal Property. Except as set forth on Schedule 3.9(b) and except for inventory, supplies and other personal property disposed of or consumed, and accounts receivable collected or written off, and cash utilized, all in the ordinary course of business consistent with past practice, the Company and the Retained Subsidiaries own all of their inventory, equipment and other tangible personal property reflected on the latest balance sheet included in the Audited Financial Statements, not disposed of in the ordinary course of business consistent with past business practice since such date or listed on Schedule 3.9(b), free and clear of any Liens, except for Permitted Liens and Liens securing any of the Financial Debt which will be released upon payment of the Financial Debt at or prior to Closing as provided herein.

(c) Condition of Properties. Except as set forth on Schedule 3.9(c), the buildings, structures and material improvements located on the Real Property ("Improvements"), the tangible personal property owned or leased by the Company and the Retained Subsidiaries and used in the operation of the business as currently conducted and, to the Knowledge of the Company, the premises that are the subject of the Real Property Leases (as defined in SECTION 3.10), are in good operating condition and repair, ordinary wear and tear excepted; and the Company does not have any Knowledge of any condition not disclosed herein of any such Improvements or premises that would materially affect the use or operation of such Improvements or premises in the ordinary course of its existing business or materially affect the fair market value of the Real Property.

(d) Compliance. The current ownership, operation, use and occupancy of the Real Property and the Improvements, the current use and occupancy of the leasehold estates that are the subject of the Real Property Leases does not violate any applicable zoning, building, health, flood control or fire law, ordinance, order or regulation or any restrictive covenant. Except with respect to Environmental Requirements (which are covered exclusively in SECTION 3.11), there are no current material violations of any applicable Legal Requirement affecting any portion of the Real Property or such leasehold estates, and no written notice of any such violation has been issued by any Governmental Entity, with respect to the Real Property, or to the Knowledge of the Company, with respect to such leasehold estates. The assets owned, leased or licensed by the Company and the Retained Subsidiaries are adequate for Purchaser to continue to operate the

business of such entities immediately after the Closing as currently conducted and consistent with past practices.

3.10 REAL PROPERTY LEASES; OPTIONS. Schedule 3.10 sets forth a list of (i) all leases and subleases under which the Company or any of the Retained Subsidiaries is lessor or lessee or sublessor or sublessee of any real property, together with all amendments, supplements, nondisturbance agreements, brokerage and commission agreements and other agreements pertaining thereto and binding upon the Company or any of the Retained Subsidiaries ("Real Property Leases"); (ii) all material options held by the Company or any of the Retained Subsidiaries or contractual obligations on the part of the Company or any of the Retained Subsidiaries to purchase or acquire any interest in real property; and (iii) all options granted by the Company or any of the Retained Subsidiaries or contractual obligations on the part of the Company or any of the Retained Subsidiaries to sell or dispose of any interest in real property. Copies of all Real Property Leases and such options and contractual obligations have been delivered to Purchaser. Neither the Company nor any of the Retained Subsidiaries has assigned any Real Property Leases or any such options or obligations, except for purposes of securing any of the Financial Debt which will be released upon payment of the Financial Debt as provided herein. To the Knowledge of the Company, there are no disputes, oral agreements or forbearance programs in effect as to any Real Property Lease; all facilities leased under the Real Property Leases (including alterations constructed by the Company or any of the Retained Subsidiaries) have received all approvals of Governmental Entities (including licenses and permits) required in connection with the operation thereof; and all facilities leased under the Real Property Leases are supplied with utilities and other similar services necessary for the operation of said facilities. There are no Liens on the interest of the Company and the Retained Subsidiaries in the Real Property Leases, except for Permitted Liens and except for Liens securing any of the Financial Debt which will be released upon payment of the Financial Debt at or prior to Closing as provided herein. The Real Property Leases and options and contractual obligations listed on Schedule 3.10 are in full force and effect and constitute binding obligations of the Company, the Retained Subsidiaries and, to the Knowledge of the Company, the other parties thereto, subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor's rights generally, and (x) there are no defaults thereunder by the Company, the Retained Subsidiaries and, to the Knowledge of the Company, the other parties thereto and (y) no event has occurred that with notice, lapse of time or both would constitute a default by the Company or any of the Retained Subsidiaries or, to the Knowledge of the Company by any other party thereto.

3.11 ENVIRONMENTAL LAWS AND REGULATIONS. Except as disclosed in Schedule 3.11, (i) during the occupancy and operation of the Subject Property by the Company or any of the Subsidiaries and, to the Knowledge of the Company, prior to its occupancy and operation, the operations of the Subject Property, and any use, storage, treatment, disposal or transportation of Hazardous Substances that has occurred in, on, to, from or under the Subject Property prior to the date of this Agreement have been in compliance in all material respects with all applicable Environmental Requirements; (ii) during the occupancy and operation of the Subject Property by the Company or the Subsidiaries and, to the Knowledge of the Company, prior to its occupancy or operation, no material release, leak, discharge, spill, disposal or emission of Hazardous Substances has occurred in, on, to, from or under the Subject Property in a quantity or manner

that currently violates Environmental Requirements; (iii) there is no pending Proceeding or, to the Knowledge of the Company, threatened Proceeding or investigation concerning the Subject Property or the Company or any of the Subsidiaries involving Hazardous Substances or Environmental Requirements; (iv) there are no asbestos-containing materials or above-ground or underground storage tank systems located at the Subject Property, except in compliance in all material respects with applicable Environmental Requirements and all such storage tank systems are disclosed on Schedule 3.11; (v) neither the Company nor any of the Retained Subsidiaries has ever owned, operated, or leased any real property other than the Subject Property; and (vi) the Company's and Retained Subsidiaries' transportation to or disposal at any off-site location of any Hazardous Substances from property now or formerly owned, operated or leased by the Company or any of the Retained Subsidiaries at the time of the Company's or any of the Retained Subsidiaries' ownership, operation or lease thereof was conducted in material compliance with applicable Environmental Requirements; and (vii) to the Knowledge of the Company, there are no facts, conditions or circumstances that could reasonably be expected to form the basis for a material claim against the Company or any of the Retained Subsidiaries or the Purchaser relating to the Company's or any of the Subsidiaries' compliance or failure to comply with any Environmental Requirements. This Section 3.11 is the sole and exclusive warranty of the Company with regard to Environmental Requirements.

3.12 CONTRACTS.

(a) Set forth on Schedule 3.12(a) is a list of all Contracts as of the date hereof, (except Real Property Leases, which are listed on Schedule 3.10), (whether oral (summaries only) or written) to which the Company or any of the Retained Subsidiaries is a party and that relate to (i) the sale, lease or other disposition by the Company or any of the Retained Subsidiaries of all or any substantial part of its business or assets or the purchase by the Company or any of the Retained Subsidiaries of a substantial amount of assets with a purchase price in excess of $50,000 (in each event other than in the ordinary course of business), (ii) the employment of any person other than personnel employed at the pleasure of the Company or any of the Retained Subsidiaries; (iii) collective bargaining with, or any representation of any employees by, any labor union or association; (iv) the acquisition of services, supplies, equipment or other personal property in each case in which payments are due after the date of this Agreement involving more than $50,000 and that is not terminable by the Company or the Retained Subsidiaries upon not more than thirty (30) days' notice without obligation on the part of the Company or any of the Retained Subsidiaries; (v) noncompetition or nondisclosure (other than, with respect to nondisclosure, Contracts that are not primarily intended to facilitate the exchange of confidential information but also include confidentiality or nondisclosure provisions); (vi) the purchase or sale of real property or any interest therein; (vii) distribution, agency or construction; (viii) (A) lease of personal property as lessor or sublessor or (B) lease of personal property as lessee or sublessee in each case in which payments are due after the date of this Agreement involving more than $50,000 and that is not terminable by the Company or the Retained Subsidiaries upon not more than thirty (30) days' notice without obligation on the part of the Company or any of the Retained Subsidiaries; (ix) lending or advancing of funds other than the extension of credit to trade purchasers in the ordinary course of the Company's or any of the Retained Subsidiaries' business consistent with past business practice; (x) borrowing of funds or receipt of credit other than by the Company or any of the Retained Subsidiaries in the ordinary

course of business consistent with past business practice and except for trade payables in amounts and on terms consistent with past business practice; (xi) incurring of any obligation or liability except for transactions engaged in by the Company or any of the Retained Subsidiaries in the ordinary course of business consistent with past business practice; (xii) the sale of personal property (other than sales of inventory in the ordinary course of business consistent with past business practice) or services in each case in which payments are due after the date of this Agreement that exceed $50,000 and (xiii) any matter or transaction not in the ordinary course of the business of the Company and of the Retained Subsidiaries and, in each case, imposes a material obligation on the Company or provides a material benefit to the Company. The Company and the Retained Subsidiaries have delivered to Purchaser copies of all of the written Contracts listed on Schedule 3.12(a).

(b) Except as set forth on Schedule 3.12(b), each Contract is in full force and effect on the date hereof, neither the Company nor any of the Retained Subsidiaries is in default under any Contract, neither the Company nor any of the Retained Subsidiaries has given or received notice of any default under any Contract, and to the Knowledge of the Company, no other party to any Contract is in default thereunder.

3.13 UNDISCLOSED LIABILITIES. Except as disclosed on Schedule 3.13 and excluding liabilities that fall within the subject matter covered by the other sections of this Article III, neither the Company nor any of the Retained Subsidiaries has any Liability in an amount in excess of $50,000 except for (a) Liabilities set forth on the face of the most recent Audited Financial Statement or Pro Forma Statement; (b) Liabilities which have arisen after the most recent Audited Financial Statement in the ordinary course of business, none of which relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement, or violation of any applicable Legal Requirement (except to the extent reserved for in the most recent Audited Financial Statement); or (c) Liabilities that arise from or relate to the performance of obligations under any Contract, but not the breach thereof.

3.14 NO VIOLATIONS. Except with respect to Environmental Requirements which are covered exclusively in Section 3.11, the execution, delivery and performance of this Agreement and the other agreements and documents contemplated hereby by the Company, any of the Retained Subsidiaries and the Members and the consummation of the transactions contemplated hereby by such parties will not (i) violate any provision of any Organization Document, (ii) violate in any material respect any statute, rule, regulation, order or decree of any public body or authority by which the Company, any of the Retained Subsidiaries or the Members or its or their respective properties or assets are bound, or (iii) result in a violation or breach of, or constitute a default under, or result in the creation of any encumbrance upon, or create any rights of termination, cancellation or acceleration in any person with respect to any Contract or any Material Permit, except as set forth on Schedule 3.7 or Schedule 3.15.

3.15 CONSENTS. Except as set forth on Schedule 3.15, no consent, approval, notice to, registration or filing with, authorization or order, of any Governmental Entity or under any Contract or Material Permit is required as a result of or in connection with the execution or delivery, by the Company, the Retained Subsidiaries or the Members, of this Agreement and the other agreements and documents to be executed by the Company, the Retained Subsidiaries and

the Members in connection herewith or the consummation by the Company, the Retained Subsidiaries and the Members of the transactions contemplated hereby.

3.16 LITIGATION AND RELATED MATTERS. Except with respect to Environmental Requirements which are covered exclusively in Section 3.11, set forth on Schedule 3.16 is a list of all Proceedings pending against the Company or any of the Retained Subsidiaries or, to the Knowledge of the Company, Proceedings threatened or investigations or grievances pending against the Company or any of the Retained Subsidiaries, the business or any property or rights of the Company or any of the Retained Subsidiaries, at law or in equity, before or by any arbitration board or panel or Governmental Entity. None of the Proceedings, investigations or grievances listed on Schedule 3.16 either (i) has had, or, if adversely determined, would be likely to have, a Material Adverse Effect or (ii) has adversely affected in any material respect or, if adversely determined, would be likely to adversely affect in any material respect, the right or ability of the Company and the Retained Subsidiaries to carry on its business substantially as now conducted. Neither the Company nor any of the Retained Subsidiaries is subject to any continuing court or Governmental Entity order, writ, injunction or decree applicable specifically to its business, operations or assets or their employees, nor in default with respect to any order, writ, injunction or decree of any court or Governmental Entity with respect to their assets, business or operations.

3.17 COMPLIANCE WITH LAWS. Except with respect to Environmental Requirements (which are covered exclusively in SECTION 3.11), the Company and the Retained Subsidiaries are in compliance in all material respects with all applicable Legal Requirements.

3.18 INTELLECTUAL PROPERTY RIGHTS. Schedule 3.18 lists the registered domestic and foreign trade names, trademarks, service marks, trademark applications, service mark applications, patents, patent applications, patent licenses, copyrights and copyright applications owned by the Company and the Retained Subsidiaries (collectively, the "Intellectual Property"). Unless otherwise indicated on Schedule 3.18, the Company and the Retained Subsidiaries have the right to use and license the Intellectual Property, and the consummation of the transactions contemplated hereby will not result in the loss or material impairment of any rights of the Company and the Retained Subsidiaries in the Intellectual Property. Each item constituting part of the Intellectual Property has been, to the extent indicated on Schedule 3.18, registered with, filed in or issued by, as the case may be, the United States Patent and Trademark Office or such other government entity, domestic or foreign, as is indicated on Schedule 3.18; all such registrations, filings and issuances remain in full force and effect; and all fees and other charges with respect thereto are current. Except as stated on Schedule 3.18, there are no pending proceedings or adverse claims made or, to the Knowledge of the Company, threatened against the Company or any of the Retained Subsidiaries with respect to the Intellectual Property; there has been no litigation commenced or threatened in writing within the past five (5) years with respect to the Intellectual Property or the rights of the Company and the Retained Subsidiaries therein; and, to the Knowledge of the Company, (i) the Intellectual Property or the use thereof by the Company and the Retained Subsidiaries does not conflict with any trade names, trademarks, service marks, trademark or service mark registrations or applications, patents, patent applications, patent licenses or copyright registrations or applications of others ("Third Party Intellectual Property"), and (ii) such Third Party Intellectual Property or its use by others or any

other conduct of a third party does not conflict with or infringe upon the Intellectual Property or its use by the Company or any of the Retained Subsidiaries. Schedule 3.18 separately lists all of the computer software, other than off-the-shelf software or other software generally available from retail vendors, that the Company uses in, and is material to, its business and identifies each contract pursuant to which the Company has licensed such software from any other Person.

3.19 EMPLOYEE BENEFIT PLANS.

(a) Each employee benefit, stock or compensation plan, including without limitation employee benefit plans within the meaning of Section 3(3) of ERISA, maintained or contributed to by the Company or any of its Group Members (collectively, the "Plans") is listed on Schedule 3.19, is in substantial compliance with applicable law and has been administered and operated in all material respects in accordance with its terms. Each Plan that is intended to be "qualified" within the meaning of Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service (the "IRS") and no event has occurred and no condition exists that could be expected to result in the revocation of any such determination. For purposes of this Agreement, the term "Plan" shall include each bonus, incentive or deferred compensation, severance, termination, retention, change of control, stock option, stock appreciation, stock purchase, SERP, phantom stock or equity-based, performance or other employee or retiree benefit or compensation plan, welfare benefit program, arrangement, agreement, policy or understanding, whether written or unwritten.

(b) No Plan is subject to Title IV of ERISA, and neither the Company nor any Group Member has made any contributions to or participated in any "multiple employer plan" (within the meaning of the Code or ERISA) or "multi-employer plan" (as defined in Section 4001(a)(3) of ERISA). Full payment has been made of all amounts that the Company or any Group Member was required under the terms of the Plans to have paid as contributions to such Plans on or prior to the date hereof (excluding any amounts not yet due) and all amounts properly accrued to date as liabilities of the Company and the Group Members that have not been paid have been properly recorded on the Financial Statements, and no Plan that is subject to Part 3 of Subtitle B of Title 1 of ERISA has incurred any "accumulated funding deficiency" (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived. Neither the Company, any Group Member nor, to the Knowledge of the Company, any other "disqualified person" or "party in interest" (within the meaning of Section 4975(e)(2) of the Code and Section 3(14) of ERISA, respectively) has engaged in any transactions in connection with any Plan that could be expected to result in the imposition of a material penalty pursuant to Section 502(i) of ERISA, damages pursuant to Section 409 of ERISA or a tax pursuant to Section 4975(a) of the Code. No material claim, action, proceeding, or litigation has been made, commenced or, to the Knowledge of the Company, threatened with respect to any Plan (other than for benefits payable in the ordinary course and PBGC insurance premiums). No Plan or related trust owns any securities in violation of Section 407 of ERISA. Neither the Company nor any Group Member has incurred any liability or taken any action, or has any knowledge of any action or event, that could cause it to incur any liability (i) under Section 412 of the Code or Title IV of ERISA with respect to any "single employer plan" (within the meaning of Section 4001(a)(15) of ERISA), (ii) on account of a partial or complete withdrawal (within the meaning of Section 4205 and 4203 of ERISA, respectively) with respect to any "multi-employer plan" (within the meaning of

Section 3(37) of ERISA), (iii) on account of unpaid contributions to any such multi-employer plan, or (iv) to provide health benefits or other non-pension benefits to retired or former employees, except as specifically required by Section 4980B(f) of the Code.

(c) Except as set forth on Schedule 3.19, neither the execution and delivery of this Agreement by the Company or the Retained Subsidiaries nor the consummation of the transactions contemplated hereby will (i) entitle any current or former employee of the Company or any Subsidiary to severance pay, unemployment compensation or any similar payment, (ii) accelerate the time of payment or vesting, or increase the amount of, any compensation due to any such employee or former employee, or (iii) directly or indirectly result in any payment made or to be made to or on behalf of any person to constitute a "parachute payment" (within the meaning of Section 280G of the Code). For purposes of this Agreement, "Group Member" shall mean each corporation which is a member of a controlled group of corporations (as defined in Code Section 414(b)), a group of trades or businesses (whether or not incorporated) which are under common control (as defined in Code Section 414(c)) or an affiliated service group (as defined in Code Section 414(m)) which includes the Company, and any other entity required to be aggregated with the Company pursuant to regulations prescribed under Code Section 414(o).

(d) With respect to each Plan, the Company has delivered to Purchaser a true and complete copy of such plan document, including any amendments and a copy of any related trust agreement or insurance contract, all determination letters issued by the Internal Revenue Service for such Plan, the most recent summary plan description, together with any summaries of material modifications, the most recently filed Form 5500, as applicable, and other material related documents.

3.20 EMPLOYEES; EMPLOYEE RELATIONS.

(a) Schedule 3.20 sets forth as of the dates set forth on such schedule (i) the name and current annual salary (or rate of pay) and other compensation (including, without limitation, normal bonus, profit-sharing and other compensation) now payable by the Company or any of the Retained Subsidiaries to each employee (which for all purposes shall include employees leased by the Company or any Retained Subsidiaries from a third party) and all incentive or bonus payments paid to all such employees by the Company or the Retained Subsidiaries for each of 2002 and 2003 along with any such bonus or incentive payments accrued in 2004 to the date hereof, (ii) any increase to become effective after the date of this Agreement in the total compensation or rate of total compensation payable by the Company or any of the Retained Subsidiaries to each such person, (iii) any increase to become payable after the date of this Agreement by the Company or any of the Retained Subsidiaries to employees other than those specified in clause (i) of this SECTION 3.20(a), (iv) all presently outstanding loans and advances (other than routine travel advances to be repaid or formally accounted for within sixty (60) days) made by the Company or any of the Retained Subsidiaries to, or made to the Company or any of the Retained Subsidiaries by, any director, officer or employee, (v) all accrued but unpaid vacation pay owing to any officer or employee that is not disclosed on the Financial Statements, and (vi) any relative of any of the Members (whether by blood, marriage or adoption) employed by the Company or any of the Retained Subsidiaries and the position and salary and other compensation payable thereto.

(b) Except as disclosed on Schedule 3.20, neither the Company nor any of the Retained Subsidiaries is a party to, or bound by, the terms of any collective bargaining agreement, and neither the Company nor any of the Retained Subsidiaries has experienced any material labor difficulties during the last five (5) years and, during the last five (5) years, none of the employees of the Company or any of the Retained Subsidiaries has been represented by any labor union or other employee collective bargaining organization, was a party to, or bound by, any labor or other collective bargaining agreement or has been subject to or involved in or, to the Knowledge of the Company, threatened with, any union elections, petitions or other organizational or recruiting activities. Except as set forth on Schedule 3.20, there are no labor disputes existing, or to the Knowledge of the Company, threatened involving, by way of example, strikes, work stoppages, slowdowns, picketing, or any other interference with work or production, or any other concerted action by employees. No charges or proceedings before the National Labor Relations Board, or similar agency, exist, or to the Knowledge of the Company, are threatened.

(c) The Company believes that the relationships enjoyed by the Company and the Retained Subsidiaries with their employees in general are good and the Company does not have any Knowledge that any Key Employee does not plan, at this time, to continue in the employ thereof following the Closing on a basis similar to that existing on the date of this Agreement. Except as disclosed on Schedule 3.20, neither the Company nor any of the Retained Subsidiaries is a party to any employment contract with any individual or employee, either express or implied. No legal proceedings, charges, complaints or similar actions are pending or, to the Knowledge of the Company, are threatened under any federal, state or local laws affecting the employment relationship including, but not limited to: (i) anti-discrimination statutes such as Title VII of the Civil Rights Act of 1964, as amended (or similar state or local laws prohibiting discrimination because of race, sex, religion, national origin, age and the like); (ii) the Fair Labor Standards Act or other federal, state or local laws regulating hours of work, wages, overtime and other working conditions; (iii) requirements imposed by federal, state or local governmental contracts; (iv) state laws with respect to tortious employment conduct, such as slander, harassment, false light, invasion of privacy, negligent hiring or retention, intentional infliction of emotional distress, assault and battery, or loss of consortium; or (v) the Occupational Safety and Health Act, as amended, as well as any similar state laws, or other regulations respecting safety in the workplace; and to the Knowledge of the Company, no proceedings, charges, or complaints are threatened under any such laws or regulations and no facts or circumstances exist that would give rise to any such proceedings, charges, complaints, or claims, whether valid or not. Neither the Company nor any of the Retained Subsidiaries is subject to any settlement or consent decree with any present or former employee, employee representative or any Governmental Entity relating to claims of discrimination or other claims in respect to employment practices and policies; and no government or Governmental Entity has issued a judgment, order, decree or finding with respect to the labor and employment practices (including practices relating to discrimination) of the Company or any of the Retained Subsidiaries. The Company has received properly executed releases from each employee terminated as a part of workforce reduction program in January of 2004 in the form of release provided to the Purchaser.

(d) The Company and the Retained Subsidiaries are in compliance in all material respects with the provisions of the Americans with Disabilities Act.

3.21 INSURANCE. Schedule 3.21 contains an accurate list of the policies and contracts (including insurer, named insured, and type of coverage) for fire, casualty, liability and other forms of insurance maintained by, or for the benefit of, the Company or any of the Retained Subsidiaries. All such policies are in full force and effect and shall remain in full force and effect through the Closing Date. Neither the Company, any of the Retained Subsidiaries nor the Members has received any notice of cancellation or non-renewal or of significant premium increases with respect to any such policy. Except as disclosed on Schedule 3.21, no pending claims made by or on behalf of the Company or any of the Retained Subsidiaries under such policies have been denied or are being defended against third parties under a reservation of rights by an insurer thereof. All premiums due prior to the date hereof for periods prior to the date hereof with respect to such policies have been timely paid.

3.22 INTERESTS IN CUSTOMERS, SUPPLIERS, ETC. Except as set forth on Schedule 3.22, no Member, officer, director or affiliate of the Company possesses, directly or indirectly, any financial interest in, or is a director, officer, employee or affiliate of, any corporation, firm, association or business organization that is a client, supplier, customer, lessor, lessee or competitor of the Company or any of the Retained Subsidiaries. Ownership of securities of a corporation whose securities are registered under the Securities Exchange Act of 1934 not in excess of five percent (5%) of any class of such securities shall not be deemed to be a financial interest for purposes of this SECTION 3.22.

3.23 BUSINESS RELATIONS. Schedule 3.23 contains an accurate list of (a) all customers representing one percent (1%) or more of the combined sales of the Company and the Retained Subsidiaries during the twelve (12) months ended December 31, 2003 and (b) all suppliers representing one percent (1%) or more of the combined operating expenses of the Company and the Retained Subsidiaries for the twelve (12) months ended December 31, 2003. Except as set forth on Schedule 3.23, to the Knowledge of the Company as of the date hereof, no customer or supplier of the Company or any of the Subsidiaries has indicated that it plans to terminate its commercial relationship with the Company or any of its Subsidiaries, which termination would have a Material Adverse Effect.

3.24 OFFICERS AND MANAGERS. Set forth on Schedule 3.24 is a list of the current officers and managers of the Company and each of the Retained Subsidiaries.

3.25 BANK ACCOUNTS AND POWERS OF ATTORNEY. Schedule 3.25 sets forth each bank, savings institution and other financial institution with which the Company or any of the Retained Subsidiaries has an account or safe deposit box and the names of all persons authorized to draw thereon or to have access thereto. Each person holding a power of attorney or similar grant of authority on behalf of the Company or any of the Retained Subsidiaries is identified on Schedule 3.25. Except as disclosed on such Schedule, neither the Company nor any of the Retained Subsidiaries has given any revocable or irrevocable powers of attorney to any person, firm, corporation or organization relating to its business for any purpose whatsoever.

3.26 ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as set forth on Schedule 3.26 or as otherwise contemplated by this Agreement, since December 31, 2003, there has not been (a) any material damage, destruction or casualty loss to the physical properties of the Company

or any of the Retained Subsidiaries or to the physical properties of any third parties that are located on the Company's or any of the Retained Subsidiaries' premises or within the Company's or any of the Subsidiaries' control (whether or not covered by insurance), (b) a Material Adverse Effect, (c) any entry into any Contract material to the Company or any of the Retained Subsidiaries, except transactions, commitments or agreements in the ordinary course of business consistent with past practice, (d) any declaration, setting aside or payment of any distribution in cash, stock or property with respect to the membership or other equity interest of the Company, any repurchase, redemption or other acquisition by the Company of any membership interest, equity interest or other securities, or any agreement, arrangement or commitment by the Company to do so except as allowed under this Agreement, (e) any increase that is material in the compensation payable or to become payable by the Company or any of the Retained Subsidiaries to their managers, officers, employees or agents or any increase in the rate or terms of any bonus, pension or other employee benefit plan, payment or arrangement made to, for or with any such managers, officers, employees or agents, (f) any sale, transfer or other disposition of, or the creation of any Lien upon, any material part of the Assets, except for sales of inventory and use of supplies and collections of accounts receivables in the ordinary course of business consistent with past practice, or any cancellation or forgiveness of any material debts or claims by the Company or any of the Retained Subsidiaries, (g) any material change in the relations of the Company or any of the Retained Subsidiaries with or material loss of its customers or suppliers, or any material loss of business or material increase in the cost of inventory items or material change in the terms offered to customers, or (h) any capital expenditure (including any capital leases) or commitment therefor by the Company or any of the Retained Subsidiaries except in the ordinary course of business consistent with past practice.

3.27 VALIDITY OF AGREEMENT. This Agreement has been duly executed and delivered and is the legal, valid and binding obligations of the Company, the Retained Subsidiaries and each Member in accordance with its terms, except as enforceability may be limited by applicable equitable principles, or by bankruptcy, insolvency, reorganization, moratorium, or similar laws from time to time in effect affecting the enforcement of creditors' rights generally..

3.28 ABSENCE OF CLAIMS AGAINST THE COMPANY. Neither the Members nor any Excluded Subsidiary has any claims against the Company or any Retained Subsidiary.

3.29 NO OTHER REPRESENTATIONS OR WARRANTIES. Except as expressly set forth in this Article III, neither the Company, the Subsidiaries nor the Members, makes, and no party shall be entitled to rely upon, any representation or warranty as to any fact or matter about the Company, the Subsidiaries and the Members; provided, however, that the foregoing shall not be deemed to negate the express representations and warranties made by a party in an independent agreement with respect to such agreement (e.g. the Noncompetition Agreements).

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to the Company and the Members as follows:

4.1 ORGANIZATION AND STANDING. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of South Carolina. Purchaser has the full corporate power and authority to carry on its business in the places and as it is now being conducted and to own and lease the properties and assets which it now owns or leases.

4.2 CORPORATE POWER AND AUTHORITY. Purchaser has the corporate power, capacity and authority to execute and deliver this Agreement, to perform hereunder, and to consummate the transactions contemplated hereby. The execution, delivery and performance by Purchaser of this Agreement and each and every agreement, document and instrument provided for herein has been duly authorized and approved by its Board of Directors. This Agreement, and each and every other agreement, document and instrument to be executed, delivered and performed by Purchaser in connection herewith, constitutes or will, when executed and delivered, constitute the valid and legally binding obligation of Purchaser enforceable against it in accordance with their respective terms, except as enforceability may be limited by applicable equitable principles, or by bankruptcy, insolvency, reorganization, moratorium, or similar laws from time to time in effect affecting the enforcement of creditors' rights generally.

4.3 AGREEMENT DOES NOT VIOLATE OTHER INSTRUMENTS; CONSENTS. The execution and delivery of this Agreement and each and every agreement, document and instrument to be executed and delivered in connection herewith by Purchaser does not, and the consummation of the transactions contemplated hereby will not, violate any provisions of the Articles of Incorporation, as amended, or Bylaws, as amended, of Purchaser or violate or constitute an occurrence of default under any provision of, or conflict with, result in acceleration of any obligation under, or give rise to a right by any party to terminate its obligations under, any mortgage, deed of trust, conveyance to secure debt, note, loan, lien, lease, agreement, instrument, or any order, judgment, decree or other arrangement to which Purchaser is a party or is bound or by which its assets are affected which violation, default, conflict, acceleration or termination, either singularly or in the aggregate, would have a material adverse effect on the ability of Purchaser to perform under this Agreement. Except for approval under the HSR Act, no consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required to be obtained or made by or with respect to Purchaser in connection with the execution and delivery by Purchaser of this Agreement or any of the agreements, certificates or other documents delivered or to be delivered on or after the date hereof and at or prior to Closing in connection with the transactions contemplated hereby to which Purchaser is or will be a party or the consummation of the transactions contemplated hereby.

4.4 NO DEFAULT. No event of default or default, or event which with the giving of notice, lapse of time, or both, would constitute a default or an event of default under any loan agreement, note, deed of trust, mortgage, lease, instrument or other similar agreement, to which Purchaser is a party of by which it or its properties are bound, exists, the effect of which would

be to materially interfere with or prevent the consummation of the transactions contemplated hereby.

4.5 CONSENTS. Except as set forth on Schedule 4.5, no consent, approval, notice to, registration or filing with, authorization or order, of any governmental authority or under any Contract or other agreement or commitment to which the Purchaser is a party or by which its assets are bound is required as a result of or in connection with the execution or delivery of this Agreement and the other agreements and documents to be executed by the Purchaser or the consummation by the Purchaser of the transactions contemplated hereby.

4.6 FINANCING. Purchaser has, and on the Closing Date will have, sufficient funds unconditionally available to it (without the need to obtain any additional bank or third party financing) to pay the Purchase Price to the Members and to consummate the transactions contemplated hereby.

ARTICLE V

CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER TO CLOSE

The obligations of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Closing Date, of each and every one of the following conditions.

5.1 COVENANTS OF THE COMPANY AND THE MEMBERS. The Company and the Members shall have duly performed in all material respects all of the covenants, acts and undertakings to be performed by them on or prior to the Closing Date and an authorized officer of the Company and the Members' Representative shall have delivered to Purchaser a certificate dated as of the Closing Date certifying to the fulfillment of this condition.

5.2 NO INJUNCTION, ETC. No Proceeding or investigation shall have been instituted, before any Governmental Entity to enjoin, restrain, prohibit, or obtain substantial damages in respect of, this Agreement or the consummation of the Contemplated Transactions.

5.3 OPINION OF COUNSEL. An opinion of Robinson Bradshaw and Hinson, counsel for the Company and the Subsidiaries shall have been delivered to Purchaser dated as of the Closing Date, substantially in form and substance of the opinion attached hereto as Exhibit 5.3.

5.4 HSR ACT. Early termination of or expiration of the waiting period under the HSR Act shall have occurred on or prior to the Closing Date.

5.5 DOCUMENTS TO BE DELIVERED. The Company and the Members shall have obtained for delivery at Closing the documents set forth in SECTION 7.2.

5.6 CONSENTS. The Members shall deliver all the Consents listed on Schedule 5.6 in form and substance reasonably satisfactory to the Purchaser, or deliver the notices, if applicable set forth on Schedule 5.6.

5.7 NO MATERIAL ADVERSE EFFECT. Between the date of this Agreement and the Closing Date there shall not have been any Material Adverse Effect.

ARTICLE VI

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE MEMBERS TO CLOSE

The obligations of Members to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Closing Date, of each and every one of the following conditions.

6.1 COVENANTS OF PURCHASER. Purchaser shall have duly performed in all material respects all of the covenants, acts and undertakings to be performed by it on or prior to the Closing Date, and a duly authorized officer of Purchaser shall deliver to the Members' Representative certificates dated as of the Closing Date certifying to the fulfillment of this condition.

6.2 NO INJUNCTION, ETC. No Proceeding or investigation shall have been instituted, before any Governmental Entity to enjoin, restrain, prohibit, or obtain substantial damages in respect of, this Agreement or the consummation of the Contemplated Transactions.

6.3 OPINION OF COUNSEL FOR PURCHASER. An opinion of Haynsworth Sinkler Boyd, P.A., counsel for Purchaser shall have been delivered to Members' Representative dated as of the Closing Date, substantially in form and substance of the opinion attached hereto as Exhibit 6.3.

6.4 REPRESENTATIONS TRUE AT CLOSING. The representations and warranties made by Purchaser in this Agreement, the Schedules and the Exhibits hereto shall be true and correct on the Closing Date with the same force and effect as though such representation and warranty had been made on and as of such time (except for representations and warranties specifically made as of a certain date, changes expressly contemplated by this Agreement or otherwise previously disclosed to, and agree to by, the Company in writing) other than such representations and warranties that in the aggregate are not or would not be reasonably expected to be materially adverse to the interest of the Company or the Members or in connection with the Contemplated Transactions;

6.5 DOCUMENT DELIVERY. Purchaser shall have obtained for delivery at Closing the documents set forth in SECTION 7.3.

6.6 HSR ACT. Early termination of or expiration of the waiting period under the HSR Act shall have occurred on or prior to the Closing Date.

ARTICLE VII

CLOSING

7.1 TIME AND PLACE OF CLOSING. The Closing shall be held at the offices of Haynsworth Sinkler & Boyd, P.A., 1201 Main Street, Suite 2200, Columbia, South Carolina commencing at 10:00 a.m., Eastern Time, on a date to be agreed that is no more than five business days following the later of (i) the expiration or early termination of the applicable waiting period under the HSR Act or (ii) the fulfillment, or waiver by the applicable party, of all of the conditions of ARTICLES V and VI (the "Closing Date") unless another place or date is agreed to in writing by the Company, the Members' Representative and Purchaser.

7.2 THE COMPANY'S AND THE MEMBERS' PERFORMANCE AT CLOSING. At the Closing, the Company and the Members shall deliver to Purchaser, where appropriate, the following:

7.2.1 the Certificates representing the Membership Interests and the Assignments of the Membership Interests in the form of Exhibit 7.2.1;

7.2.2 releases in form and substance reasonably satisfactory to the Purchaser effective as of the Closing from each of the (i) Members; (ii) managers, officers of the Company and each Retained Subsidiaries (as listed on Schedule 3.24) including a resignation for each such officer and manager, and (iii) participants in the Incentive Bonus Plan which releases the Company from any liability under the Incentive Bonus Plan;

7.2.3 resignations from employment by L. Kerry Vickar, Bryan L. Smith and Whitcomb Honeycutt without severance or other payments;

7.2.4 noncompetition agreements executed by each of the Members (other than Allied Capital Corporation) that own 1% or more of the Membership Interests (the "Noncompetition Agreements");

7.2.5 certificates of compliance or certificates of good standing of the Company and each of the Retained Subsidiaries, as of the most recent practicable date, from the appropriate governmental authority of the state of North Carolina;

7.2.6 certificates of incumbency of the officers of Company and the Excluded Subsidiaries who are executing this Agreement and the other documents contemplated hereunder;

7.2.7 certified copies of resolutions of the managing board of the Company and the Excluded Subsidiaries approving the Contemplated Transactions;

7.2.8 opinion of counsel described in SECTION 5.3;

7.2.9 the Transition Services Agreement executed by the Excluded Subsidiaries;

7.2.10 certificate described in SECTION 5.1; and

7.2.11 the Escrow Agreement.

7.3 PERFORMANCE BY PURCHASER AT CLOSING. At the Closing, Purchaser shall deliver to the Members' Representative the following:

7.3.1 cash payable to the Members as set out in SECTION 2.1;

7.3.2 Noncompetition Agreements signed by Purchaser;

7.3.3 opinion of counsel described in SECTION 6.3;

7.3.4 certificates of incumbency of the officers of Purchaser who are executing this Agreement and the other documents contemplated hereunder;

7.3.5 certified copies of resolutions of the Board of Directors of Purchaser approving the Contemplated Transactions;

7.3.6 the Transition Services Agreement executed by the Company;

7.3.7 certificate described in SECTION 6.1; and

7.3.8 the Escrow Agreement.

ARTICLE VIII

INDEMNIFICATION; REMEDIES

8.1 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations, warranties, covenants and agreements set forth in this Agreement by Purchaser, Company and the Members are material and have been relied on by the other party hereto. All representations, warranties, covenants and agreements set forth in this Agreement and the remedies of Purchaser and the Company and the Members with respect thereto, shall survive the Closing Date and shall not merge in the performance of any obligation by any party hereto; provided, however, (a) that any claim for indemnification relating to the breach by Purchaser of any of its covenants, representations and warranties contained in this Agreement may be made by the Members only if the Members shall notify Purchaser on or before the expiration of thirty-six months after the Closing Date and (b) that any claim for indemnification relating to the breach by the Company or the Members of any of their covenants, representations and warranties contained in this Agreement may be made by Purchaser only if Purchaser shall notify the Members' Representative on or before the expiration of the following time periods:

(a) 36 months after the Closing Date for a claim based on a breach of SECTIONS 3.1, 3.3, 3.8 AND 3.11; and

(b) 18 months after the Closing Date for a claim based on a breach of any representation other than representations in SECTIONS 3.1, 3.3, 3.8 and 3.11.

8.2 INDEMNIFICATION AND PAYMENT OF DAMAGES BY THE MEMBERS. The Members will jointly and severally indemnify and hold harmless Purchaser and its Affiliates (collectively, the "Purchaser Indemnified Persons") for, and will pay to the Purchaser Indemnified Persons, the amount of, any loss, liability claim, damage (excluding consequential, multiple, exemplary, punitive and incidental damage claimed directly by any Purchaser Indemnified Person, but including any such damage to the extent that a Purchaser Indemnified Person becomes liable therefore pursuant to any Third Party Claim), fine, penalty or expenses (collectively, "Damages"), incurred by the Purchaser Indemnified Persons arising, directly or indirectly, from or in connection with:

(a) any breach of any representation or warranty made by the Company in this Agreement as of the date of this Agreement and as if made again as of the Closing, excluding any such breach under Sections 3.12(b), 3.20, 3.23 or 3.26 arising after the date hereof and resulting from or caused by (i) economic or industry conditions within the United States or generally affecting the industry in which the Company and the Retained Subsidiaries operate, (ii) changes in U.S. or global financial markets or conditions, (iii) any generally applicable change in law, rule or regulation or GAAP or interpretation of any thereof or (iv) the announcement of this Agreement or the Contemplated Transactions;

(b) any breach by the Company of any covenant or obligation of the Company to be performed prior to or at Closing in this Agreement;

(c) any breach by the Members of any covenant or obligation of the Members in this Agreement; and

(d) the litigation matters listed as items 2 and 3 on Schedule 3.16 to the extent not covered by insurance maintained by the Company.

8.3 INDEMNIFICATION AND PAYMENT OF DAMAGES BY PURCHASER. Purchaser will indemnify and hold harmless the Members for, and will pay to the Members, the amount of any Damages incurred by the Members arising, directly or indirectly, from or in connection with:

(a) any breach of any representation or warranty made by Purchaser in this Agreement and as if made again as of the Closing; or

(b) any breach by Purchaser of any covenant or obligation of Purchaser in this Agreement.

8.4 LIMITATIONS ON INDEMNIFICATION.

(a) Except for claims under SECTION 8.2(d) which shall not be subject to the Indemnification Threshold, no claim shall be made for indemnification against the Members pursuant to this Agreement unless and until the aggregate amount of Damages incurred by the Purchaser Indemnified Persons under this Agreement exceeds $1,000,000 (the "Indemnification Threshold") and then the Members shall be liable for Damages only to the extent of the excess over the Indemnification Threshold. Notwithstanding the above, if the Company after Closing collects receivables in excess of the accounts receivable net of its allowance as of the Closing

Date as shown on the detailed accounting provided to Purchaser under SECTION 2.2(b), the Indemnification Threshold shall be increased by the amount of such excess.

(b) No claim shall be made for indemnification against Purchaser pursuant to this Agreement unless and until the aggregate amount of Damages incurred by the Members exceeds the Indemnification Threshold and then Purchaser shall be liable for Damages only to the extent of the excess over the Indemnification Threshold.

(c) The total liability of the Members to Purchaser under SECTION 8.2 or of Purchaser to the Members under SECTION 8.3 hereof shall be limited in the aggregate (for the Members on the one hand and the Purchaser on the other hand, not combined) to $12,500,000 and in no event shall at any time exceed the amount held in the Escrow Account.

8.5 INDEMNIFICATION BY THE EXCLUDED SUBSIDIARIES. The Excluded Subsidiaries will severally indemnify and hold harmless the Company, the Retained Subsidiaries, the Purchaser and its Affiliates for, and will pay to such Persons, the amount of Damages required to be paid by such Persons arising, directly or indirectly, from or in connection with any claim, suit, course of action, investigation or proceeding of any kind whatsoever which relates to, or arises from, any Liabilities of the Excluded Subsidiaries before, on or after the Closing Date. Claims hereunder may be brought at any time after Closing. The limitations of SECTION 8.4 shall not apply to this SECTION 8.5.

8.6 PROCEDURE FOR INDEMNIFICATION--THIRD PARTY CLAIMS.

(a) If any Members or Purchaser Indemnified Person entitled to indemnification under this Agreement (an "Indemnitee") receives notice of the commencement of any Proceeding by any Person who is not a party to this Agreement or an affiliate of such a party (a "Third Party Claim") against such Indemnitee for which a party is obligated to provide indemnification under this Agreement (an "Indemnifying Party"), the Indemnitee will give such Indemnifying Party reasonably prompt written notice thereof (the "Third Party Claim Notice"), but the failure to so notify Indemnifying Party shall not relieve Indemnifying Party of its indemnity obligations with respect to such Third Party Claim unless the Indemnifying Party establishes that the defense of such Third Party Claim is actually prejudiced by the Indemnitee's failure to give such notice. The Third Party Claim Notice will describe the Third Party Claim in reasonable detail and will indicate the estimated amount, if reasonably practicable, of the Damages that have been or may be sustained by the Indemnitee. Except as otherwise set forth in this SECTION 8.5, the Indemnifying Party will have the right to assume the defense of any Third Party Claim at the Indemnifying Party's own expense and with counsel selected by the Indemnifying Party (which counsel shall be reasonably satisfactory to the Indemnitee) by giving to the Indemnitee written notice in which the Indemnifying Party acknowledges its responsibility to indemnify the Indemnitee (the "Assumption Notice") no later than thirty calendar days after receipt of the Third Party Claim Notice. The Indemnifying Party shall not be entitled to assume the defense of, and the Indemnitee shall be entitled to have sole control over, the defense or settlement of any Third Party Claim to the extent that such claim seeks an order, injunction or other equitable relief against the Indemnitee which, if successful, would be reasonably likely to materially interfere with the business, operations, assets, or financial condition of the Indemnitee. In the event the Indemnifying Party assumes the defense of a Third Party Claim, the Indemnitee

will cooperate in good faith with the Indemnifying Party in such defense and will have the right to participate in the defense of any Third Party Claim assisted by counsel of its own choosing and at its own expense. Notwithstanding the foregoing, if the named parties to the Third Party Claim (including any impleaded parties) include both the Indemnifying Party and the Indemnitee or if the Indemnifying Party proposes that the same counsel represent both the Indemnitee and the Indemnifying Party and the Indemnitee in good faith determines that representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them, then the Indemnitee shall have the right to retain its own counsel (which counsel shall be reasonably satisfactory to the Indemnifying Party) at the cost and expense of the Indemnifying Party. If the Indemnitee does not receive the Assumption Notice within the thirty calendar day period set forth above or if the Indemnifying Party is not entitled to assume the defense of the Third Party Claim, the Indemnitee shall have sole control over the defense and settlement of the Third Party Claim, and the Indemnifying Party will be liable for all Damages paid or incurred in connection therewith; provided that the Indemnifying Party may elect to participate in such proceedings, negotiation or defense at any time at its own expense.

(b) If the Indemnifying Party assumes the defense of the Third Party Claim, the Indemnifying Party shall not compromise or settle such claim without the Indemnitee's consent unless (i) there is no finding or admission of any violation of legal requirements or any violation of the rights of any Person by the Indemnitee and no effect on any other claims that may be made against the Indemnitee, (ii) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party and (iii) the settlement includes as an unconditional term a complete release of each Indemnitee from all liability in respect of such claim.

(c) Each Indemnifying Party who assumes the defense of a Third Party Claim shall use reasonable efforts to diligently defend such claim.

8.7 PROCEDURE FOR INDEMNIFICATION--DIRECT CLAIMS. If an Indemnified Party shall claim indemnification hereunder for any claim other than a Third Party Claim, the Indemnified Party shall notify the Indemnifying Party in writing of the basis for such claim setting forth the nature and amount (or reasonable estimate) of the Damages resulting from such claim. The Indemnifying Party shall give written notice of any disagreement with such claim within 15 days following receipt of the Indemnified Party's notice of the claim, specifying in reasonable detail the nature and extent of such disagreement. If the Indemnifying Party and the Indemnified Party are unable to resolve any disagreement (a "Dispute") within 30 days following receipt by the Indemnified Party of the notice referred to in the preceding sentence, the disagreement shall be submitted for resolution by arbitration administered by and in accordance with the rules of the American Arbitration Association (the "AAA Rules"). Disputes shall be heard and decided by a single arbitrator agreed to by the Indemnified Party and the Indemnifying Party from the American Arbitration Association's National Roster of Arbitrators or, if the parties cannot agree on an arbitrator, appointed from the same panel in accordance with the AAA Rules. All arbitration hearings shall be conducted in Charlotte, North Carolina. The parties agree that this agreement to arbitrate does not extend to any demand which would be barred by the applicable

statute of limitations, that any award on such a demand would exceed the scope of the arbitrator's authority under this Agreement, and that either party may apply to the court for a stay of arbitration of any claim that would be barred by the applicable statute of limitations. The arbitrator shall have no power to award punitive or exemplary damages or to ignore or vary the terms of this Agreement and shall be bound to apply controlling law. The arbitrator shall have the authority to award interest on any damages and to award attorneys fees and costs to the prevailing party or parties, if any, or to allocate such fees and costs as the arbitrator shall determine to be equitable. A judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof and may include the award of prejudgment interest, attorneys' fees and other costs. The parties agree that such arbitration will be in lieu of either party's rights to assert any claim, demand or suit in any court action, provided that either party may elect to initiate a court action solely to obtain injunctive relief. The parties further agree that any disputes as to the applicability of the indemnification provisions of this Article VIII shall also be submitted to arbitration in accordance with the foregoing provisions.

8.8 SUBROGATION. Upon any payment of Damages to an Indemnitee, the Indemnifying Party shall be subrogated to all rights of the Indemnitee with respect to the Damages to which such indemnification relates; provided, however, that the Indemnifying Party will only be subrogated to the extent that any amount paid by it pursuant to this Agreement in connection with such Damages; and provided further that no such right of subrogation will arise in favor of an Indemnifying Party if such right would give such Indemnifying Party the right to be reimbursed or further indemnified by the Company.

8.9 EXCLUSIVE REMEDY. From and after the Closing, the right to indemnification and other rights under this Article VIII shall constitute Purchaser's and the Members' sole and exclusive remedies with respect to any and all claims arising under or relating to this Agreement or the transactions contemplated by this Agreement. In furtherance of the foregoing, Purchaser and the Members and their respective Affiliates hereby waive, from and after the Closing, to the fullest extent permitted by law, any and all rights, claims and causes of action that they may have against any other party or its Affiliates, except those arising under this Article VIII. Without limiting the generality of the foregoing, Purchaser shall have no right of rescission following the Closing with respect to the transactions contemplated by this Agreement. The foregoing shall not waive, limit or restrict any parties' rights to enforce the Noncompetition Agreements or any employment or consulting agreements pursuant to the terms thereof. Notwithstanding anything in this Article VIII, nothing in this Agreement shall limit the representations made by the Members at Closing in the Assignment of Membership Interests to be executed by each Member at Closing or the rights or remedies that the Purchaser may have directly against such Member pursuant to such representations or otherwise under the Assignment of Membership Interests.

ARTICLE IX

TERMINATION

9.1 TERMINATION. Anything contained in this Agreement to the contrary notwithstanding, this Agreement may be terminated at any time prior to the Closing Date (the "Agreement Termination Date").

9.1.1 by mutual consent of Purchaser, the Company, and the Members' Representative;

9.1.2 by Purchaser, the Company or the Members' Representative if the Closing shall not have occurred on or before July 15, 2004 (or such later date as may be mutually agreed to by Purchaser, the Company, and the Members' Representative), provided that the failure to close by such date shall not have been caused by the failure of the party seeking termination to comply fully with any of its obligations under this Agreement;

9.1.3 by Purchaser in the event of any material breach by the Company or the Members of any of the Company's or the Members' agreements, covenants, representations or warranties contained herein and which breach, if unremedied, would cause any condition precedent stated in Article V not to be satisfied and the breach continues for a period of fifteen (15) days after receipt of notice from Purchaser requesting such breach to be cured; or,

9.1.4 by the Company and the Members' Representative in the event of any material breach by Purchaser of any of Purchaser's agreements, covenants, representations or warranties contained herein and which breach, if unremedied, would cause any condition precedent stated in Article VI not to be satisfied and the breach continues for a period of fifteen (15) days after receipt of notice from the Members' Representative requesting such breach to be cured.

9.1.5 by either Purchase, the Company or the Members' Representative in the event that any of the conditions set forth in SECTION 5.2, 5.4, 6.2 or 6.5 shall have become incapable of fulfillment (other than through the failure of the party seeking termination to comply fully with any of its obligations under this Agreement).

9.2 NOTICE OF TERMINATION. Any party desiring to terminate this Agreement pursuant to SECTION 9.1 shall give notice of such termination to the other party to this Agreement.

9.3 EFFECT OF TERMINATION. In the event this Agreement shall be terminated pursuant to SECTION 9.1.1, each party shall pay all expenses incurred by it in connection with this Agreement, and no party shall have any further obligations or liability for any damages or expenses under this Agreement. In the event of any other termination, all further obligations of the parties under this Agreement (other than as provided in SECTION 10.10 below) shall be terminated without further liability of any party to the other, but each party shall retain any and all rights incident to a breach by the other party of any covenant, representation or warranty under this Agreement.

ARTICLE X

GENERAL PROVISIONS

10.1 NOTICES. All notices, requests, demands and other communications shall be in writing and shall be delivered by hand or mailed by registered or certified mail, return receipt

requested, first class postage prepaid, or sent by telecopy confirmed by a copy sent by the sender registered or certified mail, first class postage prepaid, in each case, addressed as follows:

10.1.1 If to the Company:

CorrFlex Graphics, LLC
701 Rickert Street (28677)
P. O. Box 5878 (28687)
Statesville, North Carolina
Attention: L. Kerry Vickar and Bryan L. Smith
Fax: (704) 872-7778

and to

Robinson, Bradshaw Hinson
101 N. Tryon Street, #1900
Charlotte, North Carolina 28246
Attention: Allain C. Andry, Esq.
Fax: (704) 373-3959

10.1.2 If to Members' Representative:

L. Kerry Vickar
789 Harbour Isles Court
North Palm Beach, Florida 33410
Fax: (561) 775-8338

and to

Bryan L. Smith
1826 Plumbago Lane
Naples, Florida 34105
Fax: (239) 434-7131

and to

Robinson, Bradshaw Hinson
101 N. Tryon Street, #1900
Charlotte, North Carolina 28246
Attention: Allain C. Andry, Esq.
Fax: (704) 373-3959

10.1.3 If to Purchaser:

Sonoco Products Company
1 North Second Street
Hartsville, South Carolina 29550
Attn: President
Telecopier: (843) 383-7478

and to:

Haynsworth Sinkler Boyd, P.A.
1201 Main Street, Suite 2200
Columbia, South Carolina 29201
Attn: William C. Boyd,. Esq.
Telecopier: (803) 540-7878

10.1.4 If delivered personally, the date on which a notice, request, instruction or document is delivered shall be the date on which such delivery is made and, if delivered by mail, the date on which such notice, request, instruction or document is received shall be the date of delivery, and in the case of telecopy, when the telecopy or the confirmed copy is received, whichever is earlier. In the event any such notice, request, instruction or document is mailed to a party in accordance with this SECTION 10.1 and is returned to the sender as nondeliverable, then such notice, request, instruction or document shall be deemed to have been delivered, or received on the fifth day following the deposit of such notice, request, instruction, or document in the United States mail.

10.1.5 Any party hereto may change its address specified for notices herein by designating a new address by notice in accordance with this SECTION 10.1.

10.2 BROKERS. Purchaser represents and warrants to the Company that no broker or finder has acted for it or any entity controlling, controlled by or under common control with it in connection with this Agreement. The Company and the Members represent and warrant to Purchaser that, except for Wachovia Securities whose fees and expenses shall be paid by the Members at Closing from the transaction proceeds, no broker or finder has acted for them or any entity controlling, controlled by or under common control with them in connection with this Agreement. Purchaser releases, discharges and agrees to indemnify and hold harmless the Company and the Members against any fee, loss or expense arising out of any claim by any broker or finder employed or alleged to have been employed by it. The Members agree to jointly and severally indemnify and hold harmless Purchaser and the Company and the Retained Subsidiaries after Closing against any fee, loss, or expense arising out of any claim by any broker or finder employed or alleged to have been employed by them or the Company.

10.3 FURTHER ASSURANCE. Each party covenants that at any time, and from time to time, after the Closing Date, it will execute such additional instruments and take such actions as may be reasonably requested by the other parties to confirm or perfect or otherwise to carry out the intent and purposes of this Agreement.

10.4 WAIVER. Any failure on the part of either party hereto to comply with any of its obligations, agreements or conditions hereunder may be waived by the other party hereto. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver.

10.5 TAXES AND EXPENSES. All expenses incurred by the parties hereto in connection with or related to the authorization, preparation and execution of this Agreement and the Closing of the Contemplated Transactions, including, without limitation of the generality of the foregoing, all fees and expenses of agents, representatives, counsel and accountants employed by any such party, shall be borne solely and entirely by the Purchaser on the one hand for its expenses and the Members on the other hand for their expenses. The Company and the Retained Subsidiaries shall not be responsible for the third party expenses in connection with or related to the distribution of the Excluded Assets including the Excluded Subsidiaries or the authorization, preparation and execution of this Agreement and the Closing of the Contemplated Transactions.

10.6 BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, executors, administrators, successors and assigns.

10.7 HEADINGS. The section and other headings in this Agreement are inserted solely as a matter of convenience and for reference, and are not a part of this Agreement.

10.8 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties hereto and supersedes and cancels any prior agreements, representations, warranties, or communications, whether oral or written or implied, among the parties hereto relating to the Contemplated Transactions or the subject matter herein. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an agreement in writing signed by the party against whom or which the enforcement of such change, waiver, discharge or termination is sought.

10.9 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina.

10.10 CONFIDENTIALITY. Each party hereto shall, and shall cause its affiliates to, and shall use reasonable commercial efforts to cause its representatives to (a) hold in strict confidence and not utilize in its respective business or otherwise all information and documents concerning any other party hereto or any of its Affiliates or the Assets ("Confidential Information") furnished to it by such other party or its Representatives in connection with this Agreement or the transactions contemplated hereby and to (b) hold in strict confidence and not disclose the fact that the parties have entered into this Agreement or any documents executed pursuant hereto, except where disclosure may be required by judicial or administrative process or law or as may be necessary for each party to fulfill its obligations or to enforce its rights under this Agreement (or any documents executed pursuant hereto). Notwithstanding the foregoing, the following will not constitute Confidential Information for purposes of this Agreement: (i) information which was already in the possession of the disclosing party or its Affiliate prior to the date hereof and which was not acquired or obtained from any other party or its Affiliates, (ii) information which

is independently developed by the disclosing party or any Affiliate thereof without access to the Confidential Information and without utilizing its inspection rights hereunder, (iii) information which is obtained or was previously obtained by the disclosing party from a third Person who, insofar as is known to the disclosing party or its Affiliate, is not prohibited from transmitting the information to the other party or such Affiliate by a contractual, legal or fiduciary obligation to the other party or any of its Affiliates, and (iv) information which is or becomes generally available to the public other than as a result of a disclosure by the disclosing party or any Affiliate thereof or their agents or employees. If this Agreement is terminated pursuant to Article IX hereof, each party hereto will not use any such Confidential Information in competition with or in any manner to the detriment of the other party, will not disclose any Confidential Information except as required by court order or by law and will promptly return to the other party Confidential Information delivered to such party or its Representatives, by or on behalf of the other party. The foregoing shall not affect or limit any rights of Allied Capital Corporation in its capacity as a lender to the Company.

10.11 PUBLICITY. No party hereto shall issue any public announcement or similar publicity of the Contemplated Transactions without first obtaining the prior written consent of the Members' Representative and Purchaser; provided that nothing contained herein shall prohibit any party from making any public announcement if such party determines in good faith, on the advice of legal counsel, that such public disclosure is required by a Legal Requirement, so long as such party consults with the Members' Representative and Purchaser prior to making such disclosure.

10.12 ASSIGNMENT. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties.

10.13 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.14 PRONOUNS. All pronouns used herein shall be deemed to refer to the masculine, feminine or neuter gender as the context requires.

10.15 EXHIBITS INCORPORATED. All Exhibits attached hereto are incorporated herein by reference, and all blanks in such Exhibits, if any, will be filled in as required in order to consummate the transactions contemplated herein and in accordance with this Agreement.

10.16 CREATION OF THE HOLDING COMPANY.

(a) Prior to the Closing, the Company shall (i) create a wholly-owned limited liability company (the "Holding Company"), (ii) contribute to the Holding Company all of its equity interests in the Excluded Subsidiaries, and (iii) assign to the Holding Company all of its rights, duties and obligations under the Incentive Bonus Plan and cause the Holding Company to assume all such duties and obligations. Notwithstanding the foregoing assignment of the Incentive Bonus Plan, the obligation of the Members to fund the Incentive Bonus Plan in

connection with the Closing shall remain in effect pursuant to the terms of the Incentive Bonus Plan.

(b) At or prior to the Closing, the Company shall distribute in-kind to the Members its equity interest in the Holding Company in accordance with the distribution provisions of the Company's operating agreement, except that Allied Capital Corporation shall be distributed or granted a warrant to purchase an equity interest in the Holding Company on terms substantially identical to the terms of its existing warrants and purchase options in the Company.

(c) The Members hereby authorize the Board of Managers to make all amendments to the Incentive Bonus Plan that may be necessary or advisable to provide for or facilitate the transactions contemplated by this Agreement.

(d) At any time and from time to time after the date hereof, each party to this Agreement shall, at the request of the Company (for the period prior to the Closing) or the Members' Representative (for the period after the Closing), execute and deliver such instruments, agreements or other documents and take all such further action as the requesting Person may reasonably request to evidence or give effect to the provisions of this SECTION 10.16 and to otherwise carry out the intent of the parties hereunder.

10.17 OPERATING AGREEMENT. The Members agree that the terms of this Agreement supercede the membership interest transfer restrictions in Section 9 of the Company's operating agreement. If any provisions in such operating agreement would prevent or restrict any of the Contemplated Transactions, the Members waive the application and enforcement of such provisions to the extent reasonably necessary to prepare for and to close the Contemplated Transactions.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first-above mentioned.

SONOCO PRODUCTS COMPANY
("Purchaser")

By: _____
Name: _____
Title: _____

CORRFLEX GRAPHICS, LLC
("Company")

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

CORRFLEX PACKAGING, LLC
("Excluded Subsidiary")

By:

Name:

Title:

By:

Name:

Title:

N717CF, LLC
("Excluded Subsidiary")

By:

Name:

Title:

By:

Name:

Title:

LIST OF SCHEDULES

Schedule 1.65	Liens
Schedule 1.89	Working Capital
Schedule 2.1	Membership Interests Ownership
Schedule 2.2(a)	Financial Debt
Schedule 2.2(b)	Excluded Assets
Schedule 2.10	Key Employees
Schedule 2.11.2	Allocation Schedule
Schedule 2.16	ERM Proposal
Schedule 3.2	Jurisdictions Licensed to do Business; List of Predecessor Companies; Prior Business Names; Exceptions to Accuracy and Completeness of Minutes
Schedule 3.3	Outstanding conversion or exchange rights, subscriptions, options, warrants or other arrangements or commitments
Schedule 3.5	Financial Statements
Schedule 3.6	Accounts and Notes Receivable
Schedule 3.7	Material Permits
Schedule 3.8	Tax Matters
Schedule 3.9(a)	Real Property
Schedule 3.9(b)	Personal Property
Schedule 3.9(c)	Personal Property Exceptions.
Schedule 3.10	Real Property Leases

Schedule 3.11	Environmental Compliance
Schedule 3.12(a)	Contracts
Schedule 3.12(b)	Contract Exceptions
Schedule 3.13	Undisclosed Liabilities
Schedule 3.15	Consents
Schedule 3.16	Litigation
Schedule 3.18	Intellectual Property
Schedule 3.19	Employee Benefit Plans
Schedule 3.20	Employees
Schedule 3.21	Insurance
Schedule 3.22	Interests in Customers and Suppliers
Schedule 3.23	Customers and Supplies
Schedule 3.24	Officers and Directors
Schedule 3.25	Bank Accounts and Powers of Attorney
Schedule 3.26	Absence of Certain Changes or Events
Schedule 4.5	Consents
Schedule 5.6	Material Consents

LIST OF EXHIBITS

Exhibit 1.32	Escrow Agreement
Exhibit 1.62	Noncompetition Agreement
Exhibit 1.88	Transition Services Agreement
Exhibit 5.3	Form of Opinion of Counsel for the Company, the Excluded Subsidiaries and the Members
Exhibit 6.3	Form of Opinion of Counsel for Purchaser
Exhibit 7.2.1	Assignment of Membership Interests

AMENDMENT NO. 1
TO
MEMBERSHIP INTEREST PURCHASE AGREEMENT

This Amendment No. 1 to the Membership Interest Purchase Agreement, dated as of May 28, 2004 (the "Amendment"), among SONOCO PRODUCTS COMPANY, a South Carolina corporation ("Purchaser"), CORRFLEX GRAPHICS, LLC, a North Carolina limited liability company ("Company"), CORRFLEX PACKAGING, LLC, a North Carolina limited liability company, and N717CF, LLC, a North Carolina limited liability company (collectively the "Excluded Subsidiaries") and the members and option and warrant holders of the Company (collectively the "Members") amends the Membership Interest Purchase Agreement dated as of April 28, 2004, among Purchaser, the Company, the Excluded Subsidiaries and the Members (the "Agreement"). All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Agreement.

RECITALS

WHEREAS, the parties hereto entered into the Agreement pursuant to which Purchaser agreed to purchase from the Members, and the Members agreed to sell to Purchaser, all of the membership or other equity interests of the Company, subject to the terms and conditions set forth therein; and

WHEREAS, the parties seek to amend the Agreement to make certain changes as set forth below.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and in the Agreement, the parties hereby agree as follows:

AGREEMENT

1. Section 1.68 is hereby deleted in its entirety and replaced with the following:

"Preliminary Working Capital" shall mean the Working Capital estimated as of 11:59 p.m., Eastern Time, on May 29, 2004 by the Company by virtue of a statement to be delivered by the Company at Closing signed by the President and Chief Financial Officer of the Company certifying that such statement is their best estimate of Working Capital as of 11:59 p.m., Eastern Time, on May 29, 2004.

2. Section 2.1(i)(B) is hereby deleted in its entirety and replaced with the following:

"(B) any bonuses paid to employees outside of the ordinary course of business (other than any bonus paid to Robert Tiede) during the period beginning on the date hereof until Closing."

3. Section 2.2 is hereby amended by adding a new subsection (c) as follows:

"(c) L. Kerry Vickar hereby agrees to make a capital contribution to the Company immediately prior to the Closing in the amount of $5,320,521, which equals the special

bonus payment due to Robert Tiede from the Company as of the Closing (the "Bonus Payment"). L. Kerry Vickar further directs Purchaser to fund such capital contribution by withholding $5,320,521 at the Closing from the distribution amount to which he is entitled under Section 2.1. At the Closing, Purchaser shall cause the Company to make the Bonus Payment directly to Robert Tiede. The Company covenants that the Bonus Payment is the entire amount payable by the Company relating to the special bonus to Robert Tiede described in this subsection and that any breach of such covenant shall be covered by Article VIII, without regard to the Indemnification Threshold. Any Damages payable in accordance with the preceding sentence shall reduce the portion of the Escrow Amount to which L. Kerry Vickar is entitled in accordance with the Escrow Agreement."

4. Section 2.3 is hereby amended by deleting the first sentence and replacing it with the following:

"Within thirty (30) days after the Closing, the Company shall prepare and deliver to the Members' Representative a statement of Working Capital as of 11:59 p.m., Eastern Time, on May 29, 2004 ("Closing Date Working Capital Statement") which shall be prepared on a basis consistent with the method used in calculating Schedule 1.89."

5. Schedule 1.89 of the Agreement shall be amended by adding the following notes to the bottom of that Schedule:

"* Any cash held by the Company as of 11:59 p.m., Eastern Time, on May 29, 2004 shall be deemed to be part of the "current assets" and included in Working Capital on the Closing Date Working Capital Statement."

** The accrual of employee bonuses, although set forth on the Financial Statements, shall be excluded from the calculation of Working Capital for all purposes of the Agreement, including Section 2.3."

6. Schedule 2.11.2 of the Agreement shall be amended by deleting the parenthetical under "Non-Competition Agreements" and replacing it with the following:

"(L. Kerry Vickar, Bryan L. Smith, Whitney Honeycutt, Frank Russ, Michael M. Sherck, Janet Simpson, William Phillip Dunn, Jr. and Robert Carsten Tiede)."

7. Working Capital. Between the Closing and 11:59 p.m., Eastern Time, on May 29, 2004, Purchaser shall operate the business of the Company in the ordinary course consistent with past practice with respect to any matters that affect Working Capital.

8. Environmental Remediation. Pursuant to Section 2.16.1 and 2.16.2, Purchaser and the Company have agreed that the Remediation Amount, as defined, for the potential costs of post-closing remediation shall be $150,000 for the York, PA site and $100,000 for the Winston-Salem, NC site, which escrowed amounts shall be considered separate and available for use only with respect to the respective specified sites. On May 27, 2004 the Company provided notice to the State of Pennsylvania of its request for inclusion in the state UST fund redemption program. In addition to the requirements of Section 2.16.3, Purchaser agrees to take promptly all commercially reasonable action to qualify the York site for the state UST fund redemption

program. If the York site is definitely accepted into such program, to the extent that the site is therefore considered in compliance with Environmental Laws, Purchaser agrees to release the escrow funds for York that are in excess of the amount reasonably estimated to cover the owner's required costs (and associated expenses) under such program. For the Winston-Salem site, prior to beginning remediation, Purchase agrees first to notify NC DEHNR (to the most limited extent it deems reasonably necessary or advisable) of the findings from the site investigation and to seek the formal or informal acknowledgement or acquiescence of the state that no remedial action will be required.

9. Entire Agreement. This Amendment, together with the Agreement it amends, contains all the terms and conditions agreed upon by the parties relating to the subject matter of this Amendment, and supersedes all prior agreements, negotiations, correspondence, undertakings, and communications of the parties, whether oral or written, respecting that subject matter. Except as explicitly amended by this Amendment, all of the terms and conditions of the Agreement shall remain in full force and effect.

(signatures on following page)

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first written above.

CORRFLEX GRAPHICS, LLC

By:
Title:

CORRFLEX PACKAGING, LLC

By:
Title:

N717CF, LLC

By:
Title:

SONOCO PRODUCTS COMPANY

By:
Title:

(Signatures continued on following page)

MEMBERS:

- ----------	----------
L. Kerry Vickar	Leon E. Formancyzk
- ----------	----------
Bryan L. Smith	Larry J. Hockensmith
- ----------	----------
Whitney Honeycutt	Thomas L. Becht
- ----------	----------
Frank Russ	William Kenneth Kesler
- ----------	----------
Michael M. Sherck	Jeffrey S. Guillebeau
- ----------	----------
Janet Simpson	Jeffrey E. Tedder
_____	Allied Capital Corporation:
William Phillip Dunn, Jr.	
_____	By: _____
Robert Carsten Tiede	Name _____

(Signature page to Amendment No. 1 to Membership Interest Purchase Agreement)

EXHIBIT 10.4

EXECUTION COPY

==========

CONTRIBUTION AGREEMENT

BY AND BETWEEN

SONOCO PRODUCTS COMPANY

AND

AHLSTROM CORPORATION

DATED

APRIL 19, 2004

==========

TABLE OF CONTENTS

LIST OF EXHIBITS
TO CONTRIBUTION AGREEMENT

EXHIBIT	DESCRIPTION
Exhibit A	Definitions
Exhibit B	Organizational Chart of Sonoco and its Affiliates and Other Entities Engaged in the Sonoco Business
Exhibit C	Organizational Chart of Ahlstrom and its Affiliates and Other Entities Engaged in the Ahlstrom Business
Exhibit D	Form of Initial Articles of Association of the Joint Venture
Exhibit E	Business Plan
Exhibit F	Form of Minutes of Initial Joint Venture Shareholder's Meeting
Exhibit G	Form of New Articles of Association of the Joint Venture
Exhibit H	List of New Directors
Exhibit I	Form of Shareholders' Agreement
Exhibit J	Form of Joint Venture/Sonoco IP License Agreement
Exhibit K	Form of SDI IP License Agreement
Exhibit L	Form of Services Agreement
Exhibit M	Form of Joint Venture Supply Agreement
Exhibit N	Form of Representation Agreement
Exhibit O	Form of VP Supply Agreement
Exhibit P	Form of Opinion of Ahlstrom General Counsel
Exhibit Q	Form of Minutes of Board of Directors' Meeting
Exhibit R	Equalization Statement
Exhibit S	Description of Sonoco Reorganization
Exhibit T	Description of Ahlstrom Reorganization
Exhibit U	Ahlstrom Accounting Principles

LIST OF SCHEDULES
TO CONTRIBUTION AGREEMENT

SCHEDULE	DESCRIPTION
Schedule 5.3	List of Required Competition Filings
Schedule 5.10	List of Intercompany Debt and Applicable Rate of Interest
Schedule 5.14	UK Pension Plan Accounting Principles
Schedule 6.1	Sonoco Charter Documents
Schedule 6.2	Sonoco Consents
Schedule 6.3	Sonoco Group Capitalization and Ownership Structure
Schedule 6.6	Sonoco Employee Remuneration
Schedule 6.7	Sonoco Financial Statements
Schedule 6.8	Sonoco Undisclosed Liabilities
Schedule 6.9	Sonoco Absence of Changes
Schedule 6.10	Sonoco Outstanding Borrowings; Intercompany Debt
Schedule 6.11	Sonoco Related Party Transactions
Schedule 6.12	Sonoco Compliance with Laws
Schedule 6.13	Sonoco Tax Consolidation Agreements
Schedule 6.14	Sonoco Real Property
Schedule 6.15	Sonoco Environmental and Safety
Schedule 6.18	Sonoco Intellectual Property
Schedule 6.19	Sonoco Leased Personal Property
Schedule 6.20	Sonoco Material Agreement
Schedule 6.21	Sonoco Litigation; Disputes
Schedule 6.22	Sonoco Labor Relations
Schedule 6.24	Sonoco Subsidies
Schedule 7.1	Ahlstrom Charter Documents
Schedule 7.2	Ahlstrom Consents
Schedule 7.3	Ahlstrom Group Capitalization and Ownership Structure
Schedule 7.6	Ahlstrom Employee Remuneration
Schedule 7.7	Ahlstrom Financial Statements
Schedule 7.8	Ahlstrom Undisclosed Liabilities
Schedule 7.9	Ahlstrom Absence of Changes
Schedule 7.10	Ahlstrom Outstanding Borrowings; Intercompany Debt
Schedule 7.11	Ahlstrom Related Party Transactions
Schedule 7.12	Ahlstrom Compliance with Laws
Schedule 7.13	Ahlstrom Tax Consolidation Agreements
Schedule 7.14	Ahlstrom Real Property
Schedule 7.15	Ahlstrom Environmental and Safety

Schedule 7.18	Ahlstrom Intellectual Property
Schedule 7.19	Ahlstrom Leased Personal Property
Schedule 7.20	Ahlstrom Material Agreements
Schedule 7.21	Ahlstrom Litigation; Disputes
Schedule 7.22	Ahlstrom Labor Relations
Schedule 7.24	Ahlstrom Subsidies

CONTRIBUTION AGREEMENT

This CONTRIBUTION AGREEMENT (this "CONTRIBUTION AGREEMENT") is entered into on April 19, 2004 by and between Sonoco Products Company, a company incorporated under the laws of South Carolina, located at One North Second Street, Hartsville, South Carolina, 29550, U.S.A. ("SONOCO PRODUCTS"), and Ahlstrom Corporation, a company incorporated under the laws of Finland, with its registered office at Etelaesplanadi 14, 00130, Helsinki, Finland ("AHLSTROM CORP"). Each of Sonoco Products and Ahlstrom Corp is hereinafter referred to individually as a "Party" and collectively as the "PARTIES."

RECITALS OF THE PARTIES

A. Sonoco Products, through its Affiliates and other entities in which it has an ownership interest as of the Closing included in the organizational chart set forth on Exhibit B, is engaged in the paper core/tube and core board business in Europe (the "SONOCO BUSINESS");

B. Ahlstrom Corp, through its Affiliates and other entities in which it has an ownership interest as of the Closing included in the organizational chart set forth on Exhibit C is engaged in the paper core/tube and core board business in Europe (the "AHLSTROM BUSINESS");

C. The Parties desire to create a joint venture through the combination of the Sonoco Business and the Ahlstrom Business (the "TRANSACTION") in a holding company to be organized under the laws of Luxembourg (the "JOINT VENTURE");

D. This Contribution Agreement is being entered into by the Parties to set forth the terms and conditions pursuant to which the Sonoco Business and the Ahlstrom Business will be contributed to the Joint Venture in exchange for Joint Venture shares; and

E. Upon completion of the transactions contemplated by this Contribution Agreement, Sonoco Products and Ahlstrom Corp will, directly or indirectly, own 64.5% and 35.5%, respectively, of the Joint Venture shares.

NOW, THEREFORE, the Parties hereby agree as follows:

1. DEFINITIONS

For all purposes of this Contribution Agreement, capitalized terms used herein shall have the meanings ascribed to such terms in Exhibit A.

2. FORMATION AND CONTRIBUTION

2.1 FORMATION OF THE JOINT VENTURE

(a) Prior to the Closing, Sonoco Products shall cause the formation of the Joint Venture as a limited liability company (Societe a Responsabilite Limitee) pursuant to the laws of Luxembourg under the corporate name "Sonoco - JV S.a r.l.".

(b) The Joint Venture shall have an initial registered share capital of EUR12,500, which Sonoco Products shall cause to be paid in full to the Joint Venture in cash prior to the registration of the Joint Venture with the Commercial Register of Luxembourg, Grand Duchy of Luxembourg.

(c) The initial articles of association of the Joint Venture shall be executed in the form attached as Exhibit D.

(d) Sonoco Products undertakes to ensure through the Closing: (i) that the Joint Venture will not carry out any activity, enter into any Agreements or assume any Liabilities; and (ii) that none of the shares in the Joint Venture are Transferred and no Encumbrance is created with respect to such shares, except, in each of (i) and (ii), as may be required under the laws of Luxembourg in connection with the Joint Venture's formation or as specifically contemplated in this Contribution Agreement.

(e) The initial five-year strategic business plan of the Joint Venture is attached as Exhibit E (the "BUSINESS PLAN").

2.2 CONTRIBUTION AND OWNERSHIP

(a) Sonoco Contribution and Ownership. On the Closing, in accordance with, and subject to, the provisions of this Contribution Agreement: (i) Sonoco Products shall cause to be contributed, assigned, transferred and conveyed to the Joint Venture by way of contribution in kind (Sacheinlage) the Sonoco Contributed Shares, free and clear of all Encumbrances (other than the Encumbrances listed on Schedule 6.3) and together with all rights which are on the Closing Date, or may thereafter become, attached to them (including the right to receive all undistributed profits, dividends and distributions), and the Joint Venture shall accept the Sonoco Contributed Shares (the "SONOCO CONTRIBUTION"); and (ii) the Joint Venture shall issue to Sonoco Luxco Class A shares of the Joint Venture in a nominal amount of EUR 25 representing, together with all shares previously owned by Sonoco Luxco, 64.5% of the issued and outstanding shares, of all classes, of the Joint Venture as of the Closing Date (the "SONOCO SHARES") and a share reserve account in the maximum amount possible to be agreed further by the

Parties prior to the Closing Date that would not reasonably be expected to cause any additional capital Tax Liability to any Party or any of their Affiliates.

(b) Ahlstrom Contribution and Ownership. On the Closing, in accordance with, and subject to, the provisions of this Contribution Agreement: (i) Ahlstrom Corp shall cause to be contributed, assigned, transferred and conveyed to the Joint Venture by way of contribution in kind (Sacheinlage) the Ahlstrom Contributed Shares, free and clear of all Encumbrances (other than the Encumbrances listed on Schedule 7.3) and together with all rights which are on the Closing Date, or may thereafter become, attached to them (including the right to receive all undistributed profits, dividends and distributions), and the Joint Venture shall accept the Ahlstrom Contributed Shares (the "AHLSTROM CONTRIBUTION"); and (ii) the Joint Venture shall issue to Ahlstrom Holding Class B shares of the Joint Venture in a nominal amount of EUR 25 representing 35.5% of the issued and outstanding shares, of all classes, of the Joint Venture as of the Closing Date (the "AHLSTROM SHARES") and a share reserve account in the maximum amount possible to be agreed further by the Parties prior to the Closing Date that would not reasonably be expected to cause any additional capital Tax Liability to any Party or any of their Affiliates.

3. CLOSING

3.1 DATE AND PLACE OF CLOSING

The Closing of the Transaction (the "CLOSING") shall take place at the offices of Hogan & Hartson Raue L.L.P., Potsdamer Platz 1, 10785 Berlin, Germany, on the last Business Day of the calendar month in which the conditions precedent to the Closing set forth in Sections 8 and 9 have been satisfied or waived by the Party for whose benefit the condition exists (to the extent such conditions may be waived), with effect as of the last day of such calendar month or such other date as is mutually agreed upon by the Parties (the "CLOSING DATE").

3.2 CLOSING ACTIONS

At the Closing, the Parties shall take, or cause their relevant Affiliates to take, the following actions in the sequence of (a) through (h) below:

(a) Joint Venture Shareholder's Meeting. The holding by Sonoco Luxco of a shareholder's meeting of the Joint Venture before a Luxembourg notary resolving as substantially set forth in the draft minutes attached as Exhibit F, including that: (i) the stated capital of the Joint Venture shall be increased by the Sonoco Contribution and the Ahlstrom Contribution; (ii) new shares shall be created and issued to Sonoco Luxco and Ahlstrom Holding, respectively; (iii) the initial articles of association of the Joint Venture, attached as Exhibit D, shall be amended

by adopting new articles of association substantially in the form of Exhibit G; (iv) the new directors listed in Exhibit H shall be appointed; and (v) the accounting rules and procedures with respect to the application of International Accounting Standards to be used by the Joint Venture shall be adopted.

(b) Share Transfer Agreements and Deeds.

(i) The authorization and execution by the Joint Venture and Sonoco Luxco of share transfer agreements, notarial deeds or comparable documents, as applicable, with respect to the transfer to the Joint Venture of the Sonoco Contributed Shares in the form customary for the jurisdiction of organization of the Sonoco Group company represented by such Sonoco Contributed Shares and reasonably acceptable to Ahlstrom Corp; and

(ii) The authorization and execution by the Joint Venture, Ahlstrom Corp and Ahlstrom Holding, of a notarial deed with respect to the transfer to the Joint Venture of the Ahlstrom Contributed Shares in the form customary in Germany and reasonably acceptable to Sonoco Products.

(c) Registration of Sonoco Shares and Ahlstrom Shares. The registration by the Joint Venture of the newly created and issued Sonoco Shares and Ahlstrom Shares in the name of Sonoco Luxco and Ahlstrom Holding, respectively in the stock book of the Joint Venture;

(d) Resignation of Initial Joint Venture Directors. The delivery by Sonoco Products or its Affiliate of the resignation letters of all directors of the Joint Venture;

(e) Related Documents.

(i) The authorization and execution by Sonoco Luxco and Sonoco Products, on the one hand, and Ahlstrom Holding and Ahlstrom Corp, on the other hand, of the Shareholders' Agreement substantially in the form of Exhibit I (the "SHAREHOLDERS' AGREEMENT");

(ii) The authorization and execution by Sonoco Products, as licensee, and the Joint Venture, as licensor, of an IP License Agreement substantially in the form of Exhibit J (the "JOINT VENTURE/SONOCO IP LICENSE AGREEMENT");

(iii) The delivery of an authorized and executed IP License Agreement by and between Sonoco Development Inc., as licensor, and Sonoco Newco Gibraltar, as licensee, substantially in the form of Exhibit K (the "SDI IP LICENSE AGREEMENT"), together with documents in customary form evidencing that the SDI IP License Agreement has been (1) assigned by Sonoco Newco Gibraltar to Sonoco Luxco and (2) contributed by Sonoco Luxco to Sonoco Newco Swiss;

(iv) The authorization and execution by each of Sonoco Products or its affiliate and Ahlstrom Corp and its affiliate, as the case may be, and the Joint Venture, respectively, of Services Agreements substantially in the form of, and for the services described on the exhibits to such Services Agreements set forth on, Exhibit L (the "SERVICES AGREEMENTS");

(v) The authorization and execution by the Joint Venture or its Affiliate and Ahlstrom Corp or its Affiliate of a Supply Agreement substantially in the form of Exhibit M (the "JOINT VENTURE SUPPLY AGREEMENT");

(vi) The authorization and execution by the Joint Venture or its Affiliate and Ahlstrom Corp of a Representation Agreement, pursuant to which Ahlstrom Corp shall exercise its rights as a shareholder in Paperinkerays Oy in the interest and at the direction of the Joint Venture, substantially in the form of Exhibit N (the "REPRESENTATION AGREEMENT"); and

(vii) The authorization and execution by each of the Joint Venture and Ahlstrom Corp of a Supply Agreement substantially in the form of Exhibit O (the "VP SUPPLY AGREEMENT").

(f) Charter Documents.

(i) The delivery by Ahlstrom Corp of copies of the following supporting documents (in form and substance reasonably satisfactory to Sonoco Products):

(A) trade register extract or comparable document in effect on the Closing Date from an appropriate Governmental Authority, dated as of a date

reasonably close in time to the Closing Date, of each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies as in effect on the Closing Date, if the trade register extract or comparable document for any such entity set forth on Schedule 7.1 is no longer true, correct and complete as of the Closing Date; and

(B) (i) a true, correct and complete copy of each of the articles of association and by-laws (or comparable documents) of each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies as in effect on the Closing Date, if the articles of association or by-laws (or comparable documents) for any such entity set forth on Schedule 7.1 are no longer true, correct and complete as of the Closing Date; and (ii) (1) an opinion of the general counsel of Ahlstrom Corp as to the authorization, execution and performance of the Contribution Agreement and the Related Documents by Ahlstrom Corp in the form of Exhibit P, and (2) a true, correct and complete copy of all resolutions adopted by the board of managers or board of directors (and any committees thereof), and the unitholders or stockholders, of each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies (as applicable) authorizing the execution and performance of this Contribution Agreement and the Related Documents.

(ii) The delivery by Sonoco Products of copies of the following supporting documents (in form and substance reasonably satisfactory to Ahlstrom Corp):

(A) trade register extract or comparable document in effect on the Closing Date from an appropriate Governmental Authority, dated as of a date reasonably close in time to the Closing Date, of each of the Sonoco Holding Companies and the Sonoco Operating Companies as in effect on the Closing Date, if the trade register extract or comparable document for any such entity set forth on Schedule 6.1 is no longer true, correct and complete as of the Closing Date; and

(B) (i) a true, correct and complete copy of each of the articles of association and by-laws (or comparable documents) of each of the Sonoco Holding Companies and the Sonoco Operating Companies as in effect on the Closing Date, if the articles of association or by-laws (or comparable documents) for any such entity set forth on Schedule 6.1 are no longer accurate; and (ii) a true, correct and complete copy of all resolutions adopted by the board of managers or board of directors (and any committees thereof), and the unitholders or stockholders, of each such entity (as applicable) authorizing the execution and performance of this Contribution Agreement and the Related Documents.

(g) Board of Directors' Meeting. The holding of a board of directors' meeting of the Joint Venture resolving substantially as set forth in the draft minutes attached as Exhibit Q including that: (i) the appointment of James A. Harrell, III, as chief executive officer shall be approved; (ii) the Business Plan shall be adopted; and (iii) the annual budget of the Joint Venture shall be adopted.

4. POST CLOSING REVIEW

4.1 UNDERSTANDING OF THE PARTIES

The Parties agree that:

(a) each of the Sonoco Reorganization and the Sonoco Contribution as well as the Ahlstrom Reorganization and the Ahlstrom Contribution shall be carried out with economic effect as of December 31, 2003;

(b) the equalization statement attached as Exhibit R (the "EQUALIZATION STATEMENT") sets forth:

(i) the pro forma Sonoco Financial Statements described in Section 6.7(a)(ii) and attached as Schedule 6.7 and the pro forma Ahlstrom Financial Statement described in Section 7.7(a)(ii) and attached as Schedule 7.7;

(ii) the aggregate value of the Net Cash/Interest Bearing Debt of the Sonoco Holding Companies and Sonoco Operating Companies as of December 31, 2003, calculated on a consolidated basis, which value is intended to reflect the

results of the Sonoco Reorganization as if such reorganization was completed as of December 31, 2003.

(iii) the aggregate value of the Net Cash/Interest Bearing Debt of the Ahlstrom Holding Companies and Ahlstrom Operating Companies as of December 31, 2003, calculated on a consolidated basis, which value is intended to reflect the results of the Ahlstrom Reorganization as if such reorganization was completed as of December 31, 2003; and

(iv) the agreed Sonoco Equalization Amount and the Ahlstrom Equalization Amount calculated in a manner more fully described in the Equalization Statement and to be settled in accordance with Sections 5.1(c) and 5.1.(d), respectively;

(c) there shall be no transactions of the Sonoco Holding Companies, Sonoco Operating Companies and the Sonoco Predecessor Companies with other Sonoco entities occurring during the period from December 31, 2003 until the Closing Date (the "REFERENCE PERIOD") other than transactions contemplated by and occurring in connection with the Sonoco Reorganization or necessary for the settlement of the Equalization Amount, contemplated by the Equalization Statement or Section 6.5, or transactions occurring in the Ordinary Course of Business of the Sonoco Business (the "SONOCO PROHIBITED TRANSACTIONS");

(d) there shall be no transactions of the Ahlstrom Holding Companies and Ahlstrom Operating Companies with other Ahlstrom entities occurring during the Reference Period, other than transactions contemplated by and occurring in connection with the Ahlstrom Reorganization or necessary for the settlement of the Equalization Amount, contemplated by the Equalization Statement, or transactions occurring in the Ordinary Course of Business of the Ahlstrom Business (the "AHLSTROM PROHIBITED TRANSACTIONS"); and

(e) all transactions contemplated under this Section 4.1 will be carried out with economic effect as if they had been carried out on December 31, 2003, applying an interest rate of 3 % per annum as applicable.

4.2 DELIVERY AND REVIEW OF CLOSING STATEMENTS

(a) As soon as practicable after the Closing Date (but in no case later than 45 days after the Closing Date):

(i) Sonoco Products shall cause to be prepared and delivered to Ahlstrom Corp:

(A) a statement identifying all deviations from the Sonoco Reorganization as contemplated by this Agreement and the Equalization Statement (the "SONOCO REORGANIZATION DEVIATIONS");

(B) a statement describing the difference, if any, between the actual aggregate value of the consolidated Net Cash/Interest Bearing Debt of the Sonoco Holding Companies and Sonoco Operating Companies as of December 31, 2003, which value shall reflect the results of the Sonoco Reorganization as if such reorganization was completed as of December 31, 2003, and the aggregate value of the consolidated Net Cash/Interest Bearing Debt of each of the Sonoco Holding Companies and Sonoco Operating Companies as set forth in the Equalization Statement; and

(C) a statement identifying all Sonoco Prohibited Transactions occurring during the Reference Period, if any;

each of (A), (B) and (C) prepared in accordance with U.S. GAAP and the principles upon which the Sonoco Financial Statements were prepared (collectively, the "SONOCO CLOSING STATEMENTS"); and identifying separately the adjustments that have been carried out to calculate the economic benefit as of December 31, 2003; and

(ii) Ahlstrom Corp shall cause to be prepared and delivered to Sonoco Products:

(A) a statement identifying all deviations from the Ahlstrom Reorganization as contemplated by this Agreement and the Equalization Statement (the "AHLSTROM REORGANIZATION DEVIATIONS");

(B) a statement describing the difference, if any, between the actual aggregate value of the consolidated Net Cash/Interest Bearing Debt of the Ahlstrom Holding Companies and Ahlstrom Operating Companies as of December 31, 2003,

which value shall reflect the results of the Ahlstrom Reorganization as if such reorganization was completed as of December 31, 2003, and the aggregate value of the consolidated Net Cash/Interest Bearing Debt of each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies as set forth on the Equalization Statement; and

(C) a statement identifying all Ahlstrom Prohibited Transactions occurring during the Reference Period, if any;

each of (A), (B) and (C) prepared in accordance with Ahlstrom Accounting Principles and the principles upon which the Ahlstrom Financial Statements were prepared (the "AHLSTROM CLOSING STATEMENTS" and together with the Sonoco Closing Statement, the "CLOSING STATEMENTS"), and identifying separately the adjustments that have been carried out to calculate the economic benefit as of December 31, 2003.

(b) Each of Sonoco Products and its auditors and Ahlstrom Corp and its auditors shall conduct a review of the Ahlstrom Closing Statements and the Sonoco Closing Statements, respectively, and shall use good faith efforts to agree in writing upon: (i) the occurrence, and the net financial statement impact, of each of the Sonoco Reorganization Deviations and the Ahlstrom Reorganization Deviations, if any, (ii) the difference, if any, in the aggregate amount of the consolidated Net Cash/Interest Bearing Debt as described in the Sonoco Closing Statements and the Ahlstrom Closing Statements, respectively, as against the amount of such item set forth on the Equalization Statement, (iii) the occurrence, and the net financial statement impact, of each of the Sonoco Prohibited Transactions and the Ahlstrom Prohibited Transactions, if any, and (iv) the payments, if any, required to be made by Sonoco Products or Ahlstrom Corp, as the case may be, to, or Distributions to Sonoco Products or Ahlstrom Corp, as the case may be, from, the Joint Venture in order to (A) eliminate such net financial statement impact of each of the Sonoco Reorganization Deviations and the Ahlstrom Reorganization Deviations, (B) correct for any such differences in Net Cash/Interest Bearing Debt and (C) eliminate such net financial statement impact of each of the Sonoco Prohibited Transactions and the Ahlstrom Prohibited Transactions (such written agreement, the "SETTLEMENT AGREEMENT"). For the avoidance of doubt, and unless otherwise agreed by the Parties, (x) if the aggregate amount of the consolidated Net Cash/Interest Bearing Debt described on the Sonoco Closing Statement or the Ahlstrom Closing

Statement, as the case may be, is greater than the aggregate amount of the consolidated Net Cash/Interest Bearing Debt described on the Equalization Statement, then the Joint Venture shall be obligated to make a Distribution to Sonoco Products or Ahlstrom Corp, as the case may be, in an amount equal to the amount of such difference and (y) if the aggregate amount of the consolidated Net Cash/Interest Bearing Debt described on the Sonoco Closing Statement or the Ahlstrom Closing Statement, as the case may be, is less than the aggregate amount of the consolidated Net Cash/Interest Bearing Debt described on the Equalization Statement, then Sonoco Products or Ahlstrom Corp, as the case may be, shall be obligated to make a payment to the Joint Venture in an amount equal to the amount of such difference. Any such payments required to be made by Sonoco Products or Ahlstrom Corp, as the case may be, to the Joint Venture, shall be made (i) as a contribution to the free reserves of the Joint Venture, and not against issuance of shares of the Joint Venture, and include an amount equal to the capital contribution duty or any other taxes to be paid by the Joint Venture under Luxembourg law on such contribution to the free reserves or (ii) as a cancellation of Intercompany Debt. For the avoidance of doubt, any such payment shall not affect the other Partner's respective ownership percentage in the Joint Venture.

(c) Each of Sonoco Products and Ahlstrom Corp shall provide the other Party with access, during normal business hours, to its working papers, documents, financial information and other information as such other Party may reasonably request in connection with such review and examination of the Closing Statements.

4.3 DISPUTES

Either Party may object to the other Party's Closing Statement within ten Business Days of its receipt of such Closing Statement (the "EXAMINATION PERIOD") by providing to the other Party a written notice (an "OBJECTION NOTICE") describing in reasonable detail such Party's objections to any item or valuation of such Closing Statement. Either Party's failure to deliver an Objection Notice to the other Party by the end of the Examination Period shall constitute such Party's binding acceptance of such Closing Statement and all matters identified therein. If the parties are unable to resolve the objection described in an Objection Notice within 20 Business Days after an Objection Notice is delivered to a Party, then the matter shall be resolved pursuant to the accounting issue dispute resolution procedures set forth in Section 4.6.

4.4 SCHEDULE OF PAYMENTS

Any payments required to be made pursuant to this Section 4 shall be made as follows: (i) if no Party shall have delivered an Objection Notice to the other Party in accordance with the provisions of Section 4.3, then the payments, if any,

required to be made pursuant to the Settlement Agreement shall be made no later than five Business Days after the execution of the Settlement Agreement; and (ii) if a Party shall have delivered an Objection Notice to the other Party in accordance with the provisions of Section 4.3, then payments of any amounts set forth in the Accountant's Determination shall be made within five Business Days of the delivery of the Accountant's Determination as provided in Section 4.6.

4.5 JOINT VENTURE STARTING BALANCE SHEET

Within 90 days after the Closing Date, the Joint Venture auditors shall prepare and deliver to each Party and the Joint Venture a statement representing the unaudited consolidated balance sheet (the "JOINT VENTURE STARTING BALANCE SHEET") of the Joint Venture and the Sonoco Holding Companies and the Sonoco Operating Companies and the Ahlstrom Holding Companies and the Ahlstrom Operating Companies as of the Closing Date, which statement shall be prepared in accordance with International Accounting Standards, which will exclude footnotes and disclosures otherwise required, but including supplementary information as needed by the Parties, as applied according to the accounting rules and principles approved at the Second Joint Venture Shareholders' Meeting described in Section 3.2(a). The Joint Venture Starting Balance Sheet shall be the initial financial statement of the Joint Venture. The Joint Venture auditors shall also prepare and deliver to each Party and the Joint Venture financial statements prepared in accordance with U.S. GAAP which will exclude footnotes and disclosures otherwise required, but including supplementary information as needed by the Parties, together with a reconciliation between the International Accounting Standards and U.S. GAAP financial statements.

4.6 ACCOUNTING ISSUE DISPUTE RESOLUTION PROCEDURES

At such time as a matter becomes subject to resolution pursuant to the accounting issue dispute resolution procedures set forth in this Section 4.6, the Parties shall select an independent accounting firm of recognized international standing which shall resolve the issue as to which there is a dispute as promptly as possible. The accounting firm selected shall not at the time of selection be performing services for either Party or their Affiliates. A decision by the independent accounting firm as to the resolution of such issue, and the determination of the amount of any payments to be made as a result thereof, shall be (absent an agreement of the Parties regarding an error that is manifest) conclusive and binding upon the Parties for purposes of this Agreement (the "ACCOUNTANT'S DETERMINATION"). The Accountant's Determination shall: (i) be in writing; (ii) be made in accordance with principles upon which the relevant financial statement of the Parties or the Joint Venture were made; (iii) be made after having given each Party the opportunity to state its case in writing; (iv) set forth the basis upon which it is made; and (v) be incontestable by either Party and each of their

respective Affiliates and successors and not subject to collateral attack for any such reason. All fees and costs payable to the independent accounting firm referred to in this Section shall be borne by the Parties equally.

5. UNDERTAKINGS AND COVENANTS

5.1 COMPLETION OF REORGANIZATION; INTERIM PERIOD ADJUSTMENTS

(a) Prior to the Closing, Sonoco Products shall duly and validly complete, or cause to be duly and validly completed, all transactions, filings, registrations and other steps or actions contemplated by the reorganization of the Sonoco Business as described in Exhibit S (the "SONOCO REORGANIZATION"). Notwithstanding anything to the contrary in Exhibit S, and without prejudice to Section 10.2(d), Sonoco Products shall cause the Sonoco Reorganization to be carried out in a manner that neither any Sonoco Holding Company nor any Sonoco Operating Company owns or has any Liability for any Sonoco Excluded Asset or Liability.

(b) Prior to the Closing, Ahlstrom Corp shall duly and validly complete, or cause to be duly and validly completed, all transactions, filings, registrations and other steps or actions contemplated by the reorganization of the Ahlstrom Business as described in Exhibit T (the "AHLSTROM REORGANIZATION"). Notwithstanding anything to the contrary in Exhibit T, and without prejudice to Section 10.3(d), Ahlstrom Corp shall cause the Ahlstrom Reorganization to be carried out in a manner that neither any Ahlstrom Holding Company nor any Ahlstrom Operating Company owns or has any Liability for any Ahlstrom Excluded Asset or Liability.

(c) Prior to Closing, Sonoco Products shall cause to be Distributed, from the Sonoco Business cash in the amount of EUR 4,400,000, plus interest thereon at the rate of 3% per annum from December 31, 2003 to and including the date of distribution (such amount, including interest, the "SONOCO EQUALIZATION AMOUNT"). Alternatively, in connection with the Distribution of the Sonoco Equalization Amount, Sonoco may, at its election, cause the Sonoco Business to issue Indebtedness to a third Person in an amount equal to the Sonoco Equalization Amount, the proceeds of which shall be Distributed from the Sonoco Business.

(d) Prior to Closing, Ahlstrom Corp shall (i) contribute, or cause to be contributed, to the Ahlstrom Business cash in the amount of EUR 4,400,000, plus interest thereon at the rate of 3% per annum from December 31, 2003 to and including the date of contribution (such amount, including interest, the "AHLSTROM EQUALIZATION Amount"). Alternatively, in lieu of the contribution of the Ahlstrom Equalization Amount, Ahlstrom may, at its election, cancel, or caused to be

cancelled, Outstanding Borrowings of the Ahlstrom Business in an amount equal to the Ahlstrom Equalization Amount.

5.2 ACCESS TO RECORDS AND PROPERTIES

(a) Subject to the applicable confidentiality requirements and Laws, from and after the date hereof until the earlier of the Closing or the termination of this Agreement in accordance with its terms (the "INTERIM Period"), Sonoco Products shall provide, or cause to be provided, to Ahlstrom Corp and its Affiliates, and each of their respective authorized representatives, including, without limitation, accountants, consultants and attorneys (collectively, "REPRESENTATIVES"), the information they might reasonably request concerning the Interim Period business and financial results or reasonably related to its integration planning of the Sonoco Business and the Ahlstrom Business, together with monthly financial results of the Sonoco Business.

(b) Subject to applicable confidentiality requirements and Laws, during the Interim Period, Ahlstrom Corp shall provide, or cause to be provided, to Sonoco Products and its Affiliates, and each of their respective Representatives, the information they might reasonably request related to the monthly Interim Period business and financial results or reasonably continue its integration planning of the Sonoco Business and the Ahlstrom Business, together with monthly financial results of the Ahlstrom Business.

(c) Each Party agrees: that the information provided pursuant to this Section 5.2 shall not affect or otherwise diminish or obviate in any respect any of the representations and warranties or the indemnification rights of the other Party contained in this Contribution Agreement.

5.3 CONSENTS AND APPROVALS; UNDERTAKINGS TO COMPETITION AUTHORITIES

(a) Each Party shall take all commercially reasonable measures during the Interim Period to secure, or cause to be secured, such consents, authorizations and approvals of any Governmental Authority, and of any other Person, as may be necessary or advisable in order for such Party to carry out the transactions contemplated by this Contribution Agreement and to perform all of its other obligations hereunder, including, without limitation, in connection with the Sonoco Reorganization and the Ahlstrom Reorganization, and obtaining the Required Consents; and

(b) Each of Sonoco Products and Ahlstrom Corp shall, and shall cause the other Controlled members of the Sonoco Group and the Ahlstrom Group, respectively, during the Interim Period to cooperate in the filing of all forms, notifications, reports and information, and conduct of Proceedings, if any, required

or reasonably deemed advisable pursuant to Laws or Orders of any Governmental Authority in connection with the transactions contemplated by this Contribution Agreement, including, without limitation, the competition filings listed on Schedule 5.3 (the "REQUIRED COMPETITION FILINGS").

(c) In the event that a competent Governmental Authority in charge of a Required Competition Filing raises objections to the Transaction, the Parties undertake to use good faith best efforts to agree on appropriate measures to overcome these objections, it being understood: (i) that any such measure to be agreed shall not affect this Contribution Agreement (including the valuation of the Sonoco Business and the Ahlstrom Business); (ii) that the economic burden or benefit associated with such measures shall be assumed by or credited to the Joint Venture; and (iii) that the Parties shall not be obligated to agree on any measure that would (A) have a material adverse effect on Sonoco Products or Ahlstrom Corp as the case may be, or any of their respective Affiliates or Assets not contributed to the Joint Venture or its subsidiaries as part of the Transaction or (B) amount to a Sonoco Material Adverse Effect or an Ahlstrom Material Adverse Effect.

5.4 OPERATION OF BUSINESS DURING THE INTERIM PERIOD

Except as expressly contemplated by this Contribution Agreement (including, without limitation, as contemplated by the Sonoco Reorganization or the Ahlstrom Reorganization, respectively), during the Interim Period, each of Sonoco Products and Ahlstrom Corp shall cause each Sonoco Holding Company and Controlled Sonoco Operating Company and each Ahlstrom Holding Company and Controlled Ahlstrom Operating Company, respectively, to:

(a) (i) preserve the Sonoco Business and the Ahlstrom Business as reflected on the Sonoco Financial Statements and the Ahlstrom Financial Statements, respectively, and the organizations and relationships with consultants, employees and third parties, consistent with the Ordinary Course of Business; and (ii) maintain the Assets of the Sonoco Business and the Ahlstrom Business, respectively, in customary repair and condition;

(b) conduct the Sonoco Business and the Ahlstrom Business, respectively, only in the Ordinary Course of Business, and, in addition, not to:

(i) enter into any material transaction or Agreement, or cause any event or condition, which, individually or in the aggregate, could reasonably be expected to have a Sonoco Material Adverse Effect or an Ahlstrom Material Adverse Effect, as the case may be;

(ii) commit any act or omit to do any act, or engage in any activity or transaction or incur any Liability (by conduct

or otherwise) or cause any damage, destruction or Loss, whether or not covered by insurance, which, individually or in the aggregate, could reasonably be expected to have a Sonoco Material Adverse Effect or an Ahlstrom Material Adverse Effect, as the case may be;

(iii) issue any shares or ownership interests, or any options, warrants or other rights to subscribe for or purchase any of its shares or ownership interests, or any securities convertible into or exchangeable for its shares or ownership interests;

(iv) declare, pay or set aside any Distribution (whether outstanding or issuable upon the conversion, exchange or exercise of outstanding shares or ownership interests), or directly or indirectly redeem, purchase or otherwise acquire any of its shares or ownership interests;

(v) effect a split, reclassification or other change in or of any of its shares or ownership interests;

(vi) amend its Charter Documents;

(vii) grant any increase in, or prepayment of, the compensation payable, or to become payable, to its directors, officers, managing directors, managers, employees or agents, or enter into any bonus, insurance, pension or other benefit plan, payment or arrangement for or with any of such directors, officers, managing directors, managers, employees or agents, other than normal salary increases in the Ordinary Course of Business;

(viii) make any lay-offs with respect to a significant part of the workforce;

(ix) incur any Indebtedness, including Intercompany Debt (other than Indebtedness incurred in the Ordinary Course of Business on reasonable arms length terms), or directly or indirectly provide a Guarantee, or agree to provide a Guarantee, of Indebtedness of any other Person;

(x) cancel, or make any material change to, any Indebtedness owing to it from any Person or any Claims which it may possess, or waive or release any material rights (other than in the Ordinary Course of Business);

(xi) place, or allow to be placed, an Encumbrance (other than a Permitted Encumbrance) on any of its Assets;

(xii) make any change in any method of accounting or accounting practice or policy except as required by U.S. GAAP, in the case of the Sonoco Group, and Ahlstrom Accounting Principles, in the case of the Ahlstrom Group, including, without limitation, any change in its policies with respect to the payment of accounts payable or other current Liabilities or the collection of accounts receivable, including, without limitation, any acceleration or deferral of the payment or collection thereof, as applicable;

(xiii) Transfer any Intellectual Property (other than in the Ordinary Course of Business);

(xiv) Transfer any material portion of its Assets, or scrap any material portion of its Assets as obsolete, in each case except in the Ordinary Course of Business and for fair value;

(xv) materially change the general manner in which it markets and sells its products or services;

(xvi) make any commitments for capital expenditures in excess of EUR1,000,000 per occurrence or EUR5,000,000 in the aggregate;

(xvii) violate any material Law or material Order;

(xviii) make any loan or advance to any of its members, stockholders or other equity holders, or, officers, directors, managing directors, managers or to any other Person; or

(xix) commit any act or omit to do any act which could reasonably be expected to result in the untruth, inaccuracy or breach of any representation or warranty contained in Sections 6 or 7;

(c) keep proper books of record and account in which true and complete entries will be made of all transactions in accordance with applicable accounting methods Applied on a Consistent Basis; and

(d) subject to the requirements of applicable Law, provide the other Party on a regular and ongoing basis an update with respect to the Sonoco Business

and the Ahlstrom Business, as the case may be, including, without limitation, any significant or extraordinary developments relating to the Sonoco Business or the Ahlstrom Business, as the case may be.

5.5 EXCLUSIVITY

(a) During the Interim Period, except as may be required by applicable securities Laws, or the rules or requirements of any relevant stock exchange or other Governmental Authority, without the prior written consent of the other Party, no Party shall, nor shall it through any officer, director, managing director, manager, employee, Representative, agent or direct or indirect stockholder or subsidiary, directly or indirectly, take, or permit the taking of, any action to: (i) encourage, initiate or solicit the submission of any proposal that constitutes an Alternative Transaction; (ii) enter into any Agreement with respect to or accept any Alternative Transaction; (iii) encourage, initiate or solicit (including by way of furnishing information) the making of any proposal that constitutes, or may reasonably be expected to lead to, an Alternative Transaction; (iv) furnish to any Person other than the other Party any information relating to the Sonoco Business or the Ahlstrom Business, as the case may be; (v) Transfer any stock or other equity interests in any member of the Sonoco Group or the Ahlstrom Group, as the case may be (except as contemplated by this Contribution Agreement); or (vi) enter into negotiations with respect to any of the foregoing.

(b) In addition to the obligations of the Parties set forth in paragraph (a) of this Section 5.5, each Party shall immediately advise the other Party orally and in writing of any request for information or of any proposal or any inquiry regarding any Alternative Transaction, the material terms and conditions of such request, proposal or inquiry and the identity of the Person making such request, proposal or inquiry. Each Party will keep the other Party fully informed of the status and details (including amendments or proposed amendments) of any such request, proposal or inquiry.

5.6 PUBLIC ANNOUNCEMENTS

Upon execution of this Contribution Agreement, the Parties shall issue an agreed press release announcing the transactions contemplated by this Contribution Agreement and the Related Documents. Neither Party shall issue or approve, or cause or permit to be issued or approved, any additional news release or other public announcement concerning the transactions contemplated by this Contribution Agreement or any Related Document without the prior written approval of the other Party; provided, however, that no prior approval shall be needed for releases or announcements required to comply with applicable securities Laws, or the rules or requirements of any relevant stock exchange or other Governmental Authority, it being understood that in such situations the Parties

will consult in good faith in advance with one another regarding such releases or announcements.

5.7 SUBSEQUENT EVENTS

During the Interim Period, each Party shall notify the other Party promptly in writing of the occurrence of any event, or the failure of any event to occur, prior to the Closing that results in a breach of any of the covenants or representations and warranties made by or on behalf of such Party in this Contribution Agreement or any Related Document, or any other document furnished in connection herewith or therewith, but such notification shall not excuse breaches of representations, warranties, covenants, guarantees or agreements disclosed in such notification. In addition, each Party shall immediately notify the other Party in writing in the event it reasonably believes that any condition set forth in Sections 8 or 9 cannot be satisfied on or prior to the Closing. Without limiting the generality of the foregoing, each Party shall notify the other Party promptly in writing of any change occurring, or known to likely occur, prior to the Closing which has had, or could reasonably be expected to have, a Sonoco Material Adverse Effect or an Ahlstrom Material Adverse Effect, as the case may be, including, without limitation, information (including without limitation copies of all Agreements relating thereto) concerning all Claims instituted, threatened or asserted against or affecting the Sonoco Business or the Ahlstrom Business, as the case may be, before or by any Governmental Authority or before any other relevant Person.

5.8 FURTHER ASSURANCES

During the Interim Period:

(a) Subject to the terms and conditions of this Contribution Agreement, each Party shall take or do, and shall use commercially reasonable efforts to cause to be taken or done in respect of any acts or obligations involving third Persons, all actions and things required under all applicable Laws in order to consummate the transactions contemplated hereby and by the Related Documents.

(b) Each Party shall satisfy, and shall use commercially reasonable efforts to cause to be satisfied in respect of any conditions involving third Persons, each of the closing conditions set forth in Sections 8 and 9 to the extent such satisfaction is within its power, provided, however, that Section 5.3 comprehensively regulates the Parties' obligations in connection with the Required Competition Filings.

5.9 RELEASE OF GUARANTEES

As soon as practicable following the Closing Date (and in any event within 90 days after the Closing Date): (i) Sonoco Products and Ahlstrom Corp shall procure the release of each Sonoco Holding Company and Controlled Sonoco Operating Company or Ahlstrom Holding Company and Controlled Ahlstrom Operating Company, respectively, from any Guarantees or indemnities undertaken by them in respect of obligations of Sonoco Group companies or Ahlstrom Group companies (other than Affiliates of the Joint Venture), and, pending such release, shall indemnify the Ahlstrom Indemnified Persons or the Sonoco Indemnified Persons, as the case may be, against any Loss whatsoever arising out of such Guarantees; and (ii) the Joint Venture shall procure the release of each of Sonoco Products and Ahlstrom Corp from any Guarantees or indemnities undertaken by them in respect of Affiliates of the Joint Venture, and, pending such release, shall indemnify Sonoco Products and Ahlstrom Corp, as the case may be, against any Loss whatsoever arising out of such Guarantees.

5.10 REPAYMENT OF INTERCOMPANY DEBT

As soon as practicable following the Closing Date (and in any event within 90 days after the Closing Date), each of Sonoco Products and Ahlstrom Corp shall cause the Joint Venture or its Subsidiaries to repay and release in full all Intercompany Debt of each Sonoco Holding Company and Controlled Sonoco Operating Company or Ahlstrom Holding Company and Ahlstrom Operating Company, respectively, plus interest at the rate of interest set forth for each such Intercompany Debt in Schedule 5.10 from December 31, 2003 to and including the date of repayment, or indemnities undertaken by them in respect of such Intercompany Debt, by refinancing such Intercompany Debt with Indebtedness issued by the Joint Venture or any of its subsidiaries to Third Persons; provided, however, that if the amount of such Indebtedness that the Joint Venture is able to issue to such Third Persons is less than the amount of such Intercompany Debt outstanding as of the date of refinancing, plus such amount of interest, then such Intercompany Debt, plus such amount of interest, of each Sonoco Holding Company and Sonoco Operating Company or Ahlstrom Holding Company or Ahlstrom Operating Company, respectively, shall be repaid pro rata in accordance with Sonoco Luxco's and Ahlstrom Holding's respective ownership interest in the Joint Venture as of such date of refinancing.

5.11 KARHULA SERVICES

(a) On or prior to the Closing, Ahlstrom Corp: (i) shall use its best efforts to cause the Karhula Commitment Agreement to be terminated and Ahlstrom Cores Oy to have no further Liability under such Agreement; and (ii) shall, and shall cause all of its Affiliates that are also shareholders in Karhula

Services (other than Ahlstrom Cores Oy) to, enter into an Agreement, satisfactory to Sonoco Products, whereby (A) Ahlstrom Cores Oy commits to pay to Karhula Services the portion of any land restoration or landscaping actually incurred by Karhula Services upon closure of the landfill operated by Karhula Services equal to 25% of such costs, up to a maximum payment of EUR344,000 (the "JOINT VENTURE COMMITMENT AMOUNT") and (B) Ahlstrom Corp and such Affiliates agree to assume any Liability or obligation of Ahlstrom Cores Oy for (1) land restoration or landscaping required upon the closure of the landfill operated by Karhula Services in excess of the Joint Venture Commitment Amount, (2) any remediation obligation resulting from Ahlstrom Cores Oy's ownership in Karhula Services, delivery of waste to such landfill or otherwise, or (3) any obligation of Karhula Services to construct an environmental lining, install a sewage system or upgrade the wastewater management system at the landfill.

(b) The Parties recognize that the continued use by the Joint Venture or its Affiliates of the landfill after the Closing Date will be subject to such terms as shall be agreed between the Joint Venture or its Affiliates and Karhula Services.

5.12 USE OF AHLSTROM NAME, LABELS, CORPORATE NAMES, ETC.

From and after the Closing Date, in connection with the sale or other disposition of products of, or otherwise in the conduct of, the Business of the Joint Venture, Ahlstrom agrees that the Joint Venture shall have the right (without any fee or other charge) to: (i) sell or otherwise dispose of any products bearing as of the Closing Date Ahlstrom's name, marks or other Intellectual Property; (ii) use any carton, labels, forms, brochures, invoices or other printed material bearing as of the Closing Date Ahlstrom's name, marks or other Intellectual Property; and (iii) continue to use the corporate names of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies, in each of (i), (ii) and (iii), for so long as such products or other materials described in (i) and (ii) remain in the inventory of the Joint Venture but in any event not later than six months after the Closing Date; provided that the Joint Venture shall use its commercially reasonable efforts to cause the corporate name of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies to be changed to exclude the name "Ahlstrom" as soon as practicable after the Closing Date. Ahlstrom shall have and retain sole ownership of the name "Ahlstrom" and the Ahlstrom corporate logo.

5.13 PAPERINKERAYS OY

After the Closing, Ahlstrom Corp shall: (i) use best efforts to promptly (but in no case later than one year after the Closing) obtain all consents, approvals and waivers of the shareholders of Paperinkerays Oy required under the Articles of Association of Paperinkerays Oy for the sale of the shares of Paperinkerays Oy

owned by Ahlstrom Corp to the Joint Venture or its designee; and (ii) upon receipt of all required consents, approvals and waivers described in (i) above, (A) sell such shares in Paperinkerays Oy to the Joint Venture or its designee for EUR2,100,000, plus interest on such EUR2,100,000 at the rate of 3% per annum from the Closing Date until the date of such sale, and (B) in connection with such sale, provide to the Joint Venture or its designee representations, warranties and indemnities with respect to Paperinkerays Oy substantially similar to those that Ahlstrom Corp has provided in respect of each Ahlstrom Holding Company and Ahlstrom Operating Company in this Contribution Agreement.

5.14 UK PENSION

(a) As part of the Sonoco Reorganization, Sonoco Products shall cause the Sonoco UK Predecessor to: (i) Transfer to Sonoco Newco UK certain employees of the Sonoco UK Predecessor who are active exclusively in the Sonoco Business as of the date of the Transfer and do not elect to contest such Transfer under applicable Law (the "UK Transfer Employees"); (ii) procure that Sonoco Newco UK becomes a participating employer in the current pension plan of the Sonoco UK Predecessor of which the UK Transfer Employees are members (the "UK PENSION PLAN") in relation to UK Transfer Employees so far as possible within applicable Law and as permitted by the UK Pension Plan; and (iii) procure that the terms on which Sonoco Newco UK participates in the UK Pension Plan are such that, so far as possible within applicable Law, Sonoco Newco UK's maximum Pension Contributions for a period will be equal to the Pension Service Cost for that period.

(b) Sonoco Products unconditionally and irrevocably agrees, as a continuing obligation, that if at any time Sonoco Newco UK, the Joint Venture or any of its Affiliates becomes liable to pay Pension Contributions in excess of the Pension Service Cost, Sonoco Products will meet that Liability and Sonoco Products will immediately indemnify Sonoco UK and the Joint Venture against any such Liability.

(c) For the purposes of (a) and (b) above, (i) "PENSION CONTRIBUTIONS" includes all contributions or payments made or due to the UK Pension Plan under the provisions governing the UK Pension Plan or by applicable Law, including any payments becoming due as a result of Sonoco Newco UK ceasing to participate in the UK Pension Plan or the UK Pension Plan being terminated or wound up, and any other liabilities arising in relation to the UK Pension Plan including any liability to indemnify the trustees or administrators of the UK Pension Plan and any Losses, Taxes, levies, penalties, demands and expenses; and (ii) "PENSION SERVICE COST" for any period means the value of benefits accrued under the UK Pension Plan during that period by UK employees active exclusively in the Sonoco Business calculated in accordance with the principles set forth in Schedule 5.14 which were used in the calculation of the 2003 Pension Service Cost.

6. REPRESENTATIONS AND WARRANTIES OF SONOCO PRODUCTS

No representation and warranty contained in this Section 6 shall be construed as a seller's guarantee (Garantie fur die Beschaffenheit der Sache) within the meaning of Sections 443 and 444 of the German Civil Code. Notwithstanding anything to the contrary contained in this Contribution Agreement, or the Schedules hereto, the information and disclosures contained in each Schedule to a particular representation, warranty, guaranty or covenant shall not be deemed to be disclosed and incorporated by reference in any other section of any other Schedule and shall not be deemed to qualify or limit any other representation, warranty, guarantee or covenant of Sonoco Products contained in this Contribution Agreement unless such information or disclosure is clearly incorporated by reference into such other section of such other Schedule or the applicability of such information to such other Schedule is reasonably obvious. Each schedule referenced in this Section 6 may be amended by Sonoco Products within two weeks from the date hereof by notice to Ahlstrom Corp, subject to approval of such amendment by Ahlstrom Corp, such approval not to be unreasonably withheld or delayed. For the avoidance of doubt, all representations and warranties (i) in respect of Sonoco Newco UK, Sonoco Newco Swiss, Sonoco Newco Germany and Sonoco Greece (in respect of the Sonoco Business Transferred from the Sonoco Greece Predecessor as part of the Sonoco Reorganization only) shall be deemed delivered by Sonoco Products as of the Closing Date only and, to the extent any such representation or warranty is made as of a particular date other than the Closing Date, such representation and warranty shall be deemed not made by Sonoco Products in respect of Sonoco Newco UK and Sonoco Newco Swiss and (ii) in respect of the Sonoco Predecessor Companies shall be deemed delivered by Sonoco Products as of the date hereof only. Subject to the foregoing, Sonoco Products hereby represents and warrants to Ahlstrom Corp by way of an independent guarantee (within the meaning of section 311, paragraph 1, of the German Civil Code) and, for the avoidance of doubt, subject to the limitations contained herein, including, in particular in Section 10, that the statements made in this Section 6 are true and correct.

6.1 ORGANIZATION; POWER AND AUTHORITY; GOOD STANDING

Each of the Sonoco Holding Companies and the Sonoco Operating Companies is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation, incorporation or organization, as applicable, and has all requisite power and authority to own, lease and operate its Assets and to carry on its applicable portion of the Sonoco Business as presently conducted. Schedule 6.1 contains true, correct and complete copies of the Charter Documents of each of the Sonoco Holding Companies and the Sonoco Operating Companies (other than Schweighouse and Sodarec), as amended and in effect on the date hereof and on the Closing Date.

6.2 AUTHORIZATION, EXECUTION, ENFORCEABILITY AND NO CONFLICTS

(a) Each of Sonoco Products, Sonoco Luxco and any other Sonoco Group Person has all requisite power and authority (corporate or otherwise) to execute this Contribution Agreement and each Related Document (collectively, the "TRANSACTION DOCUMENTS") to which it is a party and any and all instruments necessary or appropriate in order to effectuate fully the terms and conditions of each such document and to perform and consummate the transactions contemplated hereby and thereby. Each Transaction Document to which Sonoco Products, Sonoco Luxco or any other Sonoco Group Person is a party, and the performance of its respective obligations hereunder and thereunder, has been duly and validly authorized by all requisite action on the part of Sonoco Products, Sonoco Luxco or such other Sonoco Group Person, as applicable, and each such Transaction Document to which Sonoco Products, Sonoco Luxco or such other Sonoco Group Person is a party has been, or upon its execution on the Closing Date will be, duly and validly executed by Sonoco Products, Sonoco Luxco or such other Sonoco Group Person, and constitutes, or upon its execution on the Closing Date will constitute, a valid and legally binding obligation of Sonoco Products, Sonoco Luxco or such other Sonoco Group Person, as applicable, enforceable against Sonoco Products or Sonoco Luxco or such other Sonoco Group Person, as applicable, in accordance with its terms and conditions, except as enforceability thereof may be limited by any applicable bankruptcy, reorganization, insolvency or other Laws affecting creditors' rights generally or by general principles of equity.

(b) The execution and performance by each of Sonoco Products, Sonoco Luxco and any other Sonoco Group Person of each Transaction Document to which it is a party, and the consummation of the transactions contemplated hereby and thereby, will not: (i) violate any Law applicable to Sonoco Products, Sonoco Luxco or such other Sonoco Group Person, or any of the Assets of the Sonoco Group; or (ii) conflict with, or result in any breach of, any of the terms, conditions or provisions of, or constitute (with due notice or lapse of time, or both) a default or give rise to any right of termination, cancellation or acceleration, or result in the creation of any Encumbrance (other than a Permitted Encumbrance) upon: (x) any of the Assets of the Sonoco Group; or (y) under any provision of: (1) the Transaction Documents, (2) the Charter Documents of Sonoco Products, Sonoco Luxco or such other Sonoco Group Person, as applicable, (3) any Permit required or issued in connection with the operation of the Sonoco Business or (4) any other Agreement to which it is a party or by which the Assets of the Sonoco Group is or may be bound, except for such violations, conflicts or breaches of or with respect to (x), (y) (1), (3) and (4) above that, individually or in the aggregate, have not had, and are not reasonably expected to have, a Sonoco Material Adverse Effect. Except for the Required Competition Filings and as set forth on Schedule 6.2, neither Sonoco Products nor any relevant Person of the Sonoco Group has been or is required to give any notice to, obtain the consent of or make any filing with, any Governmental

Authority or any other Person, or obtain any material Permit, in each case for the valid execution and performance by Sonoco Products, Sonoco Luxco or such other Sonoco Group Person of the Transaction Documents to which it is a party.

6.3 OWNERSHIP OF SONOCO HOLDING COMPANIES AND SONOCO OPERATING COMPANIES

(a) Schedule 6.3 lists: (i) the authorized, issued and outstanding shares of capital stock or equity interests of each of the Sonoco Holding Companies and the Sonoco Operating Companies; (ii) the record and beneficial holders of the authorized, issued and outstanding shares of capital stock or equity interests of each of the Sonoco Holding Companies and the Sonoco Operating Companies; and (iii) the number of shares or units, and percentage of shares or units, of capital stock or equity interests of each such holder. Other than as set forth on Schedule 6.3, Sonoco Products has no Affiliates, and no equity investment or other interest in any Person, engaged in any aspect of the core/tube and core board business in the Territory.

(b) Except as set forth on Schedule 6.3, Sonoco Products is, or will be immediately prior to the Closing, the lawful direct or indirect record and beneficial owner of all the shares of capital stock of, or other ownership interests in, each of the Sonoco Holding Companies and the Sonoco Operating Companies, and has good and marketable title to such shares of capital stock or ownership interests, free and clear of all Encumbrances (other than Permitted Encumbrances). Except as set forth on Schedule 6.3, there are no: (i) outstanding subscriptions, preemptive rights, warrants, calls or options to acquire, or instruments convertible into or exchangeable for, or Agreements or understandings with respect to the sale or issuance of, shares of capital stock or ownership interest of any of the Sonoco Holding Companies or the Sonoco Operating Companies; (ii) Encumbrances (other than Permitted Encumbrances), rights of first refusal, rights of first offer, proxies, voting trusts, or voting Agreements with respect to the sale, issuance or voting of any shares of capital stock or ownership interest of any of the Sonoco Holding Companies or the Sonoco Operating Companies (whether outstanding or issuable upon the conversion, exchange or exercise of outstanding securities); or (iii) obligations to redeem, repurchase or otherwise acquire shares of capital stock or ownership interest of any of the Sonoco Holding Companies or the Sonoco Operating Companies, in each of (i), (ii) or (iii) above, pursuant to any Law (other than any limitations or restrictions on Transferability under any applicable securities Laws), any Charter Document of any of the Sonoco Holding Companies or the Sonoco Operating Companies or any Agreement to which Sonoco Luxco, any of the Sonoco Holding Companies or the Sonoco Operating Companies is a party or may be bound.

(c) All shares of capital stock of, or other ownership interests in, the Sonoco Holding Companies and the Sonoco Operating Companies that are indirectly

held by Sonoco Products have been, or upon their issuance on or prior to the Closing Date will be, duly authorized, validly issued, outstanding and fully paid in (and such capital payments have not been paid back).

(d) None of the Sonoco Holding Companies or the Sonoco Operating Companies is a party to a company agreement (Unternehmensvertrag within the meaning of the German Stock Corporation Act), except for those agreements disclosed in Schedule 6.3 which will be validly terminated with effect prior to or as of the Closing Date.

6.4 BANKRUPTCY

No Sonoco Holding Company or Sonoco Operating Company is involved in any Proceeding by or against it as a debtor before any Governmental Authority under any insolvency, restructuring or debtors' relief act, or for the appointment of a trustee, receiver, liquidator, assignee, sequestrator or other similar official, or under any similar Law, for any part of its Assets.

6.5 DISTRIBUTIONS

Except as contemplated by the Sonoco Reorganization and the EUR2,440,628 Distribution made on March 3, 2004 from Sonoco Holding Italia S.r.l. to Sonoco Luxco, no Distribution has been made since December 31, 2003 by or to any of the Sonoco Holding Companies or the Sonoco Operating Companies.

6.6 EMPLOYEE REMUNERATION

Schedule 6.6 lists the aggregate annual remuneration, including, without limitation, bonuses and fringe benefits, paid or payable, as applicable, by each of the Sonoco Holding Companies, the Sonoco Operating Companies (other than Schweighouse and Sodarec) and the Sonoco Predecessor Companies, to its respective employees, managers or directors, for the most recently completed fiscal year and, based on Sonoco Products' good faith estimate, for the current fiscal year.

6.7 FINANCIAL STATEMENTS

(a) Schedule 6.7 contains true, correct and complete copies of the following (the "SONOCO FINANCIAL STATEMENTS"):

(i) The unaudited consolidated balance sheet and profit and loss account of the Sonoco Holding Companies and the Sonoco Operating Companies as of December 31, 2003 and for the 12-month period then ended; and

(ii) The pro forma unaudited consolidated balance sheet and profit and loss account of the Sonoco Holding Companies and the Sonoco Operating Companies as of December 31, 2003 and for the 12-month period then ended, which balance sheet and profit and loss account shall reflect the results of the Sonoco Reorganization as if the Sonoco Reorganization was completed as of December 31, 2003.

(b) The Sonoco Financial Statements, together with the notes thereto: (i) have been prepared in accordance with U.S. GAAP, Applied on a Consistent Basis; (ii) have been prepared in accordance with the books and records of each of the Sonoco Holding Companies and the Sonoco Operating Companies, which books and records have been properly maintained; (iii) present fairly the financial condition and results of operations of the Sonoco Holding Companies and Sonoco Operating Companies on a consolidated basis, as of the date thereof and for the period covered thereby; provided, however, that the Sonoco Financial Statements do not contain all footnotes required under U.S. GAAP. Since December 31, 2003, there has been no change in any accounting principle, procedure or practice followed by the Sonoco Holding Companies and the Sonoco Operating Companies or in the method of applying such principle, procedure or practice.

6.8 ABSENCE OF UNDISCLOSED LIABILITIES

No Sonoco Holding Company or Sonoco Operating Company has any Liabilities, except: (i) Liabilities as set forth in the Sonoco Financial Statements; (ii) Liabilities that need not be shown on the balance sheet under U.S. GAAP and that arose in the Ordinary Course of Business; (iii) Liabilities arising in the Ordinary Course of Business since December 31, 2003; (iv) Liabilities set forth on Schedule 6.8; or (v) Liabilities which are not, and are not reasonably expected to become, material to the Sonoco Business.

6.9 ABSENCE OF CHANGES

Except as set forth on Schedule 6.9 or as provided or contemplated by the Transaction Documents (including, without limitation, as contemplated by the Sonoco Reorganization), since December 31, 2003, each of the Sonoco Holding Companies, the Sonoco Operating Companies, the Sonoco Predecessor Companies and the Sonoco Business has been operated in the Ordinary Course of Business and there has not been:

(a) any event or condition, or any material transaction or Agreement which, individually or in the aggregate, has had, or is reasonably expected to have, a Sonoco Material Adverse Effect;

(b) any act, omission of any act, activity or transaction, or incurrence of Liability (by conduct or otherwise), or any damage, destruction or Loss, whether or not covered by insurance, which, individually or in the aggregate, has had, or is reasonably expected to have, a Sonoco Material Adverse Effect;

(c) any issuance of any shares or ownership interests, or any options, warrants or other rights to subscribe for or purchase any of its shares or ownership interests, or any securities convertible into or exchangeable for its shares or ownership interests by any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company;

(d) split, reclassification or other change in or of any of the shares or ownership interests of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company;

(e) amendment of the Charter Documents of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company;

(f) any increase in, or prepayment of, the compensation payable, or to become payable, by any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company to any of its directors, officers, managing directors, managers, employees or agents, or enter into any bonus, insurance, pension or other benefit plan, payment or arrangement for or with any of such directors, officers, managing directors, managers, employees or agents, other than normal salary increases in the Ordinary Course of Business;

(g) any lay-offs with respect to a significant part of the workforce of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company;

(h) any incurrence of any Indebtedness, including Intercompany Debt (other than Indebtedness incurred in the Ordinary Course of Business on reasonable arms length terms), or direct or indirect provision of a Guarantee, or any agreement to provide a Guarantee, or Indebtedness of any other Person;

(i) any cancellation of, or material change to, Indebtedness owing to any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company from any Person or any Claims which any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company may possess, or any waiver or release of any material rights (other than in the Ordinary Course of Business);

(j) any placement, or allowance to place, an Encumbrance (other than a Permitted Encumbrance) on any Assets of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company;

(k) any change in any method of accounting or accounting practice or policy of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company, except as required by U.S. GAAP, including, without limitation, any change in its policies with respect to the payment of accounts payable or other current Liabilities or the collection of accounts receivable, including, without limitation, any acceleration or deferral of the payment or collection thereof, as applicable;

(l) any Transfer of Intellectual Property (other than in the Ordinary Course of Business) from or to any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company;

(m) any Transfer of a material portion of the Assets of any Sonoco Holding Company, Sonoco Operating Company or the Sonoco UK Predecessor, or scrapping of a material portion of the Assets of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company as obsolete;

(n) any material change in the general manner in which any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company markets its products or services;

(o) any commitments for capital expenditures of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company in excess of EUR1,000,000 per occurrence or EUR5,000,000 in the aggregate;

(p) any violation of any material Law or material Order; or

(q) any loan or advance to any members, stockholders or equity holders, or officers, directors, managing directors, managers or to any other Person of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company.

6.10 OUTSTANDING BORROWINGS; INTERCOMPANY DEBT

Schedule 6.10 lists: (i) the amount of principal, interest and other obligations of all Outstanding Borrowings and Intercompany Debt of each Sonoco Holding Company, Sonoco Operating Company and Sonoco Predecessor Company as of December 31, 2003; (ii) the Encumbrances that relate to such Outstanding Borrowings and Intercompany Debt; (iii) the name of each lender or party thereof; and (iv) the amount of any unfunded commitments available in connection with such Outstanding Borrowings and Intercompany Debt.

6.11 RELATED PARTY TRANSACTIONS

Except as set forth on Schedule 6.11, and except for: (i) compensation and payment of reimbursable expenses incurred in the Ordinary Course of Business to regular employees of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company; (ii) any individual amount not exceeding EUR100,000 per year; or (iii) sales of products in the Ordinary Course of Business on arms-length terms, no current or former Affiliate of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company, is now, or has been since December 31, 2003: (x) a party to any transaction or Agreement with any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company; (y) Indebted to any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company; or (z) the direct or indirect owner of an interest in any Person which is a competitor, supplier or customer of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company (other than non-affiliated holdings in publicly held companies), nor, to the Actual Knowledge of Sonoco Products, does any such Person receive income from any source other than any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company which should properly accrue to any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company. Except as set forth on Schedule 6.11, no current or former Affiliate of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company provides a Guarantee or is otherwise responsible for any Liability (including Indebtedness) of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company.

6.12 COMPLIANCE WITH LAWS

(a) Except as disclosed on Schedule 6.12, each of the Sonoco Holding Companies, Sonoco Operating Companies and the Sonoco Predecessor Companies have: (i) complied in all material respects with, is in compliance in all material respects with and has operated the Sonoco Business and maintained its Assets in compliance in all material respects with, all Laws applicable to it and its applicable portion of the Sonoco Business as currently conducted; and (ii) all Permits used or necessary in the conduct of its applicable portion of the Sonoco Business, except for such Permits the absence of which, individually or in the aggregate, has not had, and is not reasonably expected to have, a Sonoco Material Adverse Effect. Such Permits described in clause (ii) are valid and in good standing and are in full force and effect, no violations with respect to any thereof have occurred or are or have been recorded and no Proceeding is pending or, to the Best Knowledge of Sonoco Products, threatened to revoke or limit any thereof.

(b) Schedule 6.12 contains a true, correct and complete list of: (i) all such Permits described in paragraph (a) of this Section 6.12 (other than Permits for

Schweighouse and Sodarec); and (ii) all material Orders under which each of the Sonoco Holding Companies, the Sonoco Operating Companies (other than Orders for Schweighouse and Sodarec) and the Sonoco Predecessor Companies are operating or bound. To the Actual Knowledge of Sonoco Products, there is no proposed change in any applicable Law which would require any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company to obtain any Permits not set forth on Schedule 6.12 in order to conduct its applicable portion of the Sonoco Business as presently conducted. Except as disclosed in Schedule 6.12, none of such Permits or Orders shall be adversely affected as a result of Sonoco Products', any Sonoco Holding Company's or Sonoco Operating Company's execution of, or the performance of its obligations under, any Transaction Document to which it is a party, or the consummation of the transactions contemplated hereby and thereby. No Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company has received any opinion or memorandum or legal advice from legal counsel to the effect that it is exposed, from a legal standpoint, to any Liability or disadvantage, individually or in the aggregate, which has had, or is reasonably expected to have, a Sonoco Material Adverse Effect. To the Actual Knowledge of Sonoco Products, no Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company is aware of any proposed Law which would prohibit or restrict it from, or otherwise materially adversely affect it in, conducting its applicable portion of the Sonoco Business in any jurisdiction in which it is now conducting the Sonoco Business.

6.13 TAXES

(a) Each of the Sonoco Holding Companies and the Sonoco Operating Companies has (or, in the case of Tax Returns becoming due after the date hereof and on or before the Closing Date, will have prior to the Closing Date) duly filed all Tax Returns, notices and other reports or filings required to be filed by any of the Sonoco Holding Companies or the Sonoco Operating Companies (collectively, "SONOCO TAX RETURNS") on or before the Closing Date (including, without limitation, in connection with or as a result of the Sonoco Reorganization) with respect to all applicable Taxes. All such Tax Returns are (or, in the case of returns becoming due after the date hereof, including, without limitation, in connection with or as a result of the Sonoco Reorganization, will be) true and complete in all material respects.

(b) All Taxes which are required to be paid by each of the Sonoco Holding Companies and the Sonoco Operating Companies before the Closing Date have been or will be paid in full prior to the Closing Date and an appropriate provision has been provided in respect of all Taxes that are not due prior to the Closing Date and that relate to the time period through December 31, 2003 in the Sonoco Financial Statements.

(c) There is no investigation or Claim pending or, to the Best Knowledge of Sonoco Products, threatened in respect of any material Taxes for which any of the Sonoco Holding Companies and the Sonoco Operating Companies is, or is reasonably expected to become, liable. No Sonoco Holding Company or Sonoco Operating Company has consented to any waivers or extensions of any statute of limitations with respect to any taxable year of the Sonoco Group.

(d) No Sonoco Holding Company or Sonoco Operating Company is a party to an Agreement or arrangement relating to the sharing, allocation or payment of, indemnity or security for, Taxes, except for the Tax consolidation Agreements (e.g., Organschaft) set forth on Schedule 6.13, which will be terminated prior to the Closing Date.

(e) The execution and performance of this Contribution Agreement and the Related Documents will not result in: (i) the imposition of any Tax on or with respect to any Sonoco Holding Company or Sonoco Operating Company, or their respective Assets; or (ii) the Loss by any Sonoco Holding Company or Sonoco Operating Company of any Tax relief or Tax benefit other than the loss of trade Tax loss carryforwards and Tax loss carryforwards or other Tax attributes for which adequate provision has been made on the Sonoco Financial Statements.

(f) No Sonoco Holding Company and no Sonoco Operating Company has carried out any dealings with Affiliates on a non-arms length basis that could be assessed by the relevant Governmental Authorities to constitute hidden distributions of profits (verdeckte Gewinnausschuettung).

6.14 REAL PROPERTY

(a) Schedule 6.14 lists all the Real Property used in the Sonoco Business (the "SONOCO REAL PROPERTY") and specifies the owner of each parcel thereof and sets forth a legal description for all such Real Property. The Sonoco Real Property is suitable and adequate in all material respects for the uses for which it is currently devoted. None of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies own, lease, sublease, license or use any Real Property in the operation of the Sonoco Business, other than the Sonoco Real Property.

(b) Each of the Sonoco Holding Companies, the Sonoco Operating Companies and the Sonoco Predecessor Companies, as applicable, is the sole owner of good, valid and marketable fee simple or comparable title to the Sonoco Real Property listed in Schedule 6.14 as owned Sonoco Real Property and has valid and binding rights under leases to the Sonoco Real Property listed in Schedule 6.14 as leased Sonoco Real Property, in each case free and clear of all Encumbrances (other

than Permitted Encumbrances). Schedule 6.14 contains an accurate and complete list of all mortgages and similar Encumbrances on the Sonoco Real Property.

(c) All buildings, structures, fixtures and other improvements on the Sonoco Real Property are: (i) in good repair, normal wear and tear excepted, and free of material defects (latent or patent); and (ii) are suitable and adequate in all material respects for the uses to which they are currently devoted. All such buildings, structures, fixtures and improvements on the Sonoco Real Property conform in all material respects to all material Laws. The buildings, structures, fixtures and improvements on each parcel of Sonoco Real Property lie entirely within the boundaries of such parcel of the Sonoco Real Property as specified in the legal description set forth in Schedule 6.14, and do not encroach in any material respects on any adjoining premises and no structures of any kind encroach in any material respects on such Sonoco Real Property.

(d) Except as set forth on Schedule 6.14: (i) none of the Sonoco Real Property is subject to any material Agreement or other material restriction of any nature whatsoever (recorded or unrecorded) preventing or limiting in any material respects any Sonoco Holding Company's, Sonoco Operating Company's or Sonoco Predecessor Company's right to convey or otherwise dispose of its interest in same; and (ii) none of the Sonoco Real Property is subject to any material Agreement or other material restriction of any nature whatsoever (recorded or unrecorded) preventing or limiting in any material respects any Sonoco Holding Company's, Sonoco Operating Companies' or the Sonoco Predecessor Company's right to use it.

(e) No material portion of the Sonoco Real Property or any building, structure, fixture or improvement thereon is the subject of, or affected by, any condemnation or eminent domain Proceeding currently instituted or pending, and to Sonoco Products' Actual Knowledge, none of the foregoing will be the subject of, or affected by, any such future Proceeding.

(f) The Sonoco Real Property has reasonably direct and unobstructed access to material public roads and to reasonably adequate material electric, gas, water, sewer and telephone lines, all of which are reasonably adequate for the uses to which such Sonoco Real Property is currently devoted.

(g) Except as disclosed on Schedule 6.14, there are no Persons in possession, or who have a right of possession of any portion of the Sonoco Real Property other than the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies, whether as lessees, tenants at will or otherwise.

(h) Schedule 6.14 contains a complete and accurate copy of all Real Property Leases relating to the Sonoco Real Property. Each Real Property Lease

entered into (whether as lessor or lessee) by each of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies is: (i) valid, binding and enforceable in all material respects against the Sonoco Holding Companies, the Sonoco Operating Companies and the Sonoco Predecessor Companies, as applicable; and (ii) to Sonoco Products' Actual Knowledge, is valid, binding and enforceable in all material respects against the other parties thereto in accordance with its terms, and is in full force and effect in all material respects.

(i) None of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies are in material default under, or in material breach of, or are otherwise materially delinquent in performance under any Real Property Lease entered into (whether as lessor or lessee) by the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies, and, to Sonoco Products' Actual Knowledge, no event has occurred which, with due notice or lapse of time, or both, would constitute such a default.

6.15 ENVIRONMENTAL AND SAFETY

(a) Each of the Sonoco Holding Companies, the Sonoco Operating Companies and the Sonoco Predecessor Companies has complied in all material respects with, and each such company and all of the Sonoco Real Property is in compliance in all material respects with, all material Environmental and Safety Requirements; and there are no Proceedings pending or, to the Best Knowledge of Sonoco Products, threatened against any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company alleging any failure to so comply or involving any Environmental and Safety Requirement issue with respect to its past operations or any Real Property of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company.

(b) No Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company has any material Liability arising under any Environmental and Safety Requirements.

(c) Except as set forth on Schedule 6.15, no Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company has received any written notice or report with respect to it or its Real Property regarding any: (i) actual or alleged violation of Environmental and Safety Requirements; or (ii) actual or potential Liability arising under Environmental and Safety Requirements, including any investigatory, remedial or corrective obligation, in each of (i) and (ii), during the last three calendar years.

(d) No Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company has assumed or undertaken any material Liability of any other Person under any Environmental and Safety Requirements.

(e) No Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled or released any substance, or owned or operated any Real Property, in a manner that has given rise to material Liabilities of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company pursuant to any Environmental and Safety Requirement, including any material Liability for response costs, corrective action costs, personal injury, property damage, natural resources damage or attorney fees, or any investigative, corrective or remedial obligations.

(f) Schedule 6.15 sets forth all environmental matters for which a financial reserve has been made on the Sonoco Financial Statements and the amount of such reserve.

6.16 TITLE TO ASSETS

Except for the leased Assets listed in Schedule 6.19 and subject to Section 6.14, each of the Sonoco Holding Companies and the Sonoco Operating Companies has, or upon consummation of the Sonoco Reorganization will have at the Closing Date, good, valid and marketable title to all Assets used in its applicable portion of the Sonoco Business, free and clear of all Encumbrances (other than Permitted Encumbrances). All personal property of the Sonoco Holding Companies and Sonoco Operating Companies is in normal operating condition and repair, normal wear and tear excepted, and is suitable and adequate for the uses for which it is used. All inventory of the Sonoco Holding Companies and Sonoco Operating Companies consists of items which are good and merchantable and of a quality and quantity presently usable and saleable in the Ordinary Course of Business, subject to any reserves properly reflected on the Sonoco Financial Statements under U.S. GAAP.

6.17 INSURANCE

All policies of Assets, fire, hazard, casualty, liability, life, and other forms of insurance of any kind owned or held by, or for the benefit of, the Sonoco Holding Companies and the Sonoco Operating Companies: (i) are in full force and effect and, to the Best Knowledge of Sonoco Products, no grounds for termination of such policies exist; (ii) are sufficient for compliance by each of the Sonoco Holding Companies and the Sonoco Operating Companies with all requirements of applicable Law and of all Agreements which require any of the Sonoco Holding Companies or the Sonoco Operating Companies to acquire and/or maintain insurance; (iii) are valid and enforceable against the insurer in all material respects; and (iv) insure against risks of the kind customarily insured against and in amounts customarily carried by companies similarly situated and by companies engaged in similar businesses and owning similar properties, and provide adequate

insurance coverage for the Sonoco Business and Assets of the Sonoco Holding Companies and the Sonoco Operating Companies. All premium and other payments required to be paid by, or on behalf of, each of the Sonoco Holding Companies and the Sonoco Operating Companies pursuant to such policies have been fully and timely made.

6.18 INTELLECTUAL PROPERTY

(a) Schedule 6.18 contains a list: (i) of all Intellectual Property owned by each of the Sonoco Holding Companies, the Sonoco Operating Companies and the Sonoco Predecessor Companies in respect of which a registration has been granted, and in respect of which a registration has been applied for, in each case specifying, as applicable (A) the nature of such Intellectual Property, (B) the owner of such Intellectual Property, (C) the jurisdictions in which such Intellectual Property has been registered, or in which an application for registration has been filed, and the registration or application numbers and (D) any licenses that have been granted with respect to such Intellectual Property; and (ii) of all licenses pursuant to which each of the Sonoco Holding Companies and the Sonoco Operating Companies has been granted the right to use Intellectual Property owned by another Person, in each case specifying (A) the licensor, (B) the duration of the license and (C) the royalties payable. The Intellectual Property listed on Schedule 6.18 is all Intellectual Property necessary to conduct the Sonoco Business as currently conducted.

(b) Each of the Sonoco Holding Companies, the Sonoco Operating Companies and the Sonoco Predecessor Companies: (i) owns, or has a valid license to use, all Intellectual Property used by it in the Ordinary Course of Business in the Sonoco Business, except where the failure to own, or have a valid license to use, such Intellectual Property, individually or in the aggregate, has not had, and is not reasonably expected to have, a Sonoco Material Adverse Effect; and (ii) each of the Sonoco Holding Companies, the Sonoco Operating Companies and the Sonoco Predecessor Companies has made, or has had made on its behalf, all payments as and when required to validly maintain all registrations of, its ownership of, or its license to use, such Intellectual Property in full force and effect, with any Governmental Authority or other Person, as the case may be. To the Best Knowledge of Sonoco Products, there exist no grounds for termination of the Sonoco Holding Companies', the Sonoco Operating Companies' or the Sonoco Predecessor Companies ownership rights in, or licenses to use, the Intellectual Property referred to in the preceding sentence, in particular, there are no pending challenges of any Intellectual Property owned by any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company, and to Sonoco Products' Best Knowledge, no such challenges are threatened.

(c) No Sonoco Holding Company, Sonoco Operating Company or the Sonoco Predecessor Company has granted an exclusive license with respect to any Intellectual Property used in the Sonoco Business to any third Person (other than another Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company).

(d) No Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company has any Actual Knowledge of, nor has it received any notice to the effect, that any product that any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company sells or that any service any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company renders, or that the manufacture, distribution, marketing, sale or use of any such product or service, may or is Claimed to infringe any Intellectual Property right of another.

6.19 LEASED PERSONAL PROPERTY

Schedule 6.19 lists every lease, sublease and Agreement involving aggregate annual lease payments exceeding EUR30,000 per lease, per year (net of ancillary costs) under which any of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies is lessee or lessor of any material Asset, or holds, manages or operates any material Asset owned by any third party, or under which any material Asset owned by any of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies is held, operated or managed by a third party. Each of the Sonoco Holding Companies and the Sonoco Operating Companies or the Sonoco UK Predecessor is the owner and holder of all rights under leases used by it in the Sonoco Business. Each such lease, sublease and other Agreement is in full force and effect and constitutes a legal, valid and binding obligation of, and is legally enforceable against, the respective Parties and grants the leasehold interest it purports to grant free and clear of all Encumbrances (other than Permitted Encumbrances). Each of the Sonoco Holding Companies, the Sonoco Operating Companies and the Sonoco Predecessor Companies has in all material respects performed all obligations thereunder required to be performed by any of them to date. No Party is in default in any material respect under any of the foregoing, and there has not occurred any event which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute such a material default.

6.20 CERTAIN MATERIAL AGREEMENTS

(a) Subject to Section 6.14, except for the Agreements set forth on Schedule 6.20 ("SONOCO MATERIAL AGREEMENTS"), no Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company is a party to any written or oral:

(i) Agreement for the employment or retention of, whether on a full-time, part-time, consulting or other basis, or understanding with, any of the directors, top five officers, managing directors, general managers or country managers of the Sonoco Business, any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company;

(ii) Agreement relating to Indebtedness or to the mortgaging, pledging or otherwise placing an Encumbrance (other than a Permitted Encumbrance) on any Asset of the Sonoco Business, or any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company, with a fair market value in excess of EUR50,000;

(iii) Agreement preventing or otherwise restricting the right of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company to make or receive Distributions;

(iv) Agreement involving the sale of the accounts receivable of any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company to any other Person;

(v) Agreement with respect to the investing of funds, including, without limitation, any hedging Agreement;

(vi) Agreement under which any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company is the lessor of, or permits any third Person to hold or operate, any real or personal property owned or controlled by any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company in excess of EUR30,000;

(vii) assignment, license, indemnification or other Agreement with respect to any form of intangible property with Third Parties, including, without limitation, any Intellectual Property;

(viii) Agreement or group of related Agreements with the same Person for the sale of Assets or services which generated in excess of EUR100,000 in revenues in the most recent 12-month period or is reasonably expected to generate in

excess of EUR100,000 in revenues in any 12-month period ending after the date hereof;

(ix) non-competition agreement which limits any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company from freely engaging in any business anywhere in the world;

(x) Agreement relating to the purchase, distribution, marketing, advertising or sale of any Sonoco Holding Company's, Sonoco Operating Company's or Sonoco Predecessor Company's or any other Person's products or services (other than Agreements entered into in the Ordinary Course of Business); or

(xi) other than Agreements described and disclosed in subsections (i) through (x) above, Agreement pursuant to which any Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company has Liabilities or is required to make or give, or entitled to receive, aggregate payments or other value in excess of EUR100,000.

(b) All Sonoco Material Agreements are, or following the Sonoco Reorganization will be, an Asset of a Sonoco Holding Company, a Sonoco Operating Company or a Sonoco Predecessor Company, and no other Sonoco Group company is, or will be following the Sonoco Reorganization, a party to any such Sonoco Material Agreement.

(c) Except as specifically disclosed in Schedule 6.20, each of the Sonoco Holding Companies, the Sonoco Operating Companies and the Sonoco Predecessor Companies has performed in all material respects all obligations required to be performed by it, and is not in default under or in breach of, nor in receipt of any Claim of default or breach under, any Sonoco Material Agreement to which it is a party or by which any of its Assets may be bound, and, to the Actual Knowledge of Sonoco Products, no event has occurred which with the passage of time or the giving of notice or both would result in such a material default or breach under any such Sonoco Material Agreement. To the Actual Knowledge of Sonoco Products, no other party to any Sonoco Material Agreement to which any of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies is a party, or by which any of their Assets may be bound, is in material default under or in breach of any Sonoco Material Agreements, and no event has occurred which with the passage of time or giving of notice or both would result in a material default or breach by such other party under any Sonoco

Material Agreement. There has been made available to Ahlstrom Corp in the Sonoco Data Room: (i) a true and complete copy of each written Sonoco Material Agreement, together with all amendments, waivers or other changes thereto; and (ii) a true and complete description of the material terms of all oral Sonoco Material Agreements.

6.21 LITIGATION; DISPUTES

Except as (x) set forth on Schedule 6.21 and (y) for matters which have not resulted, and could not reasonably be expected to result, in a fine or other award of damages in excess of EUR100,000, there are no: (i) Proceedings pending (for which proper service has been made) against or involving any of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies, whether at law or in equity, whether civil or criminal in nature or by or before any Governmental Authority; (ii) customer Claims of any nature against any of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies; or (iii) Orders of any Governmental Authority with respect to or involving any of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies, nor, in the case of (i), (ii) or (iii), to the Best Knowledge of Sonoco Products, does there exist any basis for any such Proceeding, Claim or Order, or has any such Proceeding, Claim or Order been threatened.

6.22 LABOR RELATIONS

(a) Except as set forth on Schedule 6.22, there are no strikes, work stoppages, or other disputes pending or, to the Best Knowledge of Sonoco Products, threatened, or reasonably anticipated between any of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies and: (i) any current or former employees of any of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies involving amounts, individually or in the aggregate, exceeding EUR100,000; (ii) any union, employee representatives or other collective bargaining unit representing employees of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies; or (iii) any social security Governmental Authority.

(b) No Sonoco Holding Company or Sonoco Operating Company has, or is obligated with respect to, any stock option, stock bonus, phantom stock plan, scheme or similar arrangement. Except for the UK Pension Obligation, any unfunded pension Liability arrangements for present or former employees, directors, officers, managing directors, managers or workers of each of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies is covered by adequate reserves in the Sonoco Financial Statements, and

any other pension Liability is fully funded and complies with all statutory and regulatory funding obligations in respect of all categories of member.

(c) No Sonoco Holding Company, Sonoco Operating Company or the Sonoco Predecessor Company has any consulting arrangements with their respective directors.

(d) Each of the Sonoco Holding Companies, the Sonoco Operating Companies and the Sonoco Predecessor Companies has complied, and is in compliance with, in all material respects, all Laws relating to employment, workers, the workplace, the termination of employment or income tax, wage withholding tax or social security matters, including, without limitation, provisions relating to wages, hours, collective bargaining, employee representation, consultation, safety and health, work authorization, equal employment opportunity, discrimination, immigration, withholding, unemployment compensation, worker's compensation, employee privacy and right to know and social security contributions.

(e) Except as set forth on Schedule 6.22 and without limiting the generality of the foregoing, no Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company is a party to any existing Agreement with an employee, officer, director, managing director, manager or agent which in case of termination could result in compensation payments in an amount exceeding EUR50,000.

(f) The consummation of the transactions contemplated in this Contribution Agreement (including the Sonoco Reorganization) will not cause any Sonoco Holding Company or Sonoco Operating Company to incur or suffer any Liability relating to, or obligation to pay, severance, termination, social security or other payments (including interest, penalties and charges relating thereto) to any Person.

(g) Except as set forth in Schedule 6.22, or as imposed by applicable Law, no Sonoco Holding Company, Sonoco Operating Company or Sonoco Predecessor Company is a party to an Agreement or arrangement with any union, works counsel, other employee representation body or employee representatives, limiting its right to consummate the restructurings contemplated by the Business Plan, including the closure of any plants or other facilities, relocation or termination of employees.

6.23 INVESTMENT REPRESENTATIONS

Sonoco Luxco is acquiring the Sonoco Shares hereunder, for its own account, for investment and not with a view to the distribution thereof in violation of applicable securities Laws.

6.24 SUBSIDIES

Schedule 6.24 contains a complete and correct list of all subsidies in an amount of EUR100,000 or more granted or awarded to any of the Sonoco Holding Companies, the Sonoco Operating Companies or the Sonoco Predecessor Companies or any of their predecessors during the last five calendar years in respect of the relevant portion of the Sonoco Business. Neither the Transaction (including the Sonoco Reorganization) nor the measures contemplated under the Business Plan will result in an obligation to repay (or lose the award) of any such subsidies.

6.25 UK PENSION

The Pension Service Cost for the UK Pension Plan reflected in the Sonoco Financial Statements was calculated based on the assumptions described on Schedule 5.14.

6.26 COMPLETENESS OF CONTRIBUTION

Following the Sonoco Reorganization, all Assets, Agreements and employees used in the conduct of the Sonoco Business as it is presently conducted will have been Transferred to the Sonoco Holding Companies and the Sonoco Operating Companies.

7. REPRESENTATIONS AND WARRANTIES OF AHLSTROM CORP

No representation and warranty contained in this Section 7 shall be construed as a seller's guarantee (Garantie fur die Beschaffenheit der Sache) within the meaning of Sections 443 and 444 of the German Civil Code. Notwithstanding anything to the contrary contained in this Contribution Agreement, or the Schedules hereto, the information and disclosures contained in each Schedule to a particular representation, warranty, guaranty or covenant shall not be deemed to be disclosed and incorporated by reference in any other section of any other Schedule and shall not be deemed to qualify or limit any other representation, warranty, guarantee or covenant of Ahlstrom Corp contained in this Contribution Agreement unless such information or disclosure is clearly incorporated by reference into such other section of such other Schedule or the applicability of such information to such other Schedule is reasonably obvious. Each schedule referenced in this Section 7 may be amended by Ahlstrom Corp within two weeks from the date hereof by notice to Sonoco Products, subject to approval of such amendment by Sonoco Products, such approval not to be unreasonably withheld or delayed. Subject to the foregoing, Ahlstrom Corp hereby represents and warrants to Sonoco Products by way of an independent guarantee (within the meaning of section 311, paragraph 1, of the German Civil Code) and, for the avoidance of doubt, subject to the limitations contained herein, including, in particular in Section 10, that the statements made in this Section 7 are true and correct.

7.1 ORGANIZATION; POWER AND AUTHORITY; GOOD STANDING

Each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation, incorporation or organization, as applicable, and has all requisite power and authority to own, lease and operate its Assets and to carry on its applicable portion of the Ahlstrom Business as presently conducted. Schedule 7.1 contains true, correct and complete copies of the Charter Documents of each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies (other than Karhula Services and AT-Spiral), as amended and in effect on the date hereof and on the Closing Date.

7.2 AUTHORIZATION, EXECUTION, ENFORCEABILITY AND NO CONFLICTS

(a) Each of Ahlstrom Corp, Ahlstrom Holding and any other Ahlstrom Group Person has all requisite power and authority (corporate or otherwise) to execute the Transaction Documents to which it is a party and any and all instruments necessary or appropriate in order to effectuate fully the terms and conditions of each such document and to perform and consummate the transactions contemplated hereby and thereby. Each Transaction Document to which Ahlstrom Corp, Ahlstrom Holding or any other Ahlstrom Group Person is a party, and the performance of its respective obligations hereunder and thereunder, has been duly and validly authorized by all requisite action on the part of Ahlstrom Corp, Ahlstrom Holding or such other Ahlstrom Group Person, as applicable, and each such Transaction Document to which Ahlstrom Corp, Ahlstrom Holding or such other Ahlstrom Group Person is a party has been, or upon its execution on the Closing Date will be, duly and validly executed by Ahlstrom Corp, Ahlstrom Holding or such other Ahlstrom Group Person, and constitutes, or upon its execution on the Closing Date will constitute, a valid and legally binding obligation of Ahlstrom Corp, Ahlstrom Holding or such other Ahlstrom Group Person, as applicable, enforceable against Ahlstrom Corp, Ahlstrom Holding or such other Ahlstrom Group Person, as applicable, in accordance with its terms and conditions, except as enforceability thereof may be limited by any applicable bankruptcy, reorganization, insolvency or other Laws affecting creditors' rights generally or by general principles of equity.

(b) The execution and performance by each of Ahlstrom Corp, Ahlstrom Holding and any other Ahlstrom Group Person of each Transaction Document to which it is a party, and the consummation of the transactions contemplated hereby and thereby, will not: (i) violate any Law applicable to Ahlstrom Corp, Ahlstrom Holding or such other Ahlstrom Group Person, or any of the Assets of the Ahlstrom Group; or (ii) conflict with, or result in any breach of, any of the terms, conditions or provisions of, or constitute (with due notice or lapse of time, or both) a default or give rise to any right of termination, cancellation or

acceleration, or result in the creation of any Encumbrance (other than a Permitted Encumbrance) upon: (x) any of the Assets of the Ahlstrom Group; or (y) under any provision of: (1) the Transaction Documents, (2) the Charter Documents of Ahlstrom Corp, Ahlstrom Holdings or such other Ahlstrom Group Person, as applicable, (3) any Permit required or issued in connection with the operation of the Ahlstrom Business or (4) any other Agreement to which it is a party or by which the Assets of the Ahlstrom Group is or may be bound, except for such violations, conflicts or breaches of or with respect to (x), (y) (1), (3) and (4) above that, individually or in the aggregate, have not had, and are not reasonably expected to have, an Ahlstrom Material Adverse Effect. Except for the Required Competition Filings and as set forth on Schedule 7.2, neither Ahlstrom Corp nor any relevant Person of the Ahlstrom Group has been or is required to give any notice to, obtain the consent of or make any filing with, any Governmental Authority or any other Person, or obtain any material Permit, in each case for the valid execution and performance by Ahlstrom Corp, Ahlstrom Holdings or any other Ahlstrom Group Person of the Transaction Documents to which it is a party.

7.3 OWNERSHIP OF AHLSTROM HOLDING COMPANIES AND AHLSTROM OPERATING COMPANIES

(a) Schedule 7.3 lists: (i) the authorized, issued and outstanding shares of capital stock or equity interests of each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies; (ii) the record and beneficial holders of the authorized, issued and outstanding shares of capital stock or equity interests of each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies; and (iii) the number of shares or units, and percentage of shares or units, of capital stock or equity interests of each such holder. Other than as set forth on Schedule 7.3, Ahlstrom Corp has no Affiliates, and no equity investment or other interest in any Person, engaged in any aspect of the core/tube and core board business in the Territory.

(b) Except as set forth on Schedule 7.3, Ahlstrom Corp is, or will be immediately prior to the Closing, the lawful direct or indirect record and beneficial owner of all the shares of capital stock of, or other ownership interests in, each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies, and has good and marketable title to such shares of capital stock or ownership interests, free and clear of all Encumbrances (other than Permitted Encumbrances). Except as set forth on Schedule 7.3, there are no: (i) outstanding subscriptions, preemptive rights, warrants, calls or options to acquire, or instruments convertible into or exchangeable for, or Agreements or understandings with respect to the sale or issuance of, shares of capital stock or ownership interest of any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies; (ii) Encumbrances (other than Permitted Encumbrances), rights of first refusal, rights of first offer, proxies, voting trusts, or voting Agreements with respect to the sale, issuance or

voting of any shares of capital stock or ownership interest of any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies (whether outstanding or issuable upon the conversion, exchange or exercise of outstanding securities); or (iii) obligations to redeem, repurchase or otherwise acquire shares of capital stock or ownership interest of any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies, in each of (i), (ii) or (iii) above, pursuant to any Law (other than any limitations or restrictions on Transferability under any applicable securities Laws), any Charter Document of any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies or any Agreement to which any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies is a party or may be bound.

(c) All shares of capital stock of, or other ownership interests in, the Ahlstrom Holding Companies and the Ahlstrom Operating Companies that are indirectly held by Ahlstrom Corp have been, or upon their issuance on or prior to the Closing Date will be, duly authorized, validly issued, outstanding and fully paid in (and such capital payments have not been paid back).

(d) None of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies is a party to a company agreement (Unternehmensvertrag within the meaning of the German Stock Corporation Act), except for those agreements disclosed in Schedule 7.3 which will be validly terminated with effect prior to or as of the Closing Date.

7.4 BANKRUPTCY

No Ahlstrom Holding Company or Ahlstrom Operating Company is involved in any Proceeding by or against it as a debtor before any Governmental Authority under any insolvency, restructuring or debtors' relief act, or for the appointment of a trustee, receiver, liquidator, assignee, sequestrator or other similar official, or under any similar Law, for any part of its Assets.

7.5 DISTRIBUTIONS

Except as contemplated by the Ahlstrom Reorganization, no Distribution has been made since December 31, 2003 by or to any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies.

7.6 EMPLOYEE REMUNERATION

Schedule 7.6 lists the aggregate annual remuneration, including, without limitation, bonuses and fringe benefits of each employee, manager and director of each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies (other than Karhula Services and AT-Spiral) due and accrued for the

first quarter of the current fiscal year and paid in the most recently completed fiscal year.

7.7 FINANCIAL STATEMENTS

(a) Schedule 7.7 contains true, correct and complete copies of the following (the "AHLSTROM FINANCIAL STATEMENTS"):

(i) The unaudited consolidated balance sheet and profit and loss account of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies as of December 31, 2003 and for the 12-month period then ended; and

(ii) The pro forma unaudited consolidated balance sheet and profit and loss account of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies as of December 31, 2003 and for the 12-month period then ended, which balance sheet and profit and loss account shall reflect the results of the consummation of the transactions contemplated by the China Purchase Agreement as if such transactions were completed as of December 31, 2003.

(b) The Ahlstrom Financial Statements, together with the notes thereto: (i) have been prepared in accordance with Ahlstrom Accounting Principles, Applied on a Consistent Basis; (ii) have been prepared in accordance with the books and records of each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies, which books and records have been properly maintained; and (iii) present fairly the financial condition and results of operations of the Ahlstrom Holding Companies and Ahlstrom Operating Companies on a consolidated basis, as of the date thereof and for the period covered thereby; provided, however, that the Ahlstrom Financial Statements do not contain all footnotes required under Ahlstrom Accounting Principles. Since December 31, 2003, there has been no change in any accounting principle, procedure or practice followed by the Ahlstrom Holding Companies and the Ahlstrom Operating Companies or in the method of applying such principle, procedure or practice.

7.8 ABSENCE OF UNDISCLOSED LIABILITIES

No Ahlstrom Holding Company or Ahlstrom Operating Company has any Liabilities, except: (i) Liabilities as set forth in the Ahlstrom Financial Statements; (ii) Liabilities that need not be shown on the balance sheet under Ahlstrom Accounting Principles and that arose in the Ordinary Course of Business; (iii) Liabilities arising in the Ordinary Course of Business since December 31, 2003;

(iv) Liabilities set forth on Schedule 7.8; or (v) Liabilities which are not, and are not reasonably expected to become, material to the Ahlstrom Business.

7.9 ABSENCE OF CHANGES

Except as set forth on Schedule 7.9 or as provided or contemplated by the Transaction Documents (including, without limitation, as contemplated by the Ahlstrom Reorganization), since December 31, 2003, each of the Ahlstrom Holding Companies, the Ahlstrom Operating Companies and the Ahlstrom Business has been operated in the Ordinary Course of Business and there has not been:

(a) any event or condition, or any material transaction or Agreement, which, individually or in the aggregate, has had, or is reasonably expected to have, an Ahlstrom Material Adverse Effect;

(b) any act, omission of any act, activity or transaction, or incurrence of Liability (by conduct or otherwise), or any damage, destruction or Loss, whether or not covered by insurance, which, individually or in the aggregate, has had, or is reasonably expected to have, an Ahlstrom Material Adverse Effect;

(c) any issuance of any shares or ownership interests or any options, warrants or other rights to subscribe for or purchase any of its shares or ownership interests or any securities convertible into or exchangeable for its shares or ownership interests by any Ahlstrom Holding Company or Ahlstrom Operating Company;

(d) split, reclassification or other change in or of any of the shares or ownership interests of any Ahlstrom Holding Company or Ahlstrom Operating Company;

(e) amendment of the Charter Documents of any Ahlstrom Holding Company or Ahlstrom Operating Company;

(f) any increase in, or prepayment of, the compensation payable, or to become payable, by any Ahlstrom Holding Company or Ahlstrom Operating Company to any of its directors, officers, managing directors, managers, employees or agents, or enter into any bonus, insurance, pension or other benefit plan, payment or arrangement for or with any of such directors, officers, managing directors, managers, employees or agents, other than normal salary increases in the Ordinary Course of Business;

(g) any lay-offs with respect to a significant part of the workforce of any Ahlstrom Holding Company or Ahlstrom Operating Company;

(h) any incurrence of any Indebtedness, including Intercompany Debt (other than Indebtedness incurred in the Ordinary Course of Business on reasonable arms length terms), or direct or indirect provision of a Guarantee, or any agreement to provide a Guarantee, or Indebtedness of any other Person;

(i) any cancellation of, or material change to, Indebtedness owing to any Ahlstrom Holding Company or Ahlstrom Operating Company from any Person or any Claims which any Ahlstrom Holding Company or Ahlstrom Operating Company may possess, or any waiver or release of any material rights (other than in the Ordinary Course of Business);

(j) any placement, or allowance to place, an Encumbrance (other than a Permitted Encumbrance) on any Assets of any Ahlstrom Holding Company or Ahlstrom Operating Company;

(k) any change in any method of accounting or accounting practice or policy of any Ahlstrom Holding Company or Ahlstrom Operating Company, except as required by Ahlstrom Accounting Principles, including, without limitation, any change in its policies with respect to the payment of accounts payable or other current Liabilities or the collection of accounts receivable, including, without limitation, any acceleration or deferral of the payment or collection thereof, as applicable;

(l) any Transfer of Intellectual Property (other than in the Ordinary Course of Business) from or to any Ahlstrom Holding Company or Ahlstrom Operating Company;

(m) any Transfer of a material portion of the Assets of any Ahlstrom Holding Company or Ahlstrom Operating Company, or scrapping of a material portion of the Assets of any Ahlstrom Holding Company or Ahlstrom Operating Company as obsolete;

(n) any material change in the general manner in which any Ahlstrom Holding Company or Ahlstrom Operating Company markets its products or services;

(o) any commitments for capital expenditures of any Ahlstrom Holding Company or Ahlstrom Operating Company in excess of EUR1,000,000 per occurrence or EUR5,000,000 in the aggregate;

(p) any violation of any material Law or material Order; or

(q) any loan or advance to any members, stockholders or equity holders, or officers, directors, managing directors, managers or to any other Person of any Ahlstrom Holding Company or Ahlstrom Operating Company.

7.10 OUTSTANDING BORROWINGS; INTERCOMPANY DEBT

Schedule 7.10 lists: (i) the amount of principal, interest and other obligations of all Outstanding Borrowings and Intercompany Debt of each Ahlstrom Holding Company and each Ahlstrom Operating Company as of December 31, 2003; (ii) the Encumbrances that relate to such Outstanding Borrowings and Intercompany Debt; (iii) the name of each lender or party thereof; and (iv) the amount of any unfunded commitments available in connection with such Outstanding Borrowings and Intercompany Debt.

7.11 RELATED PARTY TRANSACTIONS

Except as set forth on Schedule 7.11, and except for: (i) compensation and payment of reimbursable expenses incurred in the Ordinary Course of Business to regular employees of any Ahlstrom Holding Company or Ahlstrom Operating Company; (ii) any individual amount not exceeding EUR100,000 per year; or (iii) sales of products in the Ordinary Course of Business on arms-length terms, no current or former Affiliate of any Ahlstrom Holding Company or Ahlstrom Operating Company, is now, or has been since December 31, 2003: (x) a party to any transaction or Agreement with any Ahlstrom Holding Company or Ahlstrom Operating Company; (y) Indebted to any Ahlstrom Holding Company or Ahlstrom Operating Company; or (z) the direct or indirect owner of an interest in any Person which is a competitor, supplier or customer of any Ahlstrom Holding Company or Ahlstrom Operating Company (other than non-affiliated holdings in publicly held companies), nor, to the Actual Knowledge of Ahlstrom Corp, does any such Person receive income from any source other than any Ahlstrom Holding Company or Ahlstrom Operating Company which should properly accrue to any Ahlstrom Holding Company or Ahlstrom Operating Company. Except as set forth on Schedule 7.11, no current or former Affiliate of any Ahlstrom Holding Company or Ahlstrom Operating Company provides a Guarantee or is otherwise responsible for any Liability (including Indebtedness) of any Ahlstrom Holding Company or Ahlstrom Operating Company.

7.12 COMPLIANCE WITH LAWS

(a) Except as disclosed on Schedule 7.12, each of the Ahlstrom Holding Companies and Ahlstrom Operating Companies has: (i) complied in all material respects with, is in compliance in all material respects with and has operated the Ahlstrom Business and maintained its Assets in compliance in all material respects with, all Laws applicable to it and its applicable portion of the Ahlstrom Business as currently conducted; and (ii) all Permits used or necessary in the conduct of its applicable portion of the Ahlstrom Business, except for such Permits the absence of which, individually or in the aggregate, has not had, and is not reasonably expected to have, an Ahlstrom Material Adverse Effect. Such

Permits described in clause (ii) are valid and in good standing and are in full force and effect, no violations with respect to any thereof have occurred or are or have been recorded and no Proceeding is pending or, to the Best Knowledge of Ahlstrom Corp, threatened to revoke or limit any thereof.

(b) Schedule 7.12 contains a true, correct and complete list of: (i) all such Permits described in paragraph (a) of this Section 7.12 (other than Permits for Karhula Services and AT-Spiral); and (ii) all material Orders under which each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies (other than Orders for Karhula Services and AT-Spiral) are operating or bound. To the Actual Knowledge of Ahlstrom Corp, there is no proposed change in any applicable Law which would require any Ahlstrom Holding Company or Ahlstrom Operating Company to obtain any Permits not set forth on Schedule 7.12 in order to conduct its applicable portion of the Ahlstrom Business as presently conducted. Except as disclosed in Schedule 7.12, none of such Permits or Orders shall be adversely affected as a result of Ahlstrom Corp's, any Ahlstrom Holding Company's or Ahlstrom Operating Company's execution of, or the performance of its obligations under, any Transaction Document to which it is a party, or the consummation of the transactions contemplated hereby and thereby. No Ahlstrom Holding Company or Ahlstrom Operating Company has received any opinion or memorandum or legal advice from legal counsel to the effect that it is exposed, from a legal standpoint, to any Liability or disadvantage, individually or in the aggregate, which has had, or is reasonably expected to have, an Ahlstrom Material Adverse Effect. To the Actual Knowledge of Ahlstrom Corp, no Ahlstrom Holding Company or Ahlstrom Operating Company is aware of any proposed Law which would prohibit or restrict it from, or otherwise materially adversely affect it in, conducting its applicable portion of the Ahlstrom Business in any jurisdiction in which it is now conducting the Ahlstrom Business.

7.13 TAXES

(a) Each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies has (or, in the case of Tax Returns becoming due after the date hereof and on or before the Closing Date, will have prior to the Closing Date) duly filed all Tax Returns, notices and other reports or filings required to be filed by any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies (collectively, "AHLSTROM TAX RETURNS") on or before the Closing Date (including, without limitation, in connection with or as a result of the Ahlstrom Reorganization) with respect to all applicable Taxes. All such Tax Returns are (or, in the case of returns becoming due after the date hereof, including, without limitation, in connection with or as a result of the Ahlstrom Reorganization, will be) true and complete in all material respects.

(b) All Taxes which are required to be paid by each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies before the Closing Date have been or will be paid in full prior to the Closing Date and an appropriate provision has been provided in respect of all Taxes that are not due prior to the Closing Date and that relate to the time period through December 31, 2003 in the Ahlstrom Financial Statements.

(c) There is no investigation or Claim pending or, to the Best Knowledge of Ahlstrom Corp, threatened in respect of any material Taxes for which any of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies is, or is reasonably expected to become, liable. No Ahlstrom Holding Company or Ahlstrom Operating Company has consented to any waivers or extensions of any statute of limitations with respect to any taxable year of the Ahlstrom Group.

(d) No Ahlstrom Holding Company or Ahlstrom Operating Company is a party to an Agreement or arrangement relating to the sharing, allocation or payment of, indemnity or security for, Taxes, except for the Tax consolidation Agreements (e.g., Organschaft) set forth on Schedule 7.13, which will be terminated prior to the Closing Date.

(e) The execution and performance of this Contribution Agreement and the Related Documents will not result in: (i) the imposition of any Tax on or with respect to any Ahlstrom Holding Company or Ahlstrom Operating Company, or their respective Assets; or (ii) the Loss by any Ahlstrom Holding Company or Ahlstrom Operating Company of any Tax relief or Tax benefit other than the loss of trade Tax loss carryforwards and Tax loss carryforwards or other Tax attributes for which adequate provision has been made on the Ahlstrom Financial Statements.

(f) No Ahlstrom Holding Company and no Ahlstrom Operating Company has carried out any dealings with Affiliates on a non-arms length basis that could be assessed by the relevant Governmental Authorities to constitute hidden distributions of profits (verdeckte Gewinnausschuettung).

7.14 REAL PROPERTY

(a) Schedule 7.14 lists all the Real Property used in the Ahlstrom Business (the "AHLSTROM REAL PROPERTY") and specifies the owner of each parcel thereof and sets forth a legal description for all such Real Property. The Ahlstrom Real Property is suitable and adequate in all material respects for the uses for which it is currently devoted. None of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies own, lease, sublease, license or use any Real Property in the operation of the Ahlstrom Business other than the Ahlstrom Real Property.

(b) Each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies, as applicable, is the sole owner of good, valid and marketable fee simple or comparable title to the Ahlstrom Real Property listed in Schedule 7.14 as owned Ahlstrom Real Property and has valid and binding rights under leases to the Ahlstrom Real Property listed in Schedule 7.14 as leased Ahlstrom Real Property, in each case free and clear of all Encumbrances (other than Permitted Encumbrances). Schedule 7.14 contains an accurate and complete list of all mortgages and similar Encumbrances on the Ahlstrom Real Property.

(c) All buildings, structures, fixtures and other improvements on the Ahlstrom Real Property are: (i) in good repair, normal wear and tear excepted, and free of material defects (latent or patent); and (ii) are suitable and adequate in all material respects for the uses to which they are currently devoted. All such buildings, structures, fixtures and improvements on the Ahlstrom Real Property conform in all material respects to all material Laws. The buildings, structures, fixtures and improvements on each parcel of Ahlstrom Real Property lie entirely within the boundaries of such parcel of the Ahlstrom Real Property as specified in the legal description set forth in Schedule 7.14, and do not encroach in any material respects on any adjoining premises and no structures of any kind encroach in any material respects on such Ahlstrom Real Property.

(d) Except as set forth on Schedule 7.14: (i) none of the Ahlstrom Real Property is subject to any material Agreement or other material restriction of any nature whatsoever (recorded or unrecorded) preventing or limiting in any material respects any Ahlstrom Holding Company's or Ahlstrom Operating Company's right to convey or otherwise dispose of its interest in same; and (ii) none of the Ahlstrom Real Property is subject to any material Agreement or other material restriction of any nature whatsoever (recorded or unrecorded) preventing or limiting in any material respects any Ahlstrom Holding Company's or Ahlstrom Operating Companies' right to use it.

(e) No material portion of the Ahlstrom Real Property or any building, structure, fixture or improvement thereon is the subject of, or affected by, any condemnation or eminent domain Proceeding currently instituted or pending, and to Ahlstrom Corp's Actual Knowledge, none of the foregoing will be the subject of, or affected by, any such future Proceeding.

(f) The Ahlstrom Real Property has reasonably direct and unobstructed access to material public roads and to reasonably adequate material electric, gas, water, sewer and telephone lines, all of which are reasonably adequate for the uses to which such Ahlstrom Real Property is currently devoted.

(g) Except as disclosed on Schedule 7.14, there are no Persons in possession, or who have a right of possession of any portion of the Ahlstrom Real

Property other than the Ahlstrom Holding Companies or the Ahlstrom Operating Companies, whether as lessees, tenants at will or otherwise.

(h) Schedule 7.14 contains a complete and accurate copy of all Real Property Leases relating to the Ahlstrom Real Property. Each Real Property Lease entered into (whether as lessor or lessee) by each of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies is: (i) valid, binding and enforceable in all material respects against the Ahlstrom Holding Companies and the Ahlstrom Operating Companies, as applicable; and (ii) to Ahlstrom Corp's Actual Knowledge, is valid, binding and enforceable in all material respects against the other parties thereto in accordance with its terms, and is in full force and effect in all material respects.

(i) None of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies are in material default under, or in material breach of, or are otherwise materially delinquent in performance under any Real Property Lease entered into (whether as lessor or lessee) by the Ahlstrom Holding Companies or the Ahlstrom Operating Companies, and, to Ahlstrom Corp's Actual Knowledge, no event has occurred which, with due notice or lapse of time, or both, would constitute such a default.

7.15 ENVIRONMENTAL AND SAFETY

(a) Each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies has complied in all material respects with, and each such company and all of the Ahlstrom Real Property is in compliance in all material respects with, all material Environmental and Safety Requirements; and there are no Proceedings pending or, to the Best Knowledge of Ahlstrom Corp, threatened against any Ahlstrom Holding Company or Ahlstrom Operating Company alleging any failure to so comply or involving any Environmental and Safety Requirement issue with respect to Ahlstrom its past operations or any Real Property of any Ahlstrom Holding Company or Ahlstrom Operating Company.

(b) No Ahlstrom Holding Company or Ahlstrom Operating Company has any material Liability arising under any Environmental and Safety Requirements.

(c) Except as set forth on Schedule 7.15, no Ahlstrom Holding Company or Ahlstrom Operating Company has received any written notice or report with respect to it or its Real Property regarding any: (i) actual or alleged violation of Environmental and Safety Requirements; or (ii) actual or potential Liability arising under Environmental and Safety Requirements, including any investigatory, remedial or corrective obligation, in each of (i) and (ii), during the last three calendar years.

(d) No Ahlstrom Holding Company or Ahlstrom Operating Company has assumed or undertaken any material Liability of any other Person under any Environmental and Safety Requirements.

(e) No Ahlstrom Holding Company or Ahlstrom Operating Company has treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled or released any substance, or owned or operated any Real Property in a manner that has given rise to material Liabilities of any Ahlstrom Holding Company or Ahlstrom Operating Company pursuant to any Environmental and Safety Requirement, including any material Liability for response costs, corrective action costs, personal injury, property damage, natural resources damage or attorney fees, or any investigative, corrective or remedial obligations.

(f) Schedule 7.15 sets forth all environmental matters for which a financial reserve has been made on the Ahlstrom Financial Statements and the amount of such reserve.

7.16 TITLE TO ASSETS

Except for the leased Assets listed in Schedule 7.19 and subject to Section 7.14, each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies has, or upon consummation of the Ahlstrom Reorganization will have at the Closing Date, good, valid and marketable title to all Assets used in its applicable portion of the Ahlstrom Business, free and clear of all Encumbrances (other than Permitted Encumbrances). All personal property of the Ahlstrom Holding Companies and Ahlstrom Operating Companies is in normal operating condition and repair, normal wear and tear excepted, and is suitable and adequate for the uses for which it is used. All inventory of the Ahlstrom Holding Companies and Ahlstrom Operating Companies consists of items which are good and merchantable and of a quality and quantity presently usable and saleable in the Ordinary Course of Business, subject to any reserves properly reflected on the Ahlstrom Financial Statements under Ahlstrom Accounting Principles.

7.17 INSURANCE

All policies of Assets, fire, hazard, casualty, liability, life, and other forms of insurance of any kind owned or held by, or for the benefit of, the Ahlstrom Holding Companies and the Ahlstrom Operating Companies: (i) are in full force and effect and, to the Best Knowledge of Ahlstrom Corp, no grounds for termination of such policies exist; (ii) are sufficient for compliance by each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies with all requirements of applicable Law and of all Agreements which require any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies to acquire and/or maintain insurance; (iii) are valid and enforceable against the insurer in all material

respects; and (iv) insure against risks of the kind customarily insured against and in amounts customarily carried by companies similarly situated and by companies engaged in similar businesses and owning similar properties, and provide adequate insurance coverage for the Ahlstrom Business and Assets of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies. All premium and other payments required to be paid by, or on behalf of, each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies pursuant to such policies have been fully and timely made.

7.18 INTELLECTUAL PROPERTY

(a) Schedule 7.18 contains a list: (i) of all Intellectual Property owned by each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies in respect of which a registration has been granted, and in respect of which a registration has been applied for, in each case specifying, as applicable (A) the nature of such Intellectual Property, (B) the owner of such Intellectual Property, (C) the jurisdictions in which such Intellectual Property has been registered, or in which an application for registration has been filed, and the registration or application numbers and (D) any licenses that have been granted with respect to such Intellectual Property; and (ii) of all licenses pursuant to which each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies has been granted the right to use Intellectual Property owned by another Person, in each case specifying (A) the licensor, (B) the duration of the license and (C) the royalties payable. The Intellectual Property listed on Schedule 7.18 is all Intellectual Property necessary to conduct the Ahlstrom Business as currently conducted.

(b) Each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies: (i) owns, or has a valid license to use, all Intellectual Property used by it in the Ordinary Course of Business in the Ahlstrom Business, except where the failure to own, or have a valid license to use, such Intellectual Property, individually or in the aggregate, has not had, and is not reasonably expected to have, an Ahlstrom Material Adverse Effect; and (ii) has made, or has had made on its behalf, all payments as and when required to validly maintain all registrations of, its ownership of, or its license to use, such Intellectual Property in full force and effect with any Governmental Authority or other Person, as the case may be. To the Best Knowledge of Ahlstrom Corp, there exist no grounds for termination of the Ahlstrom Holding Companies' or the Ahlstrom Operating Companies' ownership rights in, or licenses to use, the Intellectual Property referred to in the preceding sentence, in particular, there are no pending challenges of any Intellectual Property owned by an Ahlstrom Holding Company or an Ahlstrom Operating Company, and to Ahlstrom Corp's Best Knowledge, no such challenges are threatened.

(c) Other than the restrictions contained in the License Agreement, dated February 16, 2000, between Ahlstrom Alcore Oy, on the one hand, and Selectube and Abzac Inc., on the other hand, no Ahlstrom Holding Company or Ahlstrom Operating Company has granted an exclusive license with respect to any Intellectual Property used in the Ahlstrom Business to any third Person (other than another Ahlstrom Holding Company or Ahlstrom Operating Company).

(d) No Ahlstrom Holding Company or Ahlstrom Operating Company has any Actual Knowledge of, nor has it received any notice to the effect, that any product that any Ahlstrom Holding Company or Ahlstrom Operating Company sells or that any service any Ahlstrom Holding Company or Ahlstrom Operating Company renders, or that the manufacture, distribution, marketing, sale or use of any such product or service, may or is Claimed to infringe any Intellectual Property right of another.

7.19 LEASED PERSONAL PROPERTY

Schedule 7.19 lists every lease, sublease and Agreement involving aggregate annual lease payments exceeding EUR30,000 per lease, per year (net of ancillary costs) under which any of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies is lessee or lessor of any material Asset, or holds, manages or operates any material Asset owned by any third party, or under which any material Asset owned by any of the Ahlstrom Holding Companies and Ahlstrom Operating Companies is held, operated or managed by a third party. Each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies is the owner and holder of all rights under leases used by it in the Ahlstrom Business. Each such lease, sublease and other Agreement is in full force and effect and constitutes a legal, valid and binding obligation of, and is legally enforceable against, the respective Parties and grants the leasehold interest it purports to grant free and clear of all Encumbrances (other than Permitted Encumbrances). Each of the Ahlstrom Holding Companies and Ahlstrom Operating Companies has in all material respects performed all obligations thereunder required to be performed by any of them to date. No Party is in default in any material respect under any of the foregoing, and there has not occurred any event which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute such a material default.

7.20 CERTAIN MATERIAL AGREEMENTS

(a) Subject to Section 7.14, except for the Agreements set forth on Schedule 7.20 ("AHLSTROM MATERIAL AGREEMENTS"), no Ahlstrom Holding Company or Ahlstrom Operating Company is a party to any written or oral:

(i) Agreement for the employment or retention of, whether on a full-time, part-time, consulting or other basis, or understanding with, any of the directors, top five officers, managing directors, general managers or country managers of the Ahlstrom Business, any Ahlstrom Holding Company or Ahlstrom Operating Company;

(ii) Agreement relating to Indebtedness or to the mortgaging, pledging or otherwise placing an Encumbrance (other than a Permitted Encumbrance) on any Asset of the Ahlstrom Business, or any Ahlstrom Holding Company or Ahlstrom Operating Company, with a fair market value in excess of EUR50,000;

(iii) Agreement preventing or otherwise restricting the right of any Ahlstrom Holding Company or Ahlstrom Operating Company to make or receive Distributions;

(iv) Agreement involving the sale of the accounts receivable of any Ahlstrom Holding Company or Ahlstrom Operating Company to any other Person;

(v) Agreement with respect to the investing of funds, including, without limitation, any hedging Agreement;

(vi) Agreement under which any Ahlstrom Holding Company or Ahlstrom Operating Company is the lessor of, or permits any third Person to hold or operate, any real or personal property owned or controlled by any Ahlstrom Holding Company or Ahlstrom Operating Company in excess of EUR30,000;

(vii) assignment, license, indemnification or other Agreement with respect to any form of intangible property with Third Parties, including, without limitation, any Intellectual Property;

(viii) Agreement or group of related Agreements with the same Person for the sale of Assets or services which generated in excess of EUR100,000 in revenues in the most recent 12-month period or is reasonably expected to generate in excess of EUR100,000 in revenues in any 12-month period ending after the date hereof;

(ix) non-competition agreement which limits any Ahlstrom Holding Company or Ahlstrom Operating Company from freely engaging in any business anywhere in the world;

(x) Agreement relating to the purchase, distribution, marketing, advertising or sale of any Ahlstrom Holding Company's or Ahlstrom Operating Company's or any other Person's products or services (other than Agreements entered into in the Ordinary Course of Business); or

(xi) other than Agreements described and disclosed in subsections (i) through (x) above, Agreement pursuant to which any Ahlstrom Holding Company or Ahlstrom Operating Company has Liabilities or is required to make or give, or entitled to receive, aggregate payments or other value in excess of EUR100,000.

(b) All Ahlstrom Material Agreements are, or following the Ahlstrom Reorganization will be, an Asset of an Ahlstrom Holding Company or an Ahlstrom Operating Company, and no other Ahlstrom Group company is, or will be following the Ahlstrom Reorganization, a party to any such Ahlstrom Material Agreement.

(c) Except as specifically disclosed in Schedule 7.20, each of the Ahlstrom Holding Companies and Ahlstrom Operating Companies has performed in all material respects all obligations required to be performed by it, and is not in default under or in breach of, nor in receipt of any Claim of default or breach under, any Ahlstrom Material Agreement to which it is a party or by which any of its Assets may be bound, and, to the Actual Knowledge of Ahlstrom Corp, no event has occurred which with the passage of time or the giving of notice or both would result in such a material default or breach under any such Ahlstrom Material Agreement. To the Actual Knowledge of Ahlstrom Corp, no other party to any Ahlstrom Material Agreement to which any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies is a party, or by which any of their Assets may be bound, is in material default under or in breach of any Ahlstrom Material Agreements, and no event has occurred which with the passage of time or giving of notice or both would result in a material default or breach by such other party under any Ahlstrom Material Agreement. There has been made available to Ahlstrom Corp in the Ahlstrom Data Room: (i) a true and complete copy of each written Ahlstrom Material Agreement, together with all amendments, waivers or other changes thereto; and (ii) a true and complete description of the material terms of all oral Ahlstrom Material Agreements.

7.21 LITIGATION; DISPUTES

Except as (x) set forth on Schedule 7.21 and (y) for matters which have not resulted, and could not reasonably be expected to result, in a fine or other award of damages in excess of EUR100,000, there are no: (i) Proceedings pending (for which proper service has been made) against or involving any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies, whether at law or in equity, whether civil or criminal in nature or by or before any Governmental Authority; (ii) customer Claims of any nature against any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies; or (iii) Orders of any Governmental Authority with respect to or involving any of the Ahlstrom Holding Companies and Ahlstrom Operating Companies, nor, in the case of (i), (ii) or (iii), to the Best Knowledge of Ahlstrom Corp, does there exist any basis for any such Proceeding, Claim or Order, or has any such Proceeding, Claim or Order been threatened.

7.22 LABOR RELATIONS

(a) Except as set forth on Schedule 7.22, there are no strikes, work stoppages, or other disputes pending or, to the Best Knowledge of Ahlstrom Corp, threatened, or reasonably anticipated between any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies and: (i) any current or former employees of any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies involving amounts, individually or in the aggregate, exceeding EUR100,000; (ii) any union, employee representatives or other collective bargaining unit representing employees of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies; or (iii) any social security Governmental Authority.

(b) No Ahlstrom Holding Company or Ahlstrom Operating Company has, or is obligated with respect to, any stock option, stock bonus, phantom stock plan, scheme or similar arrangement. Any unfunded pension Liability arrangements for present or former employees, directors, officers, managing directors, managers or workers of each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies is covered by adequate reserves in the Ahlstrom Financial Statements, and any other pension Liability is fully funded and complies with all statutory and regulatory funding obligations in respect of all categories of member.

(c) No Ahlstrom Holding Company or Ahlstrom Operating Company has any consulting arrangements with their respective directors.

(d) Each of the Ahlstrom Holding Companies and the Ahlstrom Operating Companies has complied, and is in compliance with, in all material respects, all Laws relating to employment, workers, the workplace, the termination

of employment or income tax, wage withholding tax or social security matters, including, without limitation, provisions relating to wages, hours, collective bargaining, employee representation, consultation, safety and health, work authorization, equal employment opportunity, discrimination, immigration, withholding, unemployment compensation, worker's compensation, employee privacy and right to know and social security contributions.

(e) Except as set forth in Schedule 7.22 and without limiting the generality of the foregoing, no Ahlstrom Holding Company or Ahlstrom Operating Company is a party to any existing Agreement with an employee, officer, director, managing director, manager or agent which in case of termination could result in compensation payments in an amount exceeding EUR50,000.

(f) The consummation of the transactions contemplated in this Contribution Agreement (including the Ahlstrom Reorganization) will not cause any Ahlstrom Holding Company or Ahlstrom Operating Company to incur or suffer any Liability relating to, or obligation to pay, severance, termination, social security or other payments (including interest, penalties and charges relating thereto) to any Person.

(g) Except as set forth in Schedule 7.22, or as imposed by applicable Law, no Ahlstrom Holding Company or Ahlstrom Operating Company is a party to an Agreement or arrangement with any union, works council, other employee representation body or employee representatives, limiting its right to consummate the restructurings contemplated by the Business Plan, including the closure of any plants or other facilities, relocation or termination of employees.

7.23 INVESTMENT REPRESENTATIONS

Ahlstrom Holding is acquiring the Ahlstrom Shares hereunder, for its own account, for investment and not with a view to the distribution thereof in violation of applicable securities Laws.

7.24 SUBSIDIES

Schedule 7.24 contains a complete and correct list of all subsidies in an amount of EUR100,000 or more granted or awarded to any of the Ahlstrom Holding Companies or Ahlstrom Operating Companies or any of their predecessors during the last five calendar years in respect of the relevant portion of the Ahlstrom Business. Neither the Transaction (including the Ahlstrom Reorganization) nor the measures contemplated under the Business Plan will result in an obligation to repay (or lose the award) of any such subsidies.

7.25 COMPLETENESS OF CONTRIBUTION

Following the Ahlstrom Reorganization, all Assets, Agreements and employees used in the conduct of the Ahlstrom Business as it is presently conducted will have been Transferred to the Ahlstrom Holding Companies and the Ahlstrom Operating Companies.

8. CONDITIONS TO OBLIGATION OF SONOCO PRODUCTS

The obligation of Sonoco Products to proceed with the Closing, and to consummate the transactions contemplated hereby and by each Related Document, is subject to the fulfillment or waiver by Sonoco Products (to the extent such condition can be waived), at or prior to the Closing, of each of the following conditions precedent:

8.1 REPRESENTATIONS AND WARRANTIES

The representations and warranties given by Ahlstrom Corp and any other Ahlstrom Group Person party to a Transaction Document, to Sonoco Products or any other Sonoco Group Person in this Contribution Agreement and in each Related Document, as the case may be, shall be true and correct in all respects on the date hereof and at and as of the Closing Date (except for any changes expressly contemplated or permitted hereby), as if made at and as of such date (except for those representations and warranties which address matters only as of a particular date, which representations and warranties shall be true and correct as of such date); provided, however, that the condition precedent provided in this Section 8.1 shall be deemed to be met unless the failure of the representations and warranties given by Ahlstrom Corp and any other Ahlstrom Group Person party to a Transaction Document to be so true and correct results in, has resulted in, or could reasonably be expected to result in, individually or in the aggregate, a diminution in value of, Indebtedness of, or a Claim or Loss applicable to, the Ahlstrom Business in excess of EUR8,500,000.

8.2 PERFORMANCE

Each of Ahlstrom Corp and its Affiliates shall have performed and complied in all material respects with all of its obligations, agreements and covenants required by this Contribution Agreement to be performed or complied with by Ahlstrom Corp and its Affiliates on or prior to the Closing Date, including, without limitation, its obligations, agreements and covenants set forth in Section 3.2, which shall have been performed in all respects.

8.3 LEGAL PROCEEDINGS

There shall not be: (i) any Order of any nature issued by a Governmental Authority with competent jurisdiction directing that the transactions provided for herein or any aspect of them not be consummated as herein provided; or (ii) any Proceeding pending wherein an unfavorable Order would prevent the performance of this Contribution Agreement or any of the Related Documents, or the consummation of any aspect of the transactions or events contemplated hereby or thereby, declare unlawful any aspect of the transactions or events contemplated by this Contribution Agreement or any of the Related Documents or cause any aspect of the transactions contemplated by this Contribution Agreement or any of the Related Documents to be rescinded.

8.4 CHANGE IN LAW

As of the Closing Date, there shall not have been any change in any Law that would prevent the consummation of the transactions contemplated by this Contribution Agreement or any of the Related Documents.

8.5 ABSENCE OF AHLSTROM MATERIAL ADVERSE EFFECT

During the Interim Period, there shall not have occurred any Ahlstrom Material Adverse Effect, or any other material adverse change in the Assets, rights, Liabilities, financial condition or affairs of the Ahlstrom Business (other than (i) changes or conditions affecting the paper core/tube and core board industry generally, (ii) changes in macro-economic, regulatory or political conditions generally or (iii) changes resulting from a decision of a customer of the Ahlstrom Business not to continue to conduct business with any Ahlstrom Holding Company or Ahlstrom Operating Company), that, individually or in the aggregate, have resulted, or are reasonably expected to result, in a diminution in value of, Indebtedness of, or a Claim or Loss applicable to, the Ahlstrom Business in excess of EUR8,500,000.

8.6 REQUIRED CONSENTS

All of the Required Consents shall have been obtained and be in full force and effect on the Closing Date.

8.7 REQUIRED COMPETITION FILINGS

All of the Required Competition Filings shall have been made or given and approved, authorized, cleared or exempted by the applicable Governmental Authorities.

8.8 AHLSTROM REORGANIZATION

The Ahlstrom Reorganization shall have been completed pursuant to Section 5.1(b).

8.9 CHINA PURCHASE

The transaction contemplated by the China Purchase Agreement shall have been simultaneously consummated with the transactions contemplated hereby.

8.10 WORKS COUNCIL CONSULTATION

The contribution of the paper plant located at Aalten, The Netherlands to the Joint Venture (the "AALTEN CONTRIBUTION") by way of contribution by Sonoco Luxco to the Joint Venture of the shares it owns in Sonoco Netherlands BV, shall not be consummated until Sonoco Netherlands BV shall have complied with its obligations under Article 24 of the Works Council Act of The Netherlands (the "WOR ACT"), and the works council of Sonoco Netherlands BV shall have been informed about the Joint Venture and the consequences thereof.

9. CONDITIONS TO OBLIGATION OF AHLSTROM CORP

The obligation of Ahlstrom Corp to proceed with the Closing, and to consummate the transactions contemplated hereby and by each Related Document, is subject to the fulfillment or waiver by Ahlstrom Corp (to the extent such condition can be waived), at or prior to the Closing, of each of the following conditions precedent:

9.1 REPRESENTATIONS AND WARRANTIES

The representations and warranties given by Sonoco Products, and any other Sonoco Group Person party to a Transaction Document, to Ahlstrom Corp or any other Ahlstrom Group Person in this Contribution Agreement and in each Related Document, as the case may be, shall be true and correct in all respects on the date hereof and at and as of the Closing Date (except for any changes expressly contemplated or permitted hereby), as if made at and as of such date (except for those representations and warranties which address matters only as of a particular date, which representations and warranties shall be true and correct as of such date); provided, however, that the condition precedent provided in this Section 9.1 shall be deemed to be met unless the failure of the representations and warranties given by Sonoco Products and any other Sonoco Group Person party to a Transaction Document to be so true and correct results in, has resulted in, or could reasonably be expected to result in, individually or in the aggregate, a diminution in

value of, Indebtedness of, or a Claim or Loss applicable to, the Sonoco Business in excess of EUR8,500,000.

9.2 PERFORMANCE

Each of Sonoco Products and its Affiliates shall have performed and complied in all material respects with all of its obligations, agreements and covenants required by this Contribution Agreement to be performed or complied with by Sonoco Products and its Affiliates on or prior to the Closing Date, including, without limitation, its obligations, agreements and covenants set forth in Section 3.2, which shall have been performed in all respects.

9.3 LEGAL PROCEEDINGS

There shall not be: (i) any Order of any nature issued by a Governmental Authority with competent jurisdiction directing that the transactions provided for herein or any aspect of them not be consummated as herein provided; or (ii) any Proceeding pending wherein an unfavorable Order would prevent the performance of this Contribution Agreement or any of the Related Documents or the consummation of any aspect of the transactions or events contemplated hereby or thereby, declare unlawful any aspect of the transactions or events contemplated by this Contribution Agreement or any of the Related Documents or cause any aspect of the transactions contemplated by this Contribution Agreement or any of the Related Documents to be rescinded.

9.4 CHANGE IN LAW

As of the Closing Date, there shall not have been any change in any Law that would prevent the consummation of the transactions contemplated by this Contribution Agreement or any of the Related Documents.

9.5 ABSENCE OF SONOCO MATERIAL ADVERSE EFFECT

During the Interim Period, there shall not have occurred any Sonoco Material Adverse Effect, or any other material adverse change in the Assets, rights, Liabilities, financial condition or affairs of the Sonoco Business (other than (i) changes or conditions affecting the paper core/tube and core board industry generally, (ii) changes in macro-economic, regulatory or political conditions generally or (iii) changes resulting from a decision of any customer of the Sonoco Business not to continue to conduct business with any Sonoco Holding Company or Sonoco Operating Company), that, individually or in the aggregate, have resulted, or are reasonably expected to result, in a diminution in value of, Indebtedness of, or a Claim or Loss applicable to, the Sonoco Business in excess of EUR8,500,000.

9.6 REQUIRED CONSENTS

All of the Required Consents shall have been obtained and be in full force and effect on the Closing Date.

9.7 REQUIRED COMPETITION FILINGS

All of the Required Competition Filings shall have been made or given and approved, authorized, cleared or exempted by the applicable Governmental Authorities.

9.8 SONOCO REORGANIZATION

The Sonoco Reorganization shall have been completed pursuant to Section 5.1(a).

9.9 CHINA PURCHASE

The transaction contemplated by the China Purchase Agreement shall have been simultaneously consummated with the transactions contemplated hereby.

9.10 WORKS COUNCIL CONSULTATION

The Aalten Contribution shall not be consummated until Sonoco Netherlands BV shall have complied with its obligations under the WOR Act, and the works council of Sonoco Netherlands BV shall have been informed about the Joint Venture and the consequences thereof.

10. SURVIVAL; INDEMNIFICATION; REMEDIES

10.1 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

(a) Claims for breach of the representations and warranties contained in this Contribution Agreement and Section 5 of the SDI IP License Agreement shall survive the Closing until (verjaehren) 24 months after the Closing Date; provided, however, that: (i) Claims for breach of the representations and warranties contained in Sections 6.1, 6.2, 6.3, 7.1, 7.2 and 7.3 of this Contribution Agreement shall survive the Closing until ten years after the Closing Date; (ii) Claims for breach of the representations and warranties contained in Sections 6.15 and 7.15 of this Contribution Agreement shall survive the Closing until seven years after the Closing Date; and (iii) Claims for breach of the representations and warranties contained in Sections 6.13 and 7.13 of this Contribution Agreement shall survive the Closing until the ninetieth day after the expiration of the respective assessment period applicable to the matters covered thereby. The covenants and

other agreements of the Parties contained in this Contribution Agreement shall survive the Closing Date until they are otherwise terminated by their terms. The period from the Closing until the date upon which any representation, warranty, covenant or agreement contained herein shall terminate is referred to as the "SURVIVAL PERIOD."

(b) No Sonoco Indemnified Person or Ahlstrom Indemnified Person shall be entitled to make any Claim with respect to such representations, warranties, covenants or agreements after the expiration of the applicable Survival Period, if any, except that each Claim initiated by a Sonoco Indemnified Person or Ahlstrom Indemnified Person, as the case may be, prior to the expiration of the applicable Survival Period shall survive until it is settled or resolved. In addition: (i) no Sonoco Indemnified Person shall be entitled to make any Claim with respect to representations, warranties, covenants or agreements of Ahlstrom Corp or any other Ahlstrom Group Person at any time after Sonoco Products ceases, directly or indirectly, to be a shareholder of the Joint Venture; and (ii) no Ahlstrom Indemnified Person shall be entitled to make any Claim with respect to representations, warranties, covenants or agreements of Sonoco Products or any Sonoco Group Person at any time after Ahlstrom Corp ceases, directly or indirectly, to be a shareholder of the Joint Venture.

(c) The Representations and warranties contained in this Contribution Agreement and Section 5 of the SDI IP License Agreement shall survive the execution of the Transaction Documents and the consummation of the transactions contemplated hereby and all indemnification rights hereunder shall survive the execution of the Transaction Documents and the consummation of the transactions contemplated hereby and thereby until the applicable Survival Period.

10.2 AGREEMENT OF SONOCO PRODUCTS TO INDEMNIFY

Sonoco Products shall indemnify, defend and hold harmless the Ahlstrom Indemnified Persons from and against all Losses in connection with, related to or arising out of:

(a) the untruth, inaccuracy or breach of any representation or warranty given or made by Sonoco Products or any Sonoco Group Person pursuant to this Contribution Agreement or in Section 5 of the SDI IP License Agreement;

(b) any nonfulfillment or breach of any covenant or agreement on the part of Sonoco Products or any Sonoco Group Person contained in this Contribution Agreement;

(c) any Claim by any third party (including Governmental Authorities) against or affecting the Joint Venture or any Sonoco Holding Company or Sonoco Operating Company which, if successful, would give rise to or relate to a

breach of: (i) any of the representations or warranties on the part of Sonoco Products or any Sonoco Group Person referred to in paragraph (a) above at the time made; or (ii) covenants or agreements of Sonoco Products or any Sonoco Group Person referred to in paragraph (b) above;

(d) any Claim by any third party (including Governmental Authorities) or any incurrence of any Loss by any Ahlstrom Indemnified Person for, or that arose from or in connection with, or is directly or indirectly related to, any Sonoco Excluded Asset or Liability;

(e) any Losses sustained or suffered by any Ahlstrom Indemnified Person, including Claims sustained or suffered by any Ahlstrom Indemnified Person, (whether by, against or relating to Sonoco Products or any other Person, including without limitation a Governmental Authority) and arising, directly or indirectly, from the Sonoco Reorganization including, without limitation, any Tax or employment restructuring indemnities arising in connection with or triggered, directly or indirectly, by the Sonoco Reorganization and to be borne by the Joint Venture or any of its Affiliates;

(f) without prejudice to Section 6.3(d), the obligation of a Sonoco Holding Company or a Sonoco Operating Company to reimburse Losses of a Sonoco Group company or to Transfer its profits to a Sonoco Group company under a company agreement (Unternehmensvertrag within the meaning of the German Stock Corporation Act), except if such Sonoco Group company is a Sonoco Holding Company or a Sonoco Operating Company, or if (and to the extent that) such obligation is reflected in the Sonoco Financial Statements;

(g) without prejudice to Section 6.13, all Taxes paid and to be paid by the Sonoco Holding Companies or the Sonoco Operating Companies since December 31, 2003 (including under Tax consolidation arrangements (e.g., Organschaft) with other Sonoco Group companies) that relate to the time period through December 31, 2003, except if and to the extent that such Taxes were provided for in the Sonoco Financial Statements;

(h) any Liability arising out of, or related to, Sonoco SAS's ownership interest in, or sale of, shares of Papeteries du Rhin SA; or

(i) any Liability arising as a result of the Joint Venture's or its Affiliates' failure to fulfill its obligations under the Demolli Put or the Demolli Call (each as defined in the Shareholders' Agreement) due to the failure to obtain required approval from, or a prohibition by, a Governmental Authority responsible for enforcing applicable competition laws;

provided, however, that: (i) Sonoco Products shall not be Liable under Sections 10.2(a) or 10.2(c)(i) until the aggregate amount of Losses with

respect to the matters referred to in Sections 10.2(a) and 10.2(c)(i) exceeds EUR750,000, and then to the extent of Losses incurred in excess of such amount only, provided, that items of Loss that are individually in an amount less than EUR37,500 shall not be applied against such EUR750,000 amount; (ii) Sonoco Products' maximum Liability under Sections 10.2(a) and 10.2(c)(i) shall not exceed EUR25,000,000 in the aggregate; and (iii) Sonoco Products shall not be Liable for any matter disclosed in the Schedules to this Contribution Agreement.

10.3 AGREEMENT OF AHLSTROM CORP TO INDEMNIFY

Ahlstrom Corp shall indemnify, defend and hold harmless the Sonoco Indemnified Persons from and against all Losses in connection with, related to or arising out of:

(a) the untruth, inaccuracy or breach of any representation or warranty given or made by Ahlstrom Corp or any Ahlstrom Group Company pursuant to this Contribution Agreement;

(b) any nonfulfillment or breach of any covenant or agreement on the part of Ahlstrom Corp or any Ahlstrom Group Company contained in this Contribution Agreement;

(c) any Claim by any third party (including Governmental Authorities) against or affecting the Joint Venture or any Ahlstrom Holding Company or Ahlstrom Operating Company which, if successful, would give rise to or relate to a breach of: (i) any of the representations or warranties on the part of Ahlstrom Corp or any Ahlstrom Group Company referred to in paragraph (a) above at the time made; or (ii) covenants or agreements of Ahlstrom Corp or any Ahlstrom Group Company referred to in paragraph (b) above;

(d) any Claim by any third party (including Governmental Authorities) or any incurrence of any Loss by any Sonoco Indemnified Person for, or that arose from or in connection with, or is directly or indirectly related to, any Ahlstrom Excluded Asset or Liability;

(e) any Losses sustained or suffered by any Sonoco Indemnified Person, including Claims sustained or suffered by any Sonoco Indemnified Person, (whether by, against or relating to Ahlstrom Corp or any other Person, including without limitation a Governmental Authority) and arising, directly or indirectly, from the Ahlstrom Reorganization including, without limitation, any Tax or employment restructuring indemnities arising in connection with or triggered, directly or indirectly, by the Ahlstrom Reorganization and to be borne by the Joint Venture or any of its Affiliates;

(f) without prejudice to Section 7.3(d), the obligation of an Ahlstrom Holding Company or an Ahlstrom Operating Company to reimburse Losses of an Ahlstrom Group company or to Transfer its profits to an Ahlstrom Group company under a company agreement (Unternehmensvertrag within the meaning of the German Stock Corporation Act), except if such Ahlstrom Group company is an Ahlstrom Holding Company or an Ahlstrom Operating Company, or if (and to the extent) that such obligation is reflected in the Ahlstrom Financial Statements;

(g) without prejudice to Section 7.13, all Taxes paid and to be paid by the Ahlstrom Holding Companies or the Ahlstrom Operating Companies since December 31, 2003 (including under Tax consolidation arrangements (e.g., Organschaft) with other Ahlstrom Group companies) that relate to the time period through December 31, 2003, except if and to the extent that such Taxes were provided for in the Ahlstrom Financial Statements; or

(h) any Liability arising under the Concluding Memorandum, dated April 25, 2002, between Advance Agro Holding Co., Ltd. and Ahlstrom Cores Oy; or

(i) any Liability arising under Environmental and Safety Requirements with respect to the landfill operated by Karhula Services, including, without limitation, any Liability related to (A) land restoration or landscaping required upon the closure of such landfill in excess of the Joint Venture Commitment, (B) the Karhula Commitment Agreement, (C) any remediation obligation resulting from Ahlstrom Cores Oy's ownership in Karhula Services, delivery of waste to such landfill or otherwise, or (D) any obligation of Karhula Services to construct an environmental lining, install a sewage system or upgrade the wastewater management system at the landfill; provided, however, that any such Liability related to the use of the landfill by the Joint Venture or its Affiliates after the Closing Date shall be the responsibility of the Joint Venture.

provided, however, that: (i) Ahlstrom Corp shall not be Liable under Sections 10.3(a) or 10.3(c)(i) until the aggregate amount of Losses with respect to the matters referred to in Sections 10.3(a) and 10.3(c)(i) exceeds EUR750,000, and then to the extent of Losses incurred in excess of such amount only, provided, that items of Loss that are individually in an amount less than EUR37,500 shall not be applied against such EUR750,000 amount; (ii) Ahlstrom Corp's maximum Liability under Sections 10.3(a) and 10.3(c)(i) shall not exceed EUR25,000,000 in the aggregate; and (iii) Ahlstrom Corp shall not be Liable for any matter disclosed in the Schedules to this Contribution Agreement.

10.4 INDEMNIFICATION PROCEDURES

The Liabilities of each of Sonoco Products and Ahlstrom Corp with respect to its indemnities pursuant to this Section 10 resulting from any Claim or Loss shall be subject to the following terms and conditions:

(a) Sonoco Products or Ahlstrom Corp, as the case may be, shall give prompt written notice to the indemnifying Party as soon as it has knowledge of any Claim or Loss which is asserted against, resulting to, imposed upon or incurred by an Ahlstrom Indemnified Person or a Sonoco Indemnified Person, as the case may be, and which may give rise to Liability of the indemnifying Party pursuant to this Section 10, stating (to the extent known or reasonably anticipated) the nature and basis of such Claim or Loss and the amount thereof. Any delay in notification to the indemnifying Party of such Claim or Loss shall not relieve the indemnifying Party of its obligations hereunder, except to the extent such delay shall have adversely prejudiced the ability of the indemnifying Party to defend the Claim.

(b) The indemnifying Party shall have the right, but not the obligation, to control the defense and engage counsel or representatives of its own choosing with respect to any such Claim or Loss, such representation (including the compromise or settlement of any Claim or Loss) to be undertaken on behalf of and for the account and risk of the indemnifying Party. In the event the indemnifying Party elects not to undertake such defense by its own representatives, the indemnifying Party shall give prompt written notice of such election to the indemnified Person, and the indemnified Person will undertake the defense thereof by counsel or other representatives designated by it whom the indemnifying Party determines in writing to be satisfactory for such purposes. The consent of the indemnifying Party to the indemnified Person's choice of counsel or other representative shall not be unreasonably withheld and shall be deemed granted if not objected to within ten days of notice thereof.

(c) In the event that any Claim or Loss shall arise out of a transaction or cover any period or periods wherein Sonoco Products and Ahlstrom Corp, on the one hand, and the Joint Venture, on the other hand, shall each be liable hereunder for part of the Liability arising therefrom, then the Parties shall, each choosing its own counsel and bearing its own expense, defend such Claim or Loss, and no settlement or compromise of such Claim or Loss may be made without the joint consent or approval of Sonoco Products and Ahlstrom Corp (which consent shall not be unreasonably withheld).

(d) To the extent an indemnification payment pursuant to this Section 10 shall be reduced by withholding Tax or causes a Tax to be payable by the indemnified person with respect to such payment without such indemnified Person having received and utilized a corresponding Tax reduction or benefit with respect

to the Claim or Loss for which the indemnification payment was made, the indemnifying Party shall increase the gross amount of such payment by a sufficient amount so that the net balance held by the indemnified Person, after imposition of such withholding Tax or Tax payable with respect to such payment, equals the amount of the indemnity payment to which the indemnified Person is entitled pursuant to this Section 10.4.

(e) An indemnifying Party shall not be held liable for indemnification to the extent the Loss for which indemnification is sought may be attributed to any grossly negligent voluntary action or omission on the part of the indemnified Party after the date hereof.

(f) An indemnifying Party shall not be held liable in respect of any breach of representation or warranty which would not have occurred but for: (i) any Tax Law promulgated after the date of this Agreement; or (ii) any Environment and Safety Requirements promulgated after the date of this Agreement.

(g) Any indemnification due by an indemnifying Party in connection with any Loss shall be reduced by the amount of any insurance proceeds actually received by the indemnified Person.

(h) An indemnifying Party shall not be held liable for indemnification to the extent the indemnified Person (i) did not, after acquiring Actual Knowledge of the facts or circumstances giving rise or likely to give rise to a Loss, use reasonable efforts to mitigate the corresponding Loss or (ii) intentionally uncovered facts or circumstances in order to make a Claim for a breach of the representation and warranties contained in Section 6.15 or 7.15, as applicable, except if such facts and circumstances were uncovered by any such indemnified Person in satisfaction of its obligations under applicable Law.

(i) In the event that the facts or circumstances giving rise to a Claim is curable, in whole or in part, the Sonoco Indemnified Person or Ahlstrom Indemnified Person, as the case may be, shall give the indemnifying Party 30 days to cure such facts or circumstances.

(j) Any indemnification payments required by this Section 10 shall be made by wire transfer of immediately available funds to the account designated by the indemnified Person within 15 days of determination. For the avoidance of doubt, any indemnification payments owing by an indemnifying Party in respect of Losses suffered by the Joint Venture or its Affiliates shall be payable exclusively by such indemnifying Party to the Joint Venture or its Affiliate concerned.

10.5 REMEDIES EXCLUSIVE AND CUMULATIVE

The rights and remedies provided in this Contribution Agreement shall, to the extent permitted by Law, be the exclusive remedies of the Parties with respect to the subject matter of this Contribution Agreement. Except as expressly stated in this Contribution Agreement, including in particular in this Section 10, all other and further liability of the Parties with respect to the Contribution of the Sonoco Business or the Ahlstrom Business, as the case may be, regardless of the kind of liability and the legal basis on which claims may be raised (including warranty claims for factual or legal deficiencies (Gewaehrleistung), fault at the conclusion of an agreement (culpa in contrahendo), violation of implied obligations (positive Vertragsverletzung), rescission for error (Anfechtung wegen Irrtum), or frustration (Wegfall der Geschaeftsgrundlage, etc.) are explicitly excluded, unless a Party or their respective representatives violated intentionally their statutory or contractual obligations to the other Party. Also excluded is the right of the Parties to any remedies not specially provided for herein, including the right to withdraw from this Contribution Agreement (Ruecktritt). The rights and remedies provided herein shall be cumulative with one another and the assertion by any Party of certain of such rights or remedies shall not preclude the assertion by that Party of any of the other rights or remedies hereunder against a Party or its successors or permitted assigns, as provided herein.

11. TERMINATION

11.1 TERMINATION

This Contribution Agreement may be terminated at any time before the Closing Date only under any one or more of the following circumstances:

(a) by the mutual written consent of Sonoco Products and Ahlstrom Corp;

(b) by Sonoco Products, by written notice of termination delivered to Ahlstrom Corp, if any of the conditions set forth in Section 8 have not been satisfied or waived by Sonoco Products (to the extent they may be waived) by September 30, 2004, and such failure to satisfy such conditions is not the result solely of the necessity of obtaining approvals or satisfying requirements of any Governmental Authority;

(c) by Ahlstrom Corp, by written notice of termination delivered to Sonoco Products, if any of the conditions set forth in Section 9 have not been satisfied or waived by Ahlstrom Corp (to the extent they may be waived) by September 30, 2004, and such failure to satisfy such conditions is not the result solely of the necessity of obtaining approvals or satisfying requirements of any Governmental Authority; or

(d) by either Party, by written notice of termination delivered to the other Party, if any of the conditions set forth in Section 8 (if Sonoco Products is the Party seeking to terminate this Contribution Agreement) or Section 9 (if Ahlstrom Corp is the Party seeking to terminate this Contribution Agreement) are not satisfied or waived by the Party for whose benefit such conditions exist by December 31, 2004.

11.2 EFFECT OF TERMINATION

In the event this Contribution Agreement is terminated as provided in this Section 11, this Contribution Agreement shall forthwith become wholly void and of no effect, and the Parties shall be released from all future obligations hereunder; provided, however, that nothing in this Section 11 shall relieve any Party of Liability for any breach occurring prior to termination, and provided further that the provisions of Section 10 (with respect to any Claim for indemnification relating to the period before such termination only), this Section 11, Sections 12.2, 12.3, 12.7 and 12.8 shall not be extinguished but shall survive such termination. The Parties shall have any and all remedies to enforce such obligations provided at Law.

12. GENERAL PROVISIONS

12.1 ADDITIONAL ACTIONS AND DOCUMENTS

Each Party hereby agrees to take, or cause to be taken, all such further commercially reasonable actions to issue and receive such legal declarations, or cause to be issued or received such legal declarations, to execute and file, or cause to be executed and filed, such further documents and to obtain such consents, as may be necessary or as may be reasonably requested, in order to fully effect the purposes, terms and conditions of this Contribution Agreement.

12.2 NO BROKERS

Each Party represents and warrants to the other Party that such Party has not engaged any broker, finder or agent in connection with the transactions contemplated by this Contribution Agreement or any Related Document which will give rise to any obligation of any other Party or its Affiliates under applicable Law to pay any brokerage fees, finders' fees or commissions, and has not incurred (and will not incur) any unpaid liability to any broker, finder or agent for any brokerage fees, finders' fees or commissions, with respect to the transactions contemplated by this Contribution Agreement. Each Party agrees to indemnify, defend and hold harmless the other Party from and against any and all Claims or Losses asserted against such Party or its Affiliates for any such fees or commissions by any persons purporting to act or to have acted for or on behalf of the indemnifying Party. For the avoidance of doubt, all fees, expenses or other amounts payable to Per Karlsson

& Co AB for services rendered in connection with the transactions contemplated hereby shall be paid by Ahlstrom Corp.

12.3 EXPENSES

Each Party shall pay its own expenses incident to this Contribution Agreement and each Related Document, and the transactions contemplated hereunder and thereunder (including, without limitation, in connection with the Sonoco Reorganization or the Ahlstrom Reorganization), including all legal and accounting fees and disbursements. Notwithstanding the foregoing: (i) the filing fees required in connection with the Required Competition Filings as contemplated by this Contribution Agreement, and legal fees and expenses incurred in connection with the assessment, preparation and filing of such Required Competition Filings, shall be borne one-half by Sonoco Products and one-half by Ahlstrom Corp; and (ii) all fees incurred in connection with the notarization of the Transaction Documents as required under German Law shall be borne one-half by Sonoco Products and one-half by Ahlstrom Corp; provided, however, that Sonoco Products shall pay no more than EUR20,000 (net) in connection with such notarization, and Ahlstrom Corp shall pay any remaining amount.

12.4 ASSIGNMENT

(a) Neither Sonoco Products nor Ahlstrom Corp may assign its rights and obligations under this Contribution Agreement, in whole or in part, whether by operation of Law or otherwise, without the prior written consent of the other Party, and any such assignment contrary to the terms hereof shall be null and void and of no force and effect.

(b) No Party may unreasonably withhold its consent to an assignment by a Party of rights and obligations under this Contribution Agreement, provided that: (i) the proposed assignee is a wholly-owned downstream Affiliate of the assignor; (ii) the assignee agrees in writing to assume the obligations of assignor under this Contribution Agreement and the Related Documents; (iii) the assignor unconditionally guarantees (by way of an independent guarantee (selbststaendiges Schuldversprechen)) that the assignee will duly perform the assumed obligations under this Contribution Agreement or the Related Documents; and (iv) the assignee agrees to Transfer back to the assignor such rights and obligations in the event that such assignee ceases to be a wholly-owned downstream Affiliate of the assignor.

12.5 ENTIRE AGREEMENT; AMENDMENTS

(a) This Contribution Agreement, including the Exhibits and Schedules, and the Related Documents constitute the entire agreement of the Parties with respect to the transactions contemplated hereby, and it supersedes all prior oral or written agreements, commitments or understandings with respect to

the matters provided for herein. Notwithstanding the foregoing, the Confidentiality Agreement, dated June 6, 2003, between Sonoco Products and Ahlstrom Corp shall remain in full force and effect pursuant to its terms.

(b) The terms and provisions of this Contribution Agreement (including this Section 12.5(b)) may not be amended, modified, or waived, temporarily or permanently, except pursuant to a written instrument executed by both Parties.

12.6 WAIVER

No delay or failure on the part of any Party in exercising any right, power or privilege under this Contribution Agreement or any Related Document shall impair any such right, power or privilege or be construed as a waiver of any default or any acquiescence therein. No single or partial exercise of any such right, power or privilege shall preclude the further exercise of such right, power or privilege, or the exercise of any other right, power or privilege. No waiver shall be valid against any Party unless made in writing and signed by the Party against whom enforcement of such waiver is sought and then only to the extent expressly specified therein.

12.7 GOVERNING LAW; SERVICE OF PROCESS

(a) This Contribution Agreement shall be governed by and construed in accordance with the domestic laws of the Federal Republic of Germany without giving effect to any choice of law or conflict of law provision or rule (whether of the laws of the Federal Republic of Germany or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the jurisdiction of the Federal Republic of Germany.

(b) Sonoco Products appoints Sonoco CPD GmbH, Nikolaus-Otto-Stra(beta)e, 56727 Mayen, Germany and Ahlstrom Corp appoints Ahlstrom Holding, Romereschstrasse 33, 49070, Osnabruck, Germany, as its agent for service of process (Zustellungsbevollmaechtigter) for all legal proceedings arising out of or in connection with this Contribution Agreement. This appointment shall only terminate upon the appointment of another agent for service of process domiciled in Germany and the appointment has been notified to and approved in writing by Sonoco or Ahlstrom, as the case may be (which approval shall not be unreasonably withheld). Sonoco Products and Ahlstrom Corp shall promptly after the date hereof and upon appointment of any new agent for service of process, as the case may be, issue to the agent a written power of attorney (Vollmachtsurkunde) and shall irrevocably instruct the agent to submit such deed in connection with any service of process under this Contribution Agreement.

12.8 ARBITRATION

All controversies, Claims, disputes and matters in question arising out of, or relating to, this Contribution Agreement or any Related Document, including any questions regarding the existence, validity or termination of this Contribution Agreement ("DISPUTES") shall be finally resolved through submission to final and binding arbitration as follows:

(a) Any Party may exercise the right to arbitrate any Disputes against the other by sending written notice to arbitrate to the other Party of any action that gives rise to such Disputes, which notice shall include the amount in controversy. The written notice shall identify and describe the nature of any and all Disputes asserted and the facts upon which such Disputes are based;

(b) The place of the arbitration shall be Frankfurt am Main, Germany, and the proceedings shall be conducted in the English language;

(c) The arbitration will be conducted pursuant to the International Chamber of Commerce ("ICC") arbitration rules and procedures and by three arbitrators chosen in accordance with the procedure used by the ICC. All of the arbitrators shall be qualified to be a judge in Germany under the German Law of the Judiciary ("Deutsches Richtergesetz") and shall not be an Affiliate of any party to the Dispute and shall not have any potential for bias or conflict of interest with respect to any party to the Dispute, directly or indirectly, by virtue of any direct or indirect financial interest, family relationship, close friendship or otherwise (the "ARBITRATORS");

(d) Each Party shall bear equally the costs of arbitration, filing fees and the fees of the Arbitrators. Each Party shall bear its own attorneys' fees, witness fees and other costs. The Parties shall mutually agree with the Arbitrators on the date, time and place of the arbitration. In the event that the Parties are unable to mutually agree to the date, time, and place within the Frankfurt am Main, Germany, for the arbitration to be conducted, the Arbitrators shall determine the date, time, and place of the arbitration in Frankfurt am Main, Germany;

(e) Notwithstanding the above, the Arbitrators shall have the power, but not the obligation, to order that the Party it deems to be the losing Party pay to the prevailing Party all or a portion of the prevailing Party's fees and expenses in the arbitration, including the Arbitrators' fees, attorneys' fees, fees for expert testimony and for other expenses of presenting its case;

(f) The Arbitrators shall have exclusive authority to resolve any Disputes between the Parties. The Arbitrators shall have the power to award damages against any Party and to make an award granting such further relief as they deem just, proper, and equitable. The Arbitrators shall follow the laws of the

Federal Republic of Germany. The Arbitrators shall render a written arbitration decision that reveals the essential findings and conclusions upon which the award is based; and

(g) Any award issued by the Arbitrators pursuant to this Section 12.8 shall be made in the English language, denominated in Euros and delivered within 120 days of the date on which such arbitration proceeding commenced and shall be final and binding and enforceable in any court of competent jurisdiction. Judgment on the award rendered by the Arbitrators may be entered in any court having jurisdiction thereof.

12.9 SEVERABILITY

If any part of any provision of this Contribution Agreement or any Related Document, or other document delivered pursuant herewith or therewith, shall be invalid or unenforceable in any respect, such part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the validity and enforceability of the remaining parts of such provision or the remaining provisions of this Contribution Agreement. The Parties shall negotiate with a view to agreeing a replacement provision that is valid, and the nature and economic considerations of which come as close as possible to the voided provision. Failing agreement of the Parties on such replacement provision after good faith negotiations, any Party may, by notice to the other Party, refer the determination of such replacement provision to arbitration pursuant to Section 12.8. For the avoidance of doubt, this Section 12.9 shall not be construed to amend automatically this Contribution Agreement, or to require any Party to agree to changes in this Contribution Agreement, which are, in either case, imposed by Governmental Authorities as a condition to any review, approval or other action by such Governmental Authorities.

12.10 NOTICES

All notices, requests, demands, claims, consents and other communications which are required or otherwise delivered hereunder shall be in writing in the English language and shall be deemed to have been duly given if: (i) personally delivered; (ii) sent by internationally recognized overnight courier; (iii) mailed by registered or certified mail with postage prepaid, return receipt requested; or (iv) transmitted by facsimile or telecopy (with a copy of such transmission concurrently transmitted by registered or certified mail with postage prepaid, return receipt requested), to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice):

(i) If to Sonoco Products, to:

Harris E. DeLoach, Jr.
President and Chief Executive Officer
Sonoco Products Company
1 North Second Street
Hartsville, SC 29550 USA
Facsimile: +1-843-383-7008

with a copy (which shall not constitute notice) to:

Claud v.S. Eley
Hogan & Hartson L.L.P.
875 Third Avenue
New York, NY 10022 USA
Facsimile: +1-212-918-3100

(ii) If to Ahlstrom Corp, to:

General Counsel
Ahlstrom Corporation, PB 329
Etelaesplanadi 14
00101 Helsinki, Finland
Facsimile: + 358-10-888-4789

with a copy (which shall not constitute notice) to:

Stephan Barthelmess
Cleary, Gottlieb, Steen & Hamilton
Main Tower
Neue Mainzer Strasse 52
60311 Frankfurt an Main, Germany
Facsimile: + 49-69-97103-199

or to such other address as the Party to whom such notice or other communication is to be given may have furnished to each other Party in writing in accordance herewith. Any such notice or communication shall be deemed to have been received: (i) when delivered, if personally delivered; (ii) when sent, if sent by facsimile or telecopy; (iii) on the next Business Day after dispatch, if sent by nationally recognized, overnight courier guaranteeing next Business Day delivery; and (iv) on the tenth Business Day following the date on which the piece of mail containing such communication is posted, if sent by mail; provided, that where, in the case of personal delivery, facsimile or telecopy transmission, delivery or transmission occurs after 6:00 p.m. (local time at the place of receipt) on a Business

Day or on a day which is not a Business Day, receipt shall be deemed to occur at 9:00 a.m. (local time at the place of receipt) on the next following Business Day.

12.11 INTERPRETATION; HEADINGS

(a) To the extent that the interpretation of any English language provision of this Contribution Agreement conflicts or is otherwise inconsistent with the German language equivalent of such provision contained in this Contribution Agreement, if any, the German language equivalent of such provision contained in this Contribution Agreement shall govern such interpretation and the Arbitrators shall be bound thereby.

(b) Section headings contained in this Contribution Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Contribution Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

12.12 LIMITATION ON BENEFITS

The covenants, undertakings and agreements set forth in this Contribution Agreement shall be solely for the benefit of, and shall be enforceable only by, the Parties and their respective successors and permitted assigns, except that the agreements set forth in Section 10 also shall be for the benefit of, and enforceable by, the Ahlstrom Indemnified Persons, the Sonoco Indemnified Persons and their respective successors or permitted assigns as third party beneficiaries (unechter Vertrag zugunsten Dritter).

12.13 SUCCESSORS AND ASSIGNS

Subject to any provisions hereof restricting assignment, this Contribution Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns (Gesamtrechtsnachfolger).

EXHIBIT A
TO CONTRIBUTION AGREEMENT

DEFINITIONS

"AALTEN CONTRIBUTION" has the meaning set forth in Section 8.10.

"ACCOUNTANT'S DETERMINATION" has the meaning set forth in Section 4.6.

"ACTUAL KNOWLEDGE" means, with respect to any Person, actual knowledge of such Person, including, without limitation, in the case of incorporated Persons, the actual knowledge of the officers, directors, managing directors and general managers, as the case may be, of such Person; provided, that: (i) the "Actual Knowledge" of Sonoco Products shall include the Actual Knowledge of any Sonoco Holding Company and Sonoco Operating Company; and (ii) the "Actual Knowledge" of Ahlstrom Corp shall include the Actual Knowledge of any Ahlstrom Holding Company and Ahlstrom Operating Company.

"AFFILIATE" means, with respect to any specified Person, any other Person who, directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with such specified Person; provided, however, that, from and after the Closing, the Joint Venture and its subsidiaries shall not be deemed an Affiliate of either Sonoco Products and its Affiliates (other than the Joint Venture and its subsidiaries) or Ahlstrom Corp and its Affiliates (other than the Joint Venture and its subsidiaries), and vice versa.

"AGREEMENT" means any concurrence of understanding and intention between two or more persons (or entities) with respect to their relative rights and/or obligations or with respect to a thing done or to be done (whether oral or in recorded form and whether or not conditional, executory, express, implied, in writing or meeting the requirements of contract), including without limitation contracts, leases, promissory notes, easements, rights of way, covenants and commitments, including those related to the settlement of disputes or Claims.

"AHLSTROM ACCOUNTING PRINCIPLES" means accounting standards Applied on a Consistent Basis by Ahlstrom Corp and attached as Exhibit U.

"AHLSTROM BUSINESS" has the meaning set forth in the Recitals.

"AHLSTROM CLOSING STATEMENTS" has the meaning set forth in Section 4.2(ii)(C).

"AHLSTROM CONSENTS" means the consents listed in Schedule 7.2.

"AHLSTROM CONTRIBUTED SHARES" means all of the shares or ownership interests, as applicable, in Ahlstrom Cores Oy and Ahlstrom Cores GmbH.

"AHLSTROM CONTRIBUTION" has the meaning set forth in Section 2.2(b).

"AHLSTROM CORP" has the meaning set forth in the Introduction.

"AHLSTROM DATA ROOM" means, collectively, the due diligence rooms containing the information regarding the Ahlstrom Business assembled for purposes of the due diligence carried out by Sonoco Products and its Representatives at KPMG LLP's offices and Ahlstrom Corp's offices in Helsinki, Finland.

"AHLSTROM EQUALIZATION AMOUNT" has the meaning set forth in Section 5.1(d).

"AHLSTROM EXCLUDED ASSET OR LIABILITY" means any Asset or Liability of Ahlstrom Corp or the Ahlstrom Group, whether presently existing or arising hereafter, which is not part of the Ahlstrom Business, including, without limitation, any Liability (environmental or otherwise) of any Ahlstrom Group company related to the Pont Audemer facility in France and any Liability of any Ahlstrom Holding Company or Ahlstrom Operating Company in respect of any employees who are not primarily working for the Ahlstrom Business.

"AHLSTROM FINANCIAL STATEMENTS" has the meaning set forth in Section 7.7(a).

"AHLSTROM GROUP" means, collectively, Ahlstrom Corp with respect to the Ahlstrom Business, including, prior to the Closing, the Ahlstrom Holding Companies and the Ahlstrom Operating Companies.

"AHLSTROM HOLDING" means Ahlstrom Holding GmbH, a company organized under the laws of Germany and a wholly-owned subsidiary of Ahlstrom Corp.

"AHLSTROM HOLDING COMPANIES" means, collectively: (i) Ahlstrom Cores Oy, a company organized under the laws of Finland; and (ii) Ahlstrom Cores Holding AB, a company organized under the laws of Sweden.

"AHLSTROM INDEMNIFIED PERSON" means the Joint Venture, Ahlstrom Corp, the Ahlstrom Holding Companies, the Ahlstrom Operating Companies, and their respective Affiliates, partners, officers, directors, managing directors, managers, employees, agents and representatives, in each case other than any member of the Sonoco Group.

"AHLSTROM MATERIAL ADVERSE EFFECT" means any circumstance, event, change in, or effect on any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies that has a material adverse effect or change on or to the Ahlstrom Business, Assets, Liabilities, relationship with material customers or suppliers, condition (financial or otherwise), prospects, operations, earnings, cash flows or results of operations of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies, taken as a whole, whether such material adverse effect or change occurs before or after the Ahlstrom Contribution.

"AHLSTROM MATERIAL AGREEMENTS" has the meaning set forth in Section 7.20(a).

"AHLSTROM OPERATING COMPANIES" means, collectively: (i) Ahlstrom Cores SAS, a company organized under the laws of France; (ii) Ahlstrom Cores Ou, a company organized under the laws of Estonia; (iii) Ahlstrom Cores B.V., a company organized under the laws of The Netherlands; (iv) Ahlstrom Cores Sp. z o.o., a company organized under the laws of Poland; (v) Ahlstrom Cores AS, a company organized under the laws of Norway; (vi) Ahlstrom Cores AB, a company organized under the laws of Sweden; (vii) ZAO Ahlstrom Cores, a company organized under the laws of Russia; (viii) AT-Spiral; (ix) Ahlstrom Cores GmbH, a company organized under the laws of Germany; and (x) Karhula Services.

"AHLSTROM PROHIBITED TRANSACTIONS" has the meaning set forth in Section 4.1(d).

"AHLSTROM REAL PROPERTY" has the meaning set forth in Section 7.14(a).

"AHLSTROM REORGANIZATION" has the meaning set forth in Section 5.1(b).

"AHLSTROM REORGANIZATION DEVIATIONS" has the meaning set forth in Section 4.2(a)(ii)(A).

"AHLSTROM SHARES" has the meaning set forth in Section 2.2(b).

"AHLSTROM SUPPLY AGREEMENT" has the meaning set forth in Section 3.2(f)(vii).

"AHLSTROM TAX RETURNS" has the meaning set forth in Section 7.13(a).

"ALTERNATIVE TRANSACTION" means: (i) any direct or indirect acquisition or purchase of any shares of equity interests or debt securities of any of the Sonoco Holding Companies or the Sonoco Operating Companies or any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies, as the case may be, or any interests therein; (ii) any direct or indirect acquisition or purchase of all or a material portion of the Assets of any of the Sonoco Holding Companies or the

Sonoco Operating Companies, or any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies, as the case may be; (iii) the merger, consolidation or business combination of any of the Sonoco Holding Companies or the Sonoco Operating Companies, or any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies, as the case may be; (iv) the refinancing of any of the Sonoco Holding Companies or the Sonoco Operating Companies, or any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies, as the case may be; or (v) the liquidation, dissolution, reorganization or similar transaction involving any of the Sonoco Holding Companies or the Sonoco Operating Companies, or any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies, as the case may be, in each of clauses (i) through (v) above, other than the transactions contemplated by this Contribution Agreement.

"APPLIED ON A CONSISTENT BASIS" means, with respect to any Person, prepared using the same accounting principles, policies, standards, practices and estimates used by such Person in prior periods and as used in the preparation of such Person's most recent audited financial statements.

"ARBITRATORS" has the meaning set forth in Section 12.8(c).

"ASSETS" means, with respect to any Person, all businesses, properties, fixed assets, machinery, equipment, furniture, fixtures, licenses, permits, franchises, goodwill and rights of such Person, individually and as a going concern, of every nature, kind and description, tangible and intangible, owned or leased, wheresoever located and whether or not carried or reflected on the books or records of such Person, used or held for use, in connection with the operation of such Person's business, as the case may be; provided, that: (i) the "Assets" of the Sonoco Group means the "Assets" of the Sonoco Group upon consummation of the Sonoco Reorganization; and (ii) the "Assets" of the Ahlstrom Group means the "Assets" of the Ahlstrom Group upon consummation of the Ahlstrom Reorganization.

"AT-SPIRAL" means AT-Spiral Oy, a company organized under the laws of Finland.

"BEST KNOWLEDGE" means, with respect to any Person: (i) actual knowledge of such Person and its Affiliates (including, without limitation, in the case of incorporated Persons, the actual knowledge of the officers, directors, managing directors and managers, as the case may be, of such Person and its Affiliates); and (ii) that knowledge which could have been acquired by such Person after making such due inquiry and exercising such due diligence as a prudent business person would have made or exercised in the management of his or her business affairs in light of all the circumstances applicable thereto, including due inquiry of those key employees and professionals of such Person and its Affiliates who could reasonably be expected to have actual knowledge of the matters in question.

"BUSINESS DAY" means any day that is not a Saturday, Sunday or legal holiday or other day on which banks are required to be closed in Brussels, Belgium, Helsinki, Finland or New York, New York.

"BUSINESS PLAN" has the meaning set forth in Section 2.1(e).

"CASH AND CASH EQUIVALENTS" means, with respect to any Person, cash or cash equivalents, of such Person, whether credited to an account at a financial institution, or in hand, of such Person, including marketable short-term securities, other short-term investments, notes receivable, non-trade intercompany receivables and accrued interest income.

"CHARTER DOCUMENT" means, with respect to any Person, the articles of association, by-laws, partnership agreement and/or other applicable constitutive or organizational documents of such Person.

"CHINA PURCHASE AGREEMENT" means the Stock Purchase Agreement, dated the date hereof, between Sonoco Products and Ahlstrom Corp.

"CLAIM" means any claim, demand, Order or Proceeding.

"CLOSING" has the meaning set forth in Section 3.1.

"CLOSING DATE" has the meaning set forth in Section 3.1.

"CLOSING STATEMENTS" has the meaning set forth in Section 4.2(a)(i)(C).

"CONTRIBUTION AGREEMENT" has the meaning set forth in the Introduction, including all Schedules and Exhibits hereto.

"CONTROL" (together with the correlative meanings, "CONTROLLED BY" or "UNDER COMMON CONTROL WITH") means the possession, direct or indirect, of the power to direct, or cause the direction of, the management and policies of a Person whether through the ownership of shares or ownership interests, voting rights, by contract or otherwise.

"DISPUTES" has the meaning set forth in Section 12.8.

"DISTRIBUTIONS" means, with respect to any Person: (i) the payment of any dividend on or in respect of shares or ownership interests or membership interests of such Person; (ii) the purchase, redemption, or other retirement of any shares or ownership interests or membership interests of such Person, directly by such Person or indirectly through a Subsidiary of such Person or otherwise; (iii) the direct or indirect return of capital by such Person to its stockholders or members as

such; or (iv) any other distribution on or in respect of any shares or ownership interests or membership interests of such Person.

"ENCUMBRANCE" means and includes any security interest, mortgage, Lien, pledge, Claim, charge, escrow, encumbrance, cloud, option, security agreement or other similar agreement, arrangement, Agreement, understanding or obligation, whether written or oral and whether or not relating in any way to credit or the borrowing of money.

"ENVIRONMENTAL AND SAFETY REQUIREMENTS" means all Laws, Orders, contractual obligations and all common law concerning public health and safety, worker health and safety, and pollution or protection of the environment, including all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control or cleanup of any hazardous materials, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise or radiation.

"EQUALIZATION STATEMENT" has the meaning set forth in Section 4.1(b).

"EXAMINATION PERIOD" has the meaning set forth in Section 4.3.

"EXHIBIT" means an Exhibit to this Contribution Agreement.

"GAAP" means generally accepted accounting principles, Applied on a Consistent Basis.

"GERMAN CIVIL CODE" means Buergerliches Gesetzbuch.

"GERMAN LAW OF THE JUDICIARY" means Deutsches Richtergesetz.

"GERMAN STOCK CORPORATION ACT" means Aktiengesetz.

"GOVERNMENTAL AUTHORITY" means any federal, state, local or regional government, regulatory authority, administrative agency, instrumentality, department, commission, board, bureau, agency, arbitrator, court or tribunal, whether domestic, foreign or supranational and whether legislative, executive or judicial, including, without limitation, any competition Law authority or commission.

"GUARANTEE" means any obligation, contingent or otherwise, of any Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person in any manner, whether directly or indirectly, including any obligation of such Person, direct or indirect: (i) to purchase or pay (or

advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness or other obligation; (ii) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof; (iii) to purchase or otherwise pay for merchandise, materials, supplies, services or other property under an Agreement or other arrangement which provides that payment for such merchandise, materials, supplies, services or other property shall be made regardless of whether delivery of such merchandise, materials, supplies, services or other property is ever made or tendered; or (iv) to maintain the working capital, equity capital or other financial statement condition of any primary obligor, provided, however, that the term Guarantee shall not include endorsement of instruments for deposit and collection in the Ordinary Course of Business.

"ICC" has the meaning set forth in Section 12.8(c).

"INDEBTEDNESS" means, with respect to any Person, without duplication: (i) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind; (ii) all obligations of such Person evidenced by (or which customarily would be evidenced by) bonds, debentures, notes or similar instruments; (iii) all reimbursement obligations of such Person with respect to letters of credit and similar instruments; (iv) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person; (v) all obligations of such Person incurred, issued or assumed as the deferred purchase price of property other than accounts payable incurred and paid on terms customary in the business of such Person (it being understood that the "deferred purchase price" in connection with any purchase of property or assets shall include only that portion of the purchase price which shall be deferred beyond the date on which the purchase is actually consummated); (vi) all obligations secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed; (vii) all obligations of such Person under forward sales, futures, options and other similar hedging arrangements (including interest rate hedging or protection agreements); (viii) all obligations of such Person to purchase or otherwise pay for merchandise, materials, supplies, services or other property under an arrangement which provides that payment for such merchandise, materials, supplies, services or other property shall be made regardless of whether delivery of such merchandise, materials, supplies, services or other property is ever made or tendered; (ix) all guarantees by such Person of obligations of others; and (x) all capitalized lease obligations of such Person.

"INTELLECTUAL PROPERTY" means all patents, trademarks, service marks, trade names, domain names, logos, trade dress, copyrights, know-how, trade

secrets, inventions, methods, processes, practices, computer software, web sites, industrial and other designs and drawings, other works of authorship, and all general intangibles of a like nature, whether or not protectable by copyright, patent, trademark or other applicable law, and all registrations, applications, disclosures and filings with respect to the foregoing, and all reissuances, continuations-in-part, revisions, extensions, reexaminations and renewals thereof, together with their foreign counterparts, as applicable.

"INTERCOMPANY DEBT" means: (i) with respect to the Sonoco Products or any of its Affiliates, all Indebtedness between a Sonoco Holding Company or Sonoco Operating Company, on the one hand, and Sonoco Products and its other Affiliates not transferred to the Joint Venture, on the other hand, which Indebtedness is outstanding on such date of determination; and (ii) with respect to the Ahlstrom Corp and any of its Affiliates, all Indebtedness between a Ahlstrom Holding Company or Ahlstrom Operating Company, on the one hand, and Ahlstrom Corp and its other Affiliates not transferred to the Joint Venture, on the other hand, which Indebtedness is outstanding on such date of determination.

"INTEREST BEARING DEBT" means, with respect to any Person, any interest bearing Indebtedness owed to financial institutions, Liabilities under capital leases and non-trade Intercompany Debt, plus, where applicable, any accrued and unpaid interest thereon.

"INTERIM PERIOD" has the meaning set forth in Section 5.2(a).

"INTRODUCTION" means the Introduction to this Contribution Agreement.

"IP LICENSE AGREEMENTS" means, collectively, the Joint Venture/Sonoco IP License Agreement and the SDI IP License Agreement.

"JOINT VENTURE" has the meaning set forth in the Recitals.

"JOINT VENTURE COMMITMENT AMOUNT" has the meaning set forth in Section 5.11.

"JOINT VENTURE/SONOCO IP LICENSE AGREEMENT" has the meaning set forth in Section 3.2(e)(ii).

"JOINT VENTURE STARTING BALANCE SHEET" has the meaning set forth in Section 4.5.

"JOINT VENTURE SUPPLY AGREEMENT" has the meaning set forth in Section 3.2(e)(v).

"KARHULA COMMITMENT AGREEMENT" means the Commitment, dated December 31, 1999, by and between Ahlstrom Cores Oy and Karhula Services.

"KARHULA SERVICES" means Ahlstrom Karhulan Palvelot Oy, a company organized under the laws of Finland.

"LAW" means all statutes, laws, ordinances, regulations, rules, resolutions, orders, determinations, writs, injunctions, awards (including without limitation awards of any arbitrator), judgments and decrees applicable to the specified persons or entities and to the businesses and assets thereof (including without limitation Laws relating to securities registration and regulation; the sale, leasing, ownership or management of real property; employment practices, terms and conditions, and wages and hours; building standards, land use and zoning; safety, health and fire prevention; and environmental protection).

"LIABILITY" means any liability or obligation, whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated and whether due or to become due, regardless of when asserted.

"LIEN" means, with respect to any Asset, any mortgage, lien, pledge, charge, security interest or Encumbrance of any kind, or any Agreement to give the foregoing in respect of such Asset.

"LOSS" means any loss, Liability, action, cause of action, cost, damage, deficiency, Tax, penalty, fine or expense, whether or not arising out of any Claims by or on behalf of any Party to this Contribution Agreement or any Third Party, including interest, penalties, reasonable attorneys' fees and expenses and all amounts paid in investigation, defense or settlement of any of the foregoing which any such Party or the Joint Venture or its subsidiaries may suffer, sustain or become subject to, as a result of, in connection with, or relating to or by virtue of any indemnifiable event or condition, reduced by the amount of any Tax benefit to such Party resulting from such Loss, in each case on an after Tax basis; provided, however, any Claim relating to a Loss suffered by Demolli Industria Cartaria S.p.A., or by any Party, the Joint Venture or its subsidiaries as a result of its direct or indirect interest in Demolli Industria Cartaria S.p.A., shall include 100% of such Loss if such Loss is suffered by any Party, the Joint Venture or its subsidiaries after the acquisition by the Joint Venture or its Affiliates of the remaining 75% of Demolli Industria Cartaria S.p.A. that an Affiliate of Sonoco Products does not own on the date hereof.

"NET CASH/INTEREST BEARING DEBT" means, with respect to any Person, all Cash and Cash Equivalents of such Person less Interest Bearing Debt calculated in accordance with accounting principles used in the Ordinary Course of Business of such Person. If Cash and Cash Equivalents exceed Interest Bearing Debt, the

amount of Net Cash/Interest Bearing Debt shall be positive; if Interest Bearing Debt exceeds Cash and Cash Equivalents, the amount of Net Cash/Interest Bearing Debt shall be negative.

"OBJECTION NOTICE" has the meaning set forth in Section 4.3.

"ORDER" or "ORDERS" means any judgments, writs, decrees, injunctions, orders, compliance agreements or settlement agreements of or with any Governmental Authority.

"ORDINARY COURSE OF BUSINESS" means, with respect to any Person, ordinary course of business consistent with past practices of such Person and prudent customary business operations.

"OUTSTANDING BORROWINGS" means: (i) with respect to the Sonoco Group, all Indebtedness of each Sonoco Holding Company, Sonoco Operating Company and Sonoco Products or any of its other Affiliates on behalf of the Sonoco Business for money borrowed, or any Guarantee provided, by any Sonoco Holding Company, Sonoco Operating Company and Sonoco Products or any of its other Affiliates on behalf of the Sonoco Business, other than Intercompany Debt of the Sonoco Group, which Indebtedness is outstanding on such date of determination; and (ii) with respect to the Ahlstrom Group, all Indebtedness of each Ahlstrom Holding Company, Ahlstrom Operating Company and Ahlstrom Corp or any of its other Affiliates on behalf of the Ahlstrom Business for money borrowed, or any Guarantee provided, by any Ahlstrom Holding Company, Ahlstrom Operating Company and Ahlstrom Corp or any of its other Affiliates on behalf of the Ahlstrom Business, other than Intercompany Debt of the Ahlstrom Group, which Indebtedness is outstanding on such date of determination.

"PARTY" and "PARTIES" has the meanings set forth in the Introduction.

"PENSION CONTRIBUTIONS" has the meaning set forth in Section 5.14.

"PENSION SERVICE COST" has the meaning set forth in Section 5.14.

"PERMITTED ENCUMBRANCES" means: (i) Encumbrances for Taxes not yet due and payable or being contested in good faith by appropriate proceedings and for which there are adequate reserves on the books of the applicable Person; (ii) workers or unemployment compensation Liens arising in the Ordinary Course of Business; (iii) mechanic's, materialman's, supplier's, vendor's or similar Liens arising in the Ordinary Course of Business securing amounts that are not delinquent or past due; (iv) Encumbrances relating to purchase money security interests arising in the Ordinary Course of Business; (v) Liens not created by a Person that affect the underlying fee interest of any Real Property leased by such Person but which do not materially interfere with the ordinary conduct of the

business of such Person and will not materially interfere with the quiet enjoyment of such leased Real Property during the term of the applicable lease; (vi) zoning ordinances and other governmental land use restrictions; (vii) easements, reservations and restrictions of legal record affecting Real Property which would not, individually or in the aggregate, materially affect the value of such Real Property or materially interfere with the present use of such Real Property; and (viii) any state of facts that an accurate survey would show, provided such facts do not individually or in the aggregate, materially affect the value of such Real Property or materially interfere with the present use of such Real Property.

"PERMITS" means all permits, licenses, authorizations, registrations, franchises, approvals, consents, certificates, variances and similar rights obtained, or required to be obtained, from Governmental Authorities.

"PERSON" means, and shall be construed broadly and shall include, an individual, a partnership, a corporation, a company, an association, a joint stock company, a limited liability company, a limited liability partnership, a trust, a joint venture, an unincorporated organization and a Governmental Entity or similar entities.

"PROCEEDING" means any action, suit, proceeding, complaint, charge, hearing, inquiry, audit or investigation before or by any Governmental Authority.

"REAL PROPERTY" means, with respect to any Person, the real property owned, leased, subleased, licensed, operated, used, held for use or otherwise occupied by such Person in its business and all buildings, structures, improvements and fixtures thereon, together with all rights of way, easements, privileges and appurtenances pertaining thereto, including any right, title and interest in and to any street adjoining any portion of such real property.

"REAL PROPERTY LEASE" means any lease, sublease, license or other form of occupancy agreement entered into by a Person (whether as lessor or lessee) with respect to Real Property.

"RECITALS" means the Recitals to this Contribution Agreement.

"REFERENCE PERIOD" has the meaning set forth in Section 4.1(c).

"RELATED DOCUMENTS" means, collectively, the Shareholders' Agreement, the Services Agreements, the Joint Venture/Sonoco IP License Agreement, the SDI IP License Agreement, the Representation Agreement, the China Purchase Agreement, the Joint Venture Supply Agreement and the VP Supply Agreement.

"REPRESENTATION AGREEMENT" has the meaning set forth in Section 3.2(e)(vi).

"REPRESENTATIVES" has the meaning set forth in Section 5.2(a).

"REQUIRED COMPETITION FILINGS" has the meaning set forth in Section 5.3(b).

"REQUIRED CONSENTS" means, collectively, the Sonoco Consents and the Ahlstrom Consents; provided, however, that for purposes of the conditions precedent in Sections 8.6 and 9.6, (i) any Ahlstrom Consent the satisfaction of which is solely within the control of Ahlstrom Corp shall not be a condition precedent for Ahlstrom Corp and (ii) any Sonoco Consent the satisfaction of which is solely within the control of Sonoco Products shall not be a condition precedent for Sonoco Products.

"SCHEDULE" means a Schedule to this Contribution Agreement.

"SCHWEIGHOUSE" means SEM Construction Schweighouse S.a r.l., a company organized under the laws of France.

"SDI IP LICENSE AGREEMENT" has the meaning set forth in Section 3.2(e)(iii).

"SECTION" means a Section (or a subsection) of this Contribution Agreement.

"SERVICES AGREEMENT" has the meaning set forth in Section 3.2(e)(iv).

"SETTLEMENT AGREEMENT" has the meaning set forth in Section 4.2(b).

"SHAREHOLDERS' AGREEMENT" has the meaning set forth in Section 3.2(e)(i).

"SODAREC" means Sodarec S.a r.l., a company organized under the laws of France.

"SONOCO BUSINESS" has the meaning set forth in the Recitals.

"SONOCO CLOSING STATEMENTS" has the meaning set forth in Section 4.2(a)(i)(C).

"SONOCO CONSENTS" means the consents listed on Schedule 6.2.

"SONOCO CONTRIBUTED SHARES" means all of the shares or ownership interests, as applicable, in the Sonoco Holding Companies, Sonoco Greece, Sonoco Netherlands B.V. and Sonoco Poland S.p. z o.o.

"SONOCO CONTRIBUTION" has the meaning set forth in Section 2.2(a).

"SONOCO DATA ROOM" means the due diligence room containing the information regarding the Sonoco Business assembled for purposes of the due diligence carried out by Ahlstrom Corp and its Representatives at the offices of Sonoco Europe S.A. in Brussels, Belgium.

"SONOCO EQUALIZATION AMOUNT" has the meaning set forth in Section 5.1(c).

"SONOCO EXCLUDED ASSET OR LIABILITY" means any Asset or Liability of Sonoco Products or the Sonoco Group, whether presently existing or arising hereafter, which is not part of the Sonoco Business, including, without limitation, the UK Pension Obligation and any Liability of any Sonoco Holding Company or Sonoco Operating Company in respect of any employees who are not primarily working for the Sonoco Business

"SONOCO EXTRAORDINARY TRANSACTIONS" has the meaning set forth in Section 4.1(a).

"SONOCO FINANCIAL STATEMENTS" has the meaning set forth in Section 6.7(a).

"SONOCO GREECE" means Hellenic Paper Mill of Central Macedonia-Sonoco S.A., a company organized under the Laws of Greece.

"SONOCO GREECE PREDECESSOR" means Sonoco IPD Greece SA, a company organized under the laws of Greece.

"SONOCO GROUP" means, collectively, Sonoco Products with respect to the Sonoco Business, Sonoco International, Sonoco Luxco, including prior to the Closing, the Sonoco Holding Companies and the Sonoco Operating Companies.

"SONOCO HOLDING COMPANIES" means, collectively: (i) Sonoco Deutschland Holdings GmbH, a company organized under the laws of Germany; (ii) Sonoco SAS, a company organized under the laws of France; (iii) Sonoco Newco Swiss; (iv) Sonoco Iberia S.L., a company organized under the laws of Spain; (v) Sonoco Netherlands Holdings I B.V., a company organized under the laws of The Netherlands; and (vi) Sonoco Holding Italia S.r.l., a company organized under the laws of Italy.

"SONOCO INDEMNIFIED PERSON" means the Joint Venture, Sonoco Products, the Sonoco Holding Companies, the Sonoco Operating Companies, and their respective Affiliates, partners, officers, directors, managing directors, managers, employees, agents and representatives, in each case other than any member of the Ahlstrom Group.

"SONOCO INTERNATIONAL" means Sonoco International, Inc., a company organized under the laws of the State of Delaware.

"SONOCO LUXCO" means Sonoco Luxembourg S.a r.l., a company organized under the laws of Luxembourg and an indirect, wholly-owned subsidiary of Sonoco Products.

"SONOCO MATERIAL ADVERSE EFFECT" means any circumstance, event, change in, or effect on any of the Sonoco Holding Companies or the Sonoco Operating Companies that has a material adverse effect or change on or to the Sonoco Business, Assets, Liabilities, relationship with material customers or suppliers, condition (financial or otherwise), prospects, operations, earnings, cash flows or results of operations of the Sonoco Holding Companies or the Sonoco Operating Companies taken as a whole, whether such material adverse effect or change occurs before or after the Sonoco Contribution.

"SONOCO MATERIAL AGREEMENTS" has the meaning set forth in Section 6.20(a).

"SONOCO NEWCO GERMANY" means a company to be organized under the laws of Germany as part of the Sonoco Reorganization, as described in more detail in Exhibit S.

"SONOCO NEWCO GIBRALTAR" means a company organized under the laws of Gibraltar which is part of the Sonoco Reorganization, as described in more detail in Exhibit S.

"SONOCO NEWCO UK" means a company to be organized under the laws of England and Wales as part of the Sonoco Reorganization, as described in more detail in Exhibit S.

"SONOCO NEWCO SWISS" means a company to be organized under the laws of Switzerland as part of the Sonoco Reorganization, as described in more detail in Exhibit S.

"SONOCO OPERATING COMPANIES" means, collectively: (i) Sonoco IPD France S.A., a company organized under the laws of France; (ii) Sonoco Eurocore, S.A., a company organized under the laws of Belgium; (iii) Sonoco Paper France S.A., a company organized under the laws of France; (iv) Tubetex, NV, a company organized under the laws of Belgium; (v) Sonoco IPD GmbH, a company organized under the laws of Germany; (vi) Sonoco Caprex Karton- und Papierverarbeitungs AG, a company organized under the laws of Switzerland; (vii) Sonoco Deutschland GmbH, a company organized under the laws of Germany; (viii) Sonoco OPV Hulsen GmbH, a company organized under the laws of Germany; (ix) Demolli Industria Cartaria S.p.A., a company organized under the laws of Italy; (x) Sonoco Poland S.p. z o.o., a company organized under the laws of Poland; (xi) Sonoco Barcelona S.A., a company organized under the laws of Spain; (xii) Sonoco Pina S.A., a company

organized under the laws of Spain; (xiii) Sonoco Ambalaj Sanayi ve Ticaret AS, a company organized under the laws of Turkey; (xiv) Sonoco Norge AS, a company organized under the laws of Norway; (xv) Sonoco Newco UK; (xvi) Sonoco Europe S.A., a company organized under the laws of Belgium; (xvii) Sonoco Greece; (xviii) Sonoco Netherlands B.V., a company organized under the laws of The Netherlands; (xix) Schweighouse; (xx) Sodarec; and (xxi) Sonoco Newco Germany.

"SONOCO PREDECESSOR COMPANIES" means the Sonoco UK Predecessor and the Sonoco Greece Predecessor.

"SONOCO PRODUCTS" has the meaning set forth in the Introduction.

"SONOCO PROHIBITED TRANSACTIONS" has the meaning set forth in Section 4.1(c).

"SONOCO REAL PROPERTY" has the meaning set forth in Section 6.14(a).

"SONOCO REORGANIZATION" has the meaning set forth in Section 5.1(a).

"SONOCO REORGANIZATION DEVIATIONS" has the meaning set forth in Section 4.2(a)(i)(A).

"SONOCO SHARES" has the meaning set forth in Section 2.2(a).

"SONOCO TAX RETURNS" has the meaning set forth in Section 6.13(a).

"SONOCO UK PREDECESSOR" means Sonoco Ltd., the predecessor of Sonoco Newco UK, in respect of its operation of its allocable portion of the Sonoco Business, prior to the Transfer of such allocable portion of the Sonoco Services to Sonoco Newco UK.

"SURVIVAL PERIOD" has the meaning set forth in Section 10.1(a).

"TAXES" means all national, local and foreign taxes (including without limitation income, withholding on dividends, interest and royalties, profit, franchise, sales, use, real property, personal property, value added (VAT), ad valorem, excise, employment, wage taxes, and withholding taxes or advance payments regarding taxes as well as social security contributions, stamp or capital taxes and taxes on net wealth) and installments of estimated taxes, assessments, deficiencies, levies, imports, duties, license fees, registration fees, withholdings, or other similar charges of every kind, character or description imposed by any governmental or quasi-governmental authorities, and any interest, penalties or additions to tax imposed thereon or in connection therewith.

"TAX RETURN" means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"TERRITORY" means, collectively, the countries of continental Africa, Europe (including Russia) and the Middle East (for purposes of this Contribution Agreement the following countries shall be deemed to be the Middle East: Afganistan, Bahrain, Cyprus, Iran, Iraq, Israel, Jordan, Kuwait, Kyrgyzstan, Lebanon, Oman, Pakistan, Qatar, Saudi Arabia, Syria, Tajikistan, Turkey, Turkmenistan, United Arab Emirates, Uzbekistan and Yemen).

"TRANSACTION" has the meaning set forth in the Recitals.

"TRANSACTION DOCUMENTS" has the meaning set forth in Section 6.2(a).

"TRANSFER" means, as to any security or assets, to sell, or in any other way transfer, assign, gift, contribute, pledge, grant a security interest in, distribute, encumber or otherwise dispose of (including, without limitation, the foreclosure or other acquisition by any lender with respect to any security or asset pledged to such lender by the holder of such security or asset), such security or asset, either voluntarily or involuntarily and with or without consideration.

"UK PENSION OBLIGATION" means any Pension obligation of any member of the Sonoco Group incorporated or active in the UK with respect to employees who are not, at the time of the Sonoco Reorganization, active exclusively in the Sonoco Business and either are not Transferred, or object to being Transferred, to the Joint Venture in connection with the transactions contemplated hereby.

"UK PENSION PLAN" has the meaning set forth in Section 5.14(a).

"UK TRANSFERRED EMPLOYEES" has the meaning set forth in Section 5.14.

"VP SUPPLY AGREEMENT" has the meaning set forth in Section 3.2(e)(vii).

"WOR ACT" has the meaning set forth in Section 8.10.

* * * *

EXHIBIT H
TO CONTRIBUTION AGREEMENT

LIST OF NEW DIRECTORS

Sonoco Appointees
- ----------
Harris DeLoach
Charles Hupfer
Jim Bowen
Isabelle Flamme

Ahlstrom Appointees
- ----------
Juha Rantanen
Svante Adde
Alex Schmitt

EXHIBIT T
TO CONTRIBUTION AGREEMENT

DESCRIPTION OF AHLSTROM REORGANIZATION

1. The contribution by Ahlstrom Corp of its direct and indirect interests in the Ahlstrom Holding Companies and the Ahlstrom Operating Companies to Ahlstrom Holding.

2. With affect as of the Closing Date, Ahlstrom Corp shall, and shall cause its Affiliates to, terminate all management services agreements and division management services agreements between any of the Ahlstrom Holding Companies or the Ahlstrom Operating Companies, on the one hand, and Ahlstrom Corp or any of its other Affiliates, on the other hand, referred to in Schedule 7.11. Any amounts paid under such agreements for the period from January 1, 2004 through the Closing Date shall be promptly reimbursed to the payor from the respective payee after the Closing Date including interest thereon from the date the payment was made until the date the reimbursement is made at a rate of 3% per annum.

As soon as practicable after the Closing Date (but in no event later than 45 days after the Closing Date), Ahlstrom Corp will prepare and deliver to Sonoco Products a reasonably detailed report on such payments and reimbursements.

EXHIBIT 15

July 29, 2004

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Commissioners:

We are aware that our report dated July 28, 2004 on our review of interim financial information of Sonoco Products Company for the period ended June 27, 2004 and included in the Company's quarterly report on Form 10-Q for the quarter then ended is incorporated by reference in its Registration Statements on Forms S-8 (File No. 33-45594; File No. 33-60039; File No. 333-12657; File No. 333-69929; File No. 333-100799; and File No. 333-100798).

Yours very truly,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

EXHIBIT 31

I, Harris E. DeLoach, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sonoco Products Company;

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 officers 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)) for the registrant and 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;

   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 officers 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 the registrant's board of directors (or persons performing the equivalent functions):

   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.

Date: July 29, 2004

By: /s/ Harris E. DeLoach, Jr.

Harris E. DeLoach, Jr.
Chief Executive Officer

EXHIBIT 31

I, Charles J. Hupfer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sonoco Products Company;

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 officers 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)) for the registrant and 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;

   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 officers 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 the registrant's board of directors (or persons performing the equivalent functions):

   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.

Date: July 29, 2004

By: /s/ Charles J. Hupfer

Charles J. Hupfer
Vice President and Chief Financial Officer

EXHIBIT 32

Certification of Principal Executive Officer and Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the
Sarbanes – Oxley Act of 2002

The undersigned, who are the chief executive officer and the chief financial officer of Sonoco Products Company, each hereby certifies that, to the best of his knowledge, the accompanying Form 10-Q for the quarter ended June 27, 2004, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

July 29, 2004

/s/ Harris E. DeLoach, Jr.
Harris E. DeLoach, Jr.
Chief Executive Officer

/s/ Charles J. Hupfer
Charles J. Hupfer
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Sonoco Products Company (the "Company") and will be retained by the Company and furnished to the Securities and Exchange Commission upon request. This certification accompanies the Form 10-Q and shall not be treated as having been filed as part of the Form 10-Q.