
**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 September 28, 2008

or

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

For the transition period from _____ to _____

Commission File No. 0-516

SONOCO PRODUCTS COMPANY

Incorporated under the laws
of South Carolina

I.R.S. Employer Identification
No. 57-0248420

1 N. Second St.
Hartsville, South Carolina 29550
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 ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock at October 24, 2008:

Common stock, no par value: 99,727,682

SONOCO PRODUCTS COMPANY

INDEX

PART I. FINANCIAL INFORMATION

<u>Item 1. Financial Statements:</u>	3
<u>Condensed Consolidated Balance Sheets — September 28, 2008 (unaudited) and December 31, 2007 (unaudited)</u>	3
<u>Condensed Consolidated Statements of Income — Three and Nine Months Ended September 28, 2008 (unaudited) and September 30, 2007 (unaudited)</u>	4
<u>Condensed Consolidated Statements of Cash Flow — Nine Months Ended September 28, 2008 (unaudited) and September 30, 2007 (unaudited)</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Report of Independent Registered Public Accounting Firm</u>	22
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	23
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk.</u>	31
<u>Item 4. Controls and Procedures.</u>	31

PART II. OTHER INFORMATION

<u>Item 1. Legal Proceedings.</u>	32
<u>Item 1A. Risk Factors.</u>	33
<u>Item 6. Exhibits.</u>	33
<u>EX-10.1</u>	
<u>EX-10.2</u>	
<u>EX-10.3</u>	
<u>EX-10.4</u>	
<u>EX-10.5</u>	
<u>EX-15</u>	
<u>EX-31</u>	
<u>EX-32</u>	

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SONOCO PRODUCTS COMPANY CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited) (Dollars and shares in thousands)

	September 28, 2008	December 31, 2007*
Assets		
Current Assets		
Cash and cash equivalents	\$ 147,476	\$ 70,758
Trade accounts receivable, net of allowances	497,757	488,409
Other receivables	37,342	34,328
Inventories:		
Finished and in process	144,602	138,722
Materials and supplies	212,380	204,362
Prepaid expenses	46,424	50,747
Deferred income taxes	49,905	40,353
	<u>1,135,886</u>	<u>1,027,679</u>
Property, Plant and Equipment, Net	1,040,202	1,105,342
Goodwill	818,724	828,348
Other Intangible Assets, Net	133,290	139,436
Other Assets	197,443	239,438
Total Assets	<u>\$ 3,325,545</u>	<u>\$ 3,340,243</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Payable to suppliers	\$ 412,481	\$ 426,138
Accrued expenses and other	317,097	275,133
Notes payable and current portion of long-term debt	39,969	45,199
Accrued taxes	12,240	11,611
	<u>781,787</u>	<u>758,081</u>
Long-Term Debt, Net of Current Portion	746,520	804,339
Pension and Other Postretirement Benefits	180,898	180,509
Deferred Income Taxes	78,113	84,977
Other Liabilities	64,587	70,800
Commitments and Contingencies		
Shareholders' Equity		
Common stock, no par value		
Authorized 300,000 shares		
99,728 and 99,431 shares issued and outstanding at September 28, 2008 and December 31, 2007, respectively	7,175	7,175
Capital in excess of stated value	405,091	391,628
Accumulated other comprehensive loss	(135,991)	(107,374)
Retained earnings	1,197,365	1,150,108
Total Shareholders' Equity	<u>1,473,640</u>	<u>1,441,537</u>
Total Liabilities and Shareholders' Equity	<u>\$ 3,325,545</u>	<u>\$ 3,340,243</u>

* 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		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Net sales	\$ 1,063,250	\$ 1,029,764	\$ 3,187,813	\$ 2,979,874
Cost of sales	<u>878,514</u>	<u>842,485</u>	<u>2,621,994</u>	<u>2,417,357</u>
Gross profit	184,736	187,279	565,819	562,517
Selling, general and administrative expenses	92,989	96,881	292,039	306,390
Restructuring/Asset impairment charges (see Notes 4 and 5)	<u>5,530</u>	<u>17,401</u>	<u>77,838</u>	<u>27,496</u>
Income before interest and income taxes	86,217	72,997	195,942	228,631
Interest expense	12,682	16,188	40,763	45,261
Interest income	<u>(2,053)</u>	<u>(2,134)</u>	<u>(4,809)</u>	<u>(6,959)</u>
Income before income taxes	75,588	58,943	159,988	190,329
Provision for income taxes	<u>21,807</u>	<u>(2,029)</u>	<u>46,671</u>	<u>39,541</u>
Income before equity in earnings of affiliates/minority interest in subsidiaries	53,781	60,972	113,317	150,788
Equity in earnings of affiliates/minority interest in subsidiaries, net of tax	<u>3,570</u>	<u>3,561</u>	<u>15,279</u>	<u>9,200</u>
Net income	<u>\$ 57,351</u>	<u>\$ 64,533</u>	<u>\$ 128,596</u>	<u>\$ 159,988</u>
Weighted average common shares outstanding:				
Basic	<u>100,371</u>	<u>100,775</u>	<u>100,262</u>	<u>100,831</u>
Diluted	<u>101,292</u>	<u>101,859</u>	<u>101,060</u>	<u>102,243</u>
Per common share:				
Net income:				
Basic	<u>\$ 0.57</u>	<u>\$ 0.64</u>	<u>\$ 1.28</u>	<u>\$ 1.59</u>
Diluted	<u>\$ 0.57</u>	<u>\$ 0.63</u>	<u>\$ 1.27</u>	<u>\$ 1.56</u>
Cash dividends	<u>\$ 0.27</u>	<u>\$ 0.26</u>	<u>\$ 0.80</u>	<u>\$ 0.76</u>

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended	
	September 28, 2008	September 30, 2007*
Cash Flows from Operating Activities:		
Net income	\$ 128,596	\$ 159,988
Adjustments to reconcile net income to net cash provided by operating activities:		
Financial asset impairment	42,651	—
Restructuring-related asset impairment and pension curtailment	16,469	14,067
Depreciation, depletion and amortization	138,662	133,591
Share-based compensation expense	6,840	7,782
Equity in earnings of affiliates/minority interest in subsidiaries	(15,279)	(9,200)
Cash dividend from affiliated companies	7,507	7,638
Loss on disposition of assets	2,203	3,593
Tax effect of nonqualified stock options	805	9,525
Excess tax benefit of share-based compensation	(705)	(9,266)
Deferred taxes	(14,708)	(11,931)
Change in assets and liabilities, net of effects from acquisitions, dispositions, and foreign currency adjustments:		
Trade accounts receivable	(15,784)	(51,510)
Inventories	(18,242)	(15,525)
Payable to suppliers	(7,683)	15,495
Prepaid expenses	(1,336)	(11,139)
Cash contribution to pension plans	(11,141)	(9,529)
Prepaid income taxes and taxes payable	4,014	(23,952)
Fox River environmental reserves and insurance receivable	39,565	21,100
Other assets and liabilities	7,766	27,179
Net cash provided by operating activities	310,200	257,906
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(91,520)	(135,279)
Cost of acquisitions, net of cash acquired	(5,535)	(215,341)
Proceeds from the sale of assets	4,557	11,618
Investment in affiliates and other	(979)	2,652
Net cash used in investing activities	(93,477)	(336,350)
Cash Flows from Financing Activities:		
Proceeds from issuance of debt	23,597	33,868
Principal repayment of debt	(98,462)	(32,558)
Net increase in commercial paper	11,000	206,000
Net decrease in bank overdrafts	(4,206)	(1,325)
Excess tax benefit of share-based compensation	705	9,266
Cash dividends	(79,626)	(76,646)
Shares acquired	(809)	(108,139)
Shares issued	6,370	49,445
Net cash (used in) provided by financing activities	(141,431)	79,911
Effects of Exchange Rate Changes on Cash	1,426	(7,111)
Net Increase (Decrease) in Cash and Cash Equivalents	76,718	(5,644)
Cash and cash equivalents at beginning of period	70,758	86,498
Cash and cash equivalents at end of period	<u>\$ 147,476</u>	<u>\$ 80,854</u>

* Prior year's data have been reclassified to conform to the current year's presentation.

See accompanying Notes to Condensed Consolidated Financial Statements

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars 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, unless otherwise stated) necessary to state fairly the consolidated financial position, results of operations and cash flows for the interim periods reported herein. Operating results for the three and nine months ended September 28, 2008, are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. 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 on Form 10-K for the fiscal year ended December 31, 2007.

On January 1, 2008, the Company adopted the provisions of Emerging Issues Task Force Issue No. 06-10, "Accounting for the Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements." As a result, the Company recognized a postretirement benefit liability of \$1,459 associated with its collateral assignment split-dollar life insurance arrangements which was accounted for as a reduction to the January 1, 2008 balance of retained earnings.

With respect to the unaudited condensed consolidated financial information of the Company for the three and nine month periods ended September 28, 2008 and September 30, 2007 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 October 29, 2008 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 a registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

Note 2: Shareholders' Equity
Earnings Per Share

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

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Numerator:				
Net income	\$ 57,351	\$ 64,533	\$ 128,596	\$ 159,988
Denominator:				
Weighted average common shares outstanding	100,371,000	100,775,000	100,262,000	100,831,000
Dilutive effect of:				
Stock-based compensation	921,000	1,084,000	798,000	1,412,000
Dilutive shares outstanding	101,292,000	101,859,000	101,060,000	102,243,000
Reported net income per common share:				
Basic	\$ 0.57	\$ 0.64	\$ 1.28	\$ 1.59
Diluted	\$ 0.57	\$ 0.63	\$ 1.27	\$ 1.56

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

Stock options to purchase 1,250,679 and 617,000 shares at September 28, 2008 and September 30, 2007, respectively, were not dilutive and, therefore, are excluded from the computations of diluted income per common share amounts. No adjustments were made to reported net income in the computations of earnings per share.

Stock Repurchases

The Company's Board of Directors has authorized the repurchase of up to 5,000,000 shares of the Company's common stock. No shares were repurchased under this authorization during the first nine months of 2008. Accordingly, at September 28, 2008, a total of 5,000,000 shares remain available for repurchase.

The Company occasionally repurchases shares of its common stock to satisfy employee tax withholding obligations in association with the exercise of stock appreciation rights and performance-based stock awards. These repurchases, which are not part of a publicly announced plan or program, totaled 27,316 shares in the first nine months of 2008 at a cost of \$809.

Note 3: Acquisitions

During the nine months ended September 28, 2008, the Company completed two acquisitions at an aggregate cost of \$5,535 in cash. These included the March 2008 acquisition of Amtex Packaging, Inc., a packaging fulfillment company accounted for in the Packaging Services segment, and the February 2008 acquisition of VoidForm International Ltd., a construction tube business based in Canada accounted for in the Tubes and Cores/Paper segment. The acquisition of these businesses is expected to generate annual sales of approximately \$6,000. In conjunction with these acquisitions, the Company recorded identifiable intangibles of \$4,890, goodwill of \$179, and other net tangible assets of \$466. The Company has accounted for these acquisitions as purchases and, accordingly, has included their results of operations in consolidated net income from the respective dates of acquisition. Pro forma results have not been provided, as the acquisitions were not material to the Company's financial statements individually or in the aggregate.

Note 4: Restructuring and Asset Impairment

The Company has two active restructuring plans, one of which was approved in October 2006 (the 2006 Plan), and the other in August 2003 (the 2003 Plan). In addition, during 2007 and 2008, the Company recognized charges associated with other restructuring actions that were not part of a formal restructuring plan. Following are the total restructuring and asset impairment charges, net of adjustments, recognized by the Company during the periods presented:

	2007		2008	
	Third Quarter	Nine Months	Third Quarter	Nine Months
Restructuring/Asset impairment:				
Other 2008 Actions	\$ —	\$ —	\$ 4,526	\$ 13,395
Other 2007 Actions	15,105	15,105	566	19,431
2006 Plan	2,458	12,556	357	1,873
2003 Plan	(162)	(165)	81	488
	\$ 17,401	\$ 27,496	\$ 5,530	\$ 35,187
Income tax benefit	(5,835)	(8,290)	(2,043)	(12,063)
Minority interest impact, net of tax	(13)	(56)	(171)	(5,379)
Restructuring/Asset impairment charges, net of adjustments (after tax)	\$ 11,553	\$ 19,150	\$ 3,316	\$ 17,745

Restructuring and asset impairment charges are included in "Restructuring/Asset impairment charges" in the Condensed Consolidated Statements of Income, except for restructuring charges applicable to equity method investments, which are included in "Equity in earnings of affiliates/minority interest in subsidiaries, net of tax."

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

The Company expects to recognize future additional costs totaling approximately \$4,150 in connection with previously announced restructuring actions. The Company believes that the majority of these charges will be incurred and paid by the end of 2008.

Other 2008 Actions

During 2008, the Company initiated the following closures in its Tubes and Cores/Paper segment: a tube and core plant in Spain, a tube and core plant in the United States, a specialty paper operation at its paper mill in Holyoke, Massachusetts, and a paper mill in Canada. In addition, the Company initiated the closures of two rigid packaging plants in the United States that were part of its Consumer Packaging segment. These closures were not part of a formal restructuring plan.

Below is a summary of the Other 2008 Actions and related expenses by type incurred and estimated to be incurred through the end of the restructuring initiative.

Other 2008 Actions	2008		Total Incurred to Date	Estimated Total Cost
	Third Quarter	Nine Months		
Severance and Termination Benefits				
Tubes and Cores/Paper segment	\$ 2,261	\$ 3,491	\$ 3,491	\$ 3,491
Consumer Packaging segment	1,729	1,729	1,729	1,729
Asset Impairment / Disposal of Assets				
Tubes and Cores/Paper segment	140	5,490	5,490	5,490
Consumer Packaging segment	11	11	11	11
Other Costs				
Tubes and Cores/Paper segment	314	2,603	2,603	5,103
Consumer Packaging segment	71	71	71	71
Total	\$ 4,526	\$ 13,395	\$ 13,395	\$ 15,895

Other Costs in the Tubes and Cores/Paper segment include a curtailment charge of \$2,289 related to a defined benefit pension plan maintained for the hourly union employees of the Canadian paper mill.

The following table sets forth the activity in the Other 2008 Actions restructuring accrual included in "Accrued expenses and other" on the Company's Condensed Consolidated Balance Sheets:

Other 2008 Actions	Severance and Termination Benefits	Asset Impairment/ Disposal of Assets	Other Costs	Total
Accrual Activity				
2008 Year to Date				
Liability, December 31, 2007	\$ —	\$ —	\$ —	\$ —
New charges	5,220	5,501	2,674	13,395
Cash payments	(2,666)	—	(385)	(3,051)
Asset writedowns/disposals	—	(5,501)	—	(5,501)
Foreign currency translation	12	—	—	12
Pension curtailment	—	—	(2,289)	(2,289)
Liability, September 28, 2008	<u>\$ 2,566</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,566</u>

The Company expects to pay the majority of the remaining Other 2008 Actions restructuring costs by the end of 2008 using cash generated from operations.

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

Other 2007 Actions

In the third quarter of 2007, the Company initiated the closures of the following operations: a metal ends plant in Brazil (Consumer Packaging segment), a rigid packaging plant in the United States (Consumer Packaging segment), a paper mill in China (Tubes and Cores/Paper segment), a molded plastics plant in Turkey (All Other Sonoco), and a point-of-purchase display manufacturing plant in the United States (Packaging Services segment). These closures were not part of a formal restructuring plan.

Below is a summary of the Other 2007 Actions and related expenses by type incurred and estimated to be incurred through the end of the restructuring initiative.

Other 2007 Actions	2007		2008		Total Incurred to Date	Estimated Total Cost
	Third Quarter	Nine Months	Third Quarter	Nine Months		
Severance and Termination Benefits						
Tubes and Cores/Paper segment	\$ —	\$ —	\$ —	\$ 6,867	\$ 8,015	\$ 8,015
Consumer Packaging segment	—	—	50	651	1,525	1,525
Packaging Services segment	—	—	(13)	120	254	254
All Other Sonoco	—	—	—	—	36	36
Asset Impairment / Disposal of Assets						
Tubes and Cores/Paper segment	—	—	145	4,873	4,873	4,873
Consumer Packaging segment	14,660	14,660	—	3,731	20,079	20,079
All Other Sonoco	445	445	(61)	(61)	536	536
Other Costs						
Tubes and Cores/Paper segment	—	—	—	216	216	366
Consumer Packaging segment	—	—	445	3,034	3,307	3,757
All Other Sonoco	—	—	—	—	228	228
Total	<u>\$ 15,105</u>	<u>\$ 15,105</u>	<u>\$ 566</u>	<u>\$ 19,431</u>	<u>\$ 39,069</u>	<u>\$ 39,669</u>

The net charges for the nine months ended September 28, 2008 relate primarily to the paper mill in China, the metal ends plant in Brazil, and the rigid packaging plant in the United States. These charges include non-cash asset impairments totaling \$8,604 on property, plant and equipment at the Company's metal ends plant in Brazil and paper mill in China, and additional reserves on accounts receivable and inventory at the Company's paper mill in China as a direct result of the closure of this facility. Severance costs became recognizable upon communication to the affected employees throughout the first and second quarters of 2008. Other costs relate primarily to the dismantling of machinery and equipment and other miscellaneous exit costs.

During the three and nine months ended September 28, 2008, the Company also recorded non-cash, after-tax offsets in the amounts of \$171 and \$5,379, respectively, to reflect a minority interest holder's portion of restructuring costs that were charged to expense.

The following table sets forth the activity in the Other 2007 Actions restructuring accrual included in "Accrued expenses and other" on the Company's Condensed Consolidated Balance Sheets:

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

Other 2007 Actions Accrual Activity 2008 Year to Date	Severance and Termination Benefits	Asset Impairment/ Disposal of Assets	Other Costs	Total
Liability, December 31, 2007	\$ 1,165	\$ —	\$ 230	\$ 1,395
New charges	7,780	8,604	3,250	19,634
Cash payments	(3,841)	—	(3,462)	(7,303)
Asset writedowns/disposals	—	(8,543)	—	(8,543)
Foreign currency translation	264	—	(12)	252
Adjustments	(142)	(61)	—	(203)
Liability, September 28, 2008	<u>\$ 5,226</u>	<u>\$ —</u>	<u>\$ 6</u>	<u>\$ 5,232</u>

The severance accrual above includes approximately \$5,200 of severance and termination benefits for the employees of the Company's paper mill in China.

The Company expects to pay the majority of the remaining Other 2007 Actions restructuring costs during 2008 using cash generated from operations.

The 2006 Plan

The 2006 Plan included the closure of 12 plant locations and the reduction of approximately 540 positions worldwide. The majority of the restructuring program focused on improving the cost effectiveness of international operations, principally in Europe. These measures began in the fourth quarter of 2006 and are substantially complete. Significant operations affected in the Tubes and Cores/Paper segment included a paper mill in France, two tube and core plants in Canada, and one in the United States. Operations affected in the Consumer Packaging segment included a rigid packaging plant in Germany, rigid packaging production lines in the United Kingdom, and a flexible packaging plant in Canada. Operations affected in All Other Sonoco included a molded plastics plant and a wooden reels facility, both located in the United States. In addition, the 2006 Plan included downsizing actions in the Company's European tube and core/paper operations.

Below is a summary of the 2006 Plan and related expenses by type incurred and estimated to be incurred through the end of the restructuring initiative.

	2007		2008		Total Incurred to Date	Estimated Total Cost
	Third Quarter	Nine Months	Third Quarter	Nine Months		
2006 Plan						
Severance and Termination Benefits						
Tubes and Cores/Paper segment	\$ 1,398	\$ 2,848	\$ 41	\$ 813	\$ 13,975	\$ 13,975
Consumer Packaging segment	68	3,696	—	(279)	5,174	5,174
Packaging Services segment	—	451	—	—	528	528
All Other Sonoco	—	472	—	4	761	761
Asset Impairment / Disposal of Assets						
Tubes and Cores/Paper segment	(84)	(707)	—	20	4,242	4,242
Consumer Packaging segment	(50)	2,237	—	—	1,686	1,686
All Other Sonoco	—	—	67	67	328	328
Other Costs						
Tubes and Cores/Paper segment	789	2,090	196	853	7,055	7,355
Consumer Packaging segment	289	983	20	222	1,666	1,966
All Other Sonoco	48	486	33	173	780	780
Total	<u>\$ 2,458</u>	<u>\$ 12,556</u>	<u>\$ 357</u>	<u>\$ 1,873</u>	<u>\$ 36,195</u>	<u>\$ 36,795</u>

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

During the three and nine months ended September 30, 2007, the Company recorded non-cash, after-tax offsets in the amount of \$13 and \$56, respectively, in order to reflect a minority interest holder's portion of restructuring costs that were charged to expense.

The following table sets forth the activity in the 2006 Plan restructuring accrual included in "Accrued expenses and other" on the Company's Condensed Consolidated Balance Sheets:

2006 Plan	Severance and Termination Benefits	Asset Impairment/ Disposal of Assets	Other Costs	Total
Accrual Activity				
2008 Year to Date				
Liability, December 31, 2007	\$ 3,517	\$ —	\$ 470	\$ 3,987
New charges	776	87	1,297	2,160
Cash payments	(3,762)	—	(1,175)	(4,937)
Asset impairment (noncash)	—	(87)	—	(87)
Foreign currency translation	(29)	—	(4)	(33)
Adjustments	(239)	—	(48)	(287)
Liability, September 28, 2008	<u>\$ 263</u>	<u>\$ —</u>	<u>\$ 540</u>	<u>\$ 803</u>

Other Costs consist primarily of building lease termination charges and other miscellaneous exit costs. The Company expects to pay the majority of the remaining 2006 Plan restructuring costs, with the exception of certain building lease termination expenses, by the end of 2008, using cash generated from operations.

The 2003 Plan

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 completed 22 plant closings and reduced its workforce by approximately 1,120 employees. As of September 28, 2008, the Company had incurred cumulative pre-tax charges, net of adjustments, of \$103,227 associated with these activities.

The 2003 Plan is substantially complete. At September 28, 2008, the remaining restructuring accrual for the 2003 Plan totaled \$1,680. The accrual, included in "Accrued expenses and other" on the Company's Condensed Consolidated Balance Sheet, relates primarily to a building lease termination. The Company expects to recognize future pre-tax charges of approximately \$450 associated with the 2003 Plan, primarily related to this building lease termination. The Company expects both the liability and the future costs to be fully paid at the end of 2012, using cash generated from operations.

Note 5: Financial Asset Impairment

As a result of the 2003 sale of the High Density Film business, the Company received a preferred equity interest in the buyer and a subordinated note receivable due in 2013 as a portion of the selling price. The Company's year-end 2007 financial review of the buyer indicated that collectibility was probable. However, based on updated information provided by the buyer late in the first quarter of 2008, the Company concluded that neither the collection of its subordinated note receivable nor redemption of its preferred equity interest was probable, and that their value was likely zero. Accordingly, the Company fully reserved these items in the first quarter of 2008, recording a charge totaling \$42,651 pretax (\$30,981 after tax). Both the preferred equity interest and the subordinated note receivable had been included in "Other Assets" in the Company's Condensed Consolidated Balance Sheets. On May 6, 2008, the buyer filed a petition for relief under Chapter 11 with the United States Bankruptcy Court for the District of Delaware that included a plan of reorganization, which was subsequently approved by the court June 26, 2008. As part of the plan of reorganization, the Company's preferred equity interest and its subordinated note receivable were extinguished.

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

Note 6: Cash and Cash Equivalents

At September 28, 2008, cash and cash equivalents included \$32,000 of insurance proceeds arising from the settlement of claims related to the Fox River environmental matter (see Note 15). The use of this cash, together with the earnings thereon, is restricted to the payment of liabilities associated with the Fox River matter.

Note 7: Comprehensive Income

The following table reconciles net income to comprehensive (loss)/income:

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Net income	\$ 57,351	\$ 64,533	\$ 128,596	\$ 159,988
Other comprehensive income:				
Foreign currency translation adjustments	(53,579)	42,206	(31,002)	77,797
Changes in defined benefit plans, net of income tax	(657)	(4,717)	4,476	435
Changes in derivative financial instruments, net of income tax	(14,802)	(1,669)	(2,091)	190
Comprehensive (loss)/income	\$ (11,687)	\$ 100,353	\$ 99,979	\$ 238,410

The following table summarizes the components of accumulated other comprehensive loss and the changes in accumulated other comprehensive loss, net of tax as applicable, for the nine months ended September 28, 2008:

	Foreign Currency Translation Adjustments	Defined Benefit Plans	Derivative Financial Instruments	Accumulated Other Comprehensive Loss
Balance at December 31, 2007	\$ 72,819	\$(178,658)	\$ (1,535)	\$ (107,374)
Year-to-date change	(31,002)	4,476	(2,091)	(28,617)
Balance at September 28, 2008	\$ 41,817	\$(174,182)	\$ (3,626)	\$ (135,991)

At September 28, 2008, the Company had commodity swaps outstanding to fix the costs of a portion of raw materials and energy. These swaps, which have maturities ranging from October 2008 to June 2011, qualify as cash flow hedges under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," and related amendments. The amounts included in accumulated other comprehensive loss related to these commodity swaps were an unfavorable position of \$5,714 (\$3,626 after tax) at September 28, 2008, and an unfavorable position of \$2,395 (\$1,535 after tax) at December 31, 2007.

The tax effect on Derivative Financial Instruments in the three and nine-month periods ended September 28, 2008, was \$8,693 and \$1,228, respectively. The cumulative tax effect of Derivative Financial Instruments was \$2,088 and \$860, at September 28, 2008 and December 31, 2007, respectively.

The tax effect on Defined Benefit Plans in the three and nine-month periods ended September 28, 2008, was \$481 and \$(1,208), respectively. The cumulative tax benefit of the Defined Benefit Plans was \$101,597 at September 28, 2008, and \$102,805 at December 31, 2007.

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

Note 8: Goodwill and Other Intangible Assets
Goodwill

A summary of the changes in goodwill for the nine months ended September 28, 2008 is as follows:

	Tubes and Cores /Paper Segment	Consumer Packaging Segment	Packaging Services Segment	All Other Sonoco	Total
Balance as of December 31, 2007	\$ 245,130	\$ 366,223	\$ 151,000	\$ 65,995	\$ 828,348
Goodwill on 2008 acquisitions	179	—	—	—	179
Adjustments	76	1,488	—	332	1,896
Foreign currency translation	(3,456)	(8,132)	(103)	(8)	(11,699)
Balance as of September 28, 2008	<u>\$ 241,929</u>	<u>\$ 359,579</u>	<u>\$ 150,897</u>	<u>\$ 66,319</u>	<u>\$ 818,724</u>

Adjustments to goodwill consist of the following: charges totaling \$1,381 incurred in connection with the closures of two plants and an injection molding operation that were part of the fourth quarter 2007 acquisition of the fiber and plastic container business of Caraustar Industries, Inc.; tax adjustments of \$450 associated with the second quarter 2007 acquisition of Matrix Packaging, LLC; and \$65 of other purchase price adjustments relating to 2007 acquisitions.

During the third quarter of 2008, the Company completed its annual test for goodwill impairment in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." Based on the results of this evaluation, the Company concluded that there was no impairment of goodwill for any of our reporting units. This evaluation used forward-looking projections, which included expected improvement in certain operations within the Consumer Packaging and Packaging Services segments. The assessment of the relevant facts and circumstances is ongoing, and if actual performance in these reporting units falls short of the projected results, non-cash impairment charges may be required. Total goodwill associated with these reporting units is approximately \$370,000.

Other Intangible Assets

A summary of other intangible assets as of September 28, 2008 and December 31, 2007 is as follows:

	September 28, 2008	December 31, 2007
Amortizable intangibles — Gross cost		
Patents	\$ 3,530	\$ 3,360
Customer lists	165,154	161,805
Land use rights	7,822	7,315
Supply agreements	1,000	1,000
Other	10,879	11,032
Total gross cost	\$188,385	\$184,512
Total accumulated amortization	\$ (55,095)	\$ (45,076)
Net amortizable intangibles	\$133,290	\$139,436

Other intangible assets are amortized, usually on a straight-line basis, over their respective useful lives, which generally range from three to twenty years. Aggregate amortization expense was \$3,188 and \$3,110 for the three months ended September 28, 2008 and September 30, 2007, respectively, and \$10,150 and \$8,147 for the nine months ended September 28, 2008 and September 30, 2007, respectively. Amortization expense on other intangible assets is expected to approximate \$13,300 in 2008, \$12,600 in 2009, \$12,400 in 2010, \$12,000 in 2011 and \$11,400 in 2012.

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

The Company recorded \$4,890 of identifiable intangibles in connection with 2008 business acquisitions, all of which related to customer lists that will be amortized over a period of 15 years. In addition, the Company acquired various patents in the first nine months of 2008 for a total cost of \$170.

Note 9: Fair Value Measurements

Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (FAS 157) was issued to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. Applicable provisions of FAS 157 were adopted by the Company effective January 1, 2008, including the disclosures presented below.

The following table sets forth information regarding the Company's financial assets and financial liabilities that are measured at fair value. The Company does not currently have any nonfinancial assets or liabilities that are recognized or disclosed at fair value on a recurring basis.

		Fair Value Measurements at Reporting Date Using		
		Quoted Market Prices in Active Market for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	September 28, 2008			
Assets:				
Derivatives	\$1,776	\$ —	\$1,776	\$—
Deferred Compensation Plan Assets	\$1,992	\$1,992	\$ —	\$—
Liabilities:				
Derivatives	\$6,831	\$ —	\$6,831	\$—

The Company uses derivatives from time to time to mitigate the effect of raw material and energy cost fluctuations, foreign currency fluctuations and interest rate movements. The Company records qualifying derivatives in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), and related amendments. Fair value measurements for the Company's derivatives, which at September 28, 2008, consisted primarily of natural gas swaps entered into for hedging purposes and foreign currency swaps for which hedge accounting has not been applied, are classified under Level 2 because such measurements are determined using published market prices or estimated based on observable inputs such as interest rates, yield curves, spot and future commodity prices and spot and future exchange rates.

Certain deferred compensation plan liabilities are funded and the assets invested in various exchange traded mutual funds. These assets are measured using quoted prices in accessible active markets for identical assets.

None of the Company's financial assets or liabilities currently covered by the disclosure provisions of FAS 157 are measured at fair value using significant unobservable inputs.

Note 10: Dividend Declarations

On July 16, 2008, the Board of Directors declared a regular quarterly dividend of \$0.27 per share. This dividend was paid September 10, 2008 to all shareholders of record as of August 15, 2008.

On October 13, 2008, the Board of Directors declared a regular quarterly dividend of \$0.27 per share. This dividend is payable December 10, 2008 to all shareholders of record as of November 21, 2008.

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

Note 11: Employee Benefit Plans

The Company provides non-contributory defined benefit pension plans for a majority of its employees in the United States and certain of its employees in Mexico and Belgium. Effective December 31, 2003, the Company froze participation for newly hired salaried and non-union hourly U.S. employees in its traditional defined benefit plan. The Company adopted a defined contribution plan, the Sonoco Investment and Retirement Plan (SIRP), covering its non-union U.S. employees hired on or after January 1, 2004. The Company also sponsors contributory pension plans covering the majority of its employees in the United Kingdom, Canada, and the Netherlands, 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.

The components of net periodic benefit cost include the following:

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Retirement Plans				
Service cost	\$ 7,007	\$ 7,298	\$ 20,076	\$ 21,725
Interest cost	17,760	17,316	55,470	52,050
Expected return on plan assets	(22,181)	(21,981)	(67,205)	(65,866)
Amortization of net transition obligation	186	58	309	174
Amortization of prior service cost	462	495	1,423	1,461
Amortization of net actuarial loss	2,272	4,913	9,451	15,440
Other	—	12	—	12
Effect of curtailment loss	—	—	2,289	—
Effect of settlement loss	144	—	441	—
Net periodic benefit cost	<u>\$ 5,650</u>	<u>\$ 8,111</u>	<u>\$ 22,254</u>	<u>\$ 24,996</u>
	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Retiree Health and Life Insurance Plans				
Service cost	\$ 516	\$ 586	\$ 1,544	\$ 1,810
Interest cost	1,128	1,109	3,372	3,577
Expected return on plan assets	(481)	(542)	(1,437)	(1,584)
Amortization of prior service credit	(2,593)	(2,427)	(7,752)	(7,279)
Amortization of net actuarial loss	776	741	2,319	3,027
Net periodic benefit (income) cost	<u>\$ (654)</u>	<u>\$ (533)</u>	<u>\$ (1,954)</u>	<u>\$ (449)</u>

During the second quarter of 2008 the Company recognized a \$2,289 curtailment loss associated with the planned closure of a paper mill in Montreal, Quebec. This charge is included in the caption "Restructuring/Asset impairment charges" in the Condensed Consolidated Statements of Income.

During the nine months ended September 28, 2008, the Company made contributions of \$7,404 to its retirement and retiree health and life insurance plans. The Company anticipates that it will make additional contributions of approximately \$2,700 in 2008. The Company also contributed \$3,737 to the SIRP during this same nine-month period. No additional contributions are expected during the remainder of 2008. Funding of the Company's U.S. defined benefit pension plan was not required in 2008. The 2009 funding requirement will not be determined until the December 31, 2008 asset values are known; however, based on the September 28, 2008 asset values, the Company would not be required to make any contributions to the Plan in 2009 due to its ability to utilize a credit balance that exists due to having previously funded the Plan in excess of the minimum requirement.

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
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Note 12: Income Taxes

The Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), on January 1, 2007. There have been no significant changes in the Company's liability for uncertain tax positions since December 31, 2007.

The Company's effective tax rate for the three and nine month periods ending September 28, 2008, was 28.8% and 29.2%, respectively. The rate for the third quarter varied from the U.S. statutory rate primarily due to a tax benefit associated with a decrease in the Company's FIN 48 liabilities. This decrease resulted from the expiration of U.S. federal and state statutes of limitations. The year-to-date rate varied from the U.S. statutory rate due to these same factors, as well as a valuation allowance recorded against the capital loss carryovers created by the impairment of certain financial assets in the first quarter (see Note 5), the tax benefits from a change in Italian tax law recorded in the second quarter, the favorable effect of international operations that are subject to tax rates generally lower than the U.S. rate, and certain restructuring charges for which tax benefits cannot be recognized.

The Company's provision for income taxes was a benefit of \$2,029 for the third quarter of 2007, primarily due to the release of reserves for uncertain tax positions upon expiration of their related statutory assessment periods.

The Company and/or its subsidiaries file federal, state and local income tax returns in the United States and various foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examination for years before 2005. With respect to state and local income taxes, the Company is no longer subject to examination prior to 2002, with few exceptions.

The Company's estimate for the potential outcome for any uncertain tax issue is highly judgmental. Management believes that any reasonably foreseeable outcomes related to these matters have been adequately provided for. However, future results may include favorable or unfavorable adjustments to estimated tax liabilities in the period the assessments are made or resolved or when statutes of limitation on potential assessments expire. Additionally, the jurisdictions in which earnings or deductions are realized may differ from current estimates. As a result, the Company's effective tax rate may fluctuate significantly on a quarterly basis.

Note 13: New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (FAS 158). The Company has complied with those provisions of FAS 158 which became effective on December 31, 2006, and since that time has recognized in its financial statements the funded status of its defined benefit plans. The measurement date provision of FAS 158 becomes effective for the Company beginning with its December 31, 2008 balance sheet. This provision requires companies to measure the funded status of their plans at fiscal year end. Because the Company currently uses December 31 as the measurement date for most of its plans, including its major U.S.-based plans, implementation of this remaining measurement date provision will not have a material effect on the Company's financial statements.

In September 2006, the FASB issued FAS 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 does not require any new fair value measurements. The provisions of FAS 157 become effective in two phases. As of January 1, 2008, FAS 157 became effective for all financial assets and liabilities and for any nonfinancial assets and liabilities measured at fair value on a recurring basis. Effective January 1, 2009, the provisions of FAS 157 will apply to all assets and liabilities. Other than additional disclosure, the adoption of FAS 157 has not and is not expected to have a material impact on the Company's financial statements.

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

In December 2007, the FASB issued FAS 141(R), "Business Combinations" which replaces FAS 141. While FAS 141(R) retains the fundamental requirement that the acquisition method of accounting be used for all business combinations, several significant changes were made some of which include: the scope of transactions covered; the treatment of transaction costs and subsequent restructuring charges; accounting for in-process research and development, contingent assets and liabilities, and contingent consideration; and how adjustments made to the acquisition accounting after the transaction are reported. For Sonoco, this statement applies prospectively to business combinations occurring on or after January 1, 2009. While application of this standard will not impact the Company's financial statements for transactions occurring prior to the effective date, its application will have a significant impact on the Company's accounting for future acquisitions compared to current practice.

In December 2007, the FASB issued FAS 160, "Noncontrolling Interests in Consolidated Financial Statements" which amends current accounting and reporting for a noncontrolling interest in a subsidiary and the deconsolidation of a subsidiary. This statement provides that a noncontrolling interest in a subsidiary should be reported as equity rather than as a "minority interest" liability and requires that all purchases, sales, issuances and redemptions of ownership interests in a consolidated subsidiary be accounted for as equity transactions if the parent retains a controlling financial interest. FAS 160 also requires that a gain or loss be recognized when a subsidiary is deconsolidated and, if a parent retains a noncontrolling equity investment in the former subsidiary, that the investment be measured at its fair value. This statement is effective January 1, 2009, and will be applied prospectively except for the presentation and disclosure requirements which are retrospective. As such, the effect of this standard on current noncontrolling interest positions will be limited to financial statement presentation and disclosure, but its adoption will impact the Company's accounting and disclosure for all transactions involving noncontrolling interests after adoption. The expected amount of minority interest liability to be reclassified as equity upon adoption of this statement is approximately \$15,500.

In March 2008, the FASB issued FAS 161, "Disclosures about Derivative Instruments and Hedging Activities" which requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement is effective for fiscal years and interim periods beginning after November 15, 2008. As described above, the application of this standard will impact the Company's disclosure of its derivative instruments and hedging activities.

In April 2008, the FASB issued FASB Staff Position (FSP) FAS 142-3, "Determination of the Useful Life of Intangible Assets" which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets." This Staff Position is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. Application of this FSP is not expected to have a significant impact on Sonoco's financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities." This FSP provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The Company does not currently have any share-based awards that would qualify as participating securities. Therefore, application of this FSP is not expected to have an effect on the Company's financial reporting.

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

In September 2008, the FASB issued FSP FAS 133-1 and FIN 45-4, “Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No 45; and Clarification of the Effective Date of FASB Statement No.161.” This FSP requires certain disclosures to be made by sellers of credit derivatives and extends disclosures by guarantors to include the current status of the payment/performance risk of any guarantees. The Company is not a seller of credit derivatives and does not guarantee the payment or performance of any third party. Therefore, application of these FSP provisions is not expected to have an effect on the Company’s financial reporting. In addition, this FSP clarifies that the derivative instrument and hedging activity disclosure requirements of FAS 161, as discussed above, are effective for both interim and annual reporting periods beginning after November 15, 2008.

Note 14: Financial Segment Information

Sonoco reports its results in three segments, Consumer Packaging, Tubes and Cores/Paper and Packaging Services. The remaining operations are reported as All Other Sonoco.

The Consumer Packaging segment includes the following products: round and shaped rigid packaging (both composite and plastic); printed flexible packaging; and metal and peelable membrane ends and closures.

The Tubes and Cores/Paper segment includes the following products: high-performance paper and composite paperboard tubes and cores; fiber-based construction tubes and forms; recycled paperboard, linerboard, recovered paper and other recycled materials.

The Packaging Services segment provides the following products and services: designing, manufacturing, assembling, packing and distributing temporary, semi-permanent and permanent point-of-purchase displays; brand artwork management; and supply chain management services, including contract packing, fulfillment and scalable service centers.

All Other Sonoco represents the Company’s businesses that do not meet the aggregation criteria outlined in Statement of Financial Accounting Standards No. 131, “Disclosures about Segments of an Enterprise and Related Information,” and therefore cannot be combined with other operating segments into a reportable segment. All Other Sonoco includes the following products: wooden, metal and composite wire and cable reels; molded and extruded plastics; custom-designed protective packaging; and paper amenities such as coasters and glass covers.

The following table sets forth net sales, intersegment sales and operating profit for the Company’s three reportable segments and All Other Sonoco. Operating profit at the segment level is defined as “Income before interest and income taxes” on the Company’s Condensed Consolidated Statements of Income, adjusted for restructuring/asset impairment charges, which are not allocated to the reporting segments.

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

FINANCIAL SEGMENT INFORMATION

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Net Sales:				
Consumer Packaging	\$ 398,825	\$ 369,472	\$ 1,184,355	\$ 1,051,178
Tubes and Cores/Paper	435,685	433,686	1,327,289	1,268,300
Packaging Services	135,122	132,445	397,648	377,787
All Other Sonoco	93,618	94,161	278,521	282,609
Consolidated	<u>\$ 1,063,250</u>	<u>\$ 1,029,764</u>	<u>\$ 3,187,813</u>	<u>\$ 2,979,874</u>
Intersegment Sales:				
Consumer Packaging	\$ 294	\$ 748	\$ 1,463	\$ 2,375
Tubes and Cores/Paper	26,447	23,642	76,602	70,181
Packaging Services	151	197	243	521
All Other Sonoco	11,311	11,642	33,116	32,720
Consolidated	<u>\$ 38,203</u>	<u>\$ 36,229</u>	<u>\$ 111,424</u>	<u>\$ 105,797</u>
Income Before Income Taxes:				
Operating Profit				
Consumer Packaging	\$ 28,899	\$ 23,696	\$ 97,665	\$ 75,781
Tubes and Cores/Paper	41,991	42,339	116,601	106,036
Packaging Services	9,074	10,924	23,945	33,869
All Other Sonoco	11,783	13,439	35,569	40,441
Restructuring/Asset impairment charges	(5,530)	(17,401)	(77,838)	(27,496)
Interest, net	(10,629)	(14,054)	(35,954)	(38,302)
Consolidated	<u>\$ 75,588</u>	<u>\$ 58,943</u>	<u>\$ 159,988</u>	<u>\$ 190,329</u>

Note 15: 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. The Company is also currently a defendant in a purported class action by persons who bought Company stock between February 7, 2007 and September 18, 2007. That suit alleges that the market price of the stock had been inflated by allegedly false and misleading earnings projections published by the Company. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings. Some of these exposures have the potential to be material. Information with respect to these and other exposures appears in Part I – Item 3 – “Legal Proceedings” and Part II – Item 8 – “Financial Statements and Supplementary Data” (Note 13 – “Commitments and Contingencies”) in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007, and in Part II – Item 1 – “Legal Proceedings” of this report. The Company cannot currently estimate the final outcome of many of the items described or the ultimate amount of potential losses.

Pursuant to Statement of Financial Accounting Standards No. 5, “Accounting for Contingencies,” accruals for estimated losses are recorded at the time information becomes available indicating that losses are probable and that the amounts are reasonably estimable. Amounts so accrued are not discounted. While the ultimate liabilities relating to claims and proceedings may be significant to profitability in the period recognized, it is management’s opinion that such liabilities, when finally determined, will not have an adverse material effect on Sonoco’s consolidated financial position or liquidity.

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

Environmental Matters

During the fourth quarter of 2005, the U. S. Environmental Protection Agency (EPA) notified U.S. Paper Mills Corp. (U.S. Mills), a wholly owned subsidiary of the Company, that U.S. Mills and NCR Corporation (NCR), an unrelated party, would be jointly held responsible to undertake a program to remove and dispose of certain PCB-contaminated sediments at a particular site on the lower Fox River in Wisconsin (the "Site") which is now labeled by EPA as Phase 1. U.S. Mills and NCR reached an agreement between themselves that each would fund 50% of the costs of remediation, which the Company currently estimates to be between \$29,900 and \$39,100 for the Site project as a whole. The Company has expensed a total of \$17,650 for its estimated share of the total cleanup cost. Of the total expensed, \$12,500 was recorded in 2005, and \$5,150 was recorded in 2007. Through September 28, 2008, a total of \$9,914 has been spent on remediation of the Site. The remaining accrual of \$7,736 represents the Company's best estimate of what it is likely to pay to complete the Site project. However, the actual costs associated with cleanup of this particular site are dependent upon many factors and it is reasonably possible that remediation costs could be higher than the current estimate of project costs. Moreover, U.S. Mills and NCR are in the early stages of a mediation proceeding with a contractor on the project who claims additional compensation. The Company acquired U.S. Mills in 2001, and the alleged contamination predates the acquisition.

In February 2007, the EPA and Wisconsin Department of Natural Resources (WDNR) issued a general notice of potential liability under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and a request to participate in remedial action implementation negotiations relating to a stretch of the lower Fox River, including the bay at Green Bay, (Operating Units 2 – 5) to eight potentially responsible parties, including U.S. Mills. Operating Units 2 – 5 include but also comprise a vastly larger area than the Site. Although it has not accepted any liability, U.S. Mills is reviewing this information and discussing possible remediation scenarios, and the possible allocation of responsibility therefor, with other potentially responsible parties. On April 9, 2007, U.S. Mills, in conjunction with other potentially responsible parties, presented to the EPA and the WDNR a proposed schedule to mediate the allocation issues among eight potentially responsible parties, including U.S. Mills. Non-binding mediation began in May 2007 and continued as bilateral/multilateral negotiations. To date, no agreement among the parties has occurred. NCR and Appleton Papers, Inc. sued a number of the mediation parties and other potentially responsible parties, and included U.S. Mills in June 2008. Their suit seeks recovery of costs previously incurred, including natural resource damages, and an allocation among all the parties of the total cost of remediation. The court has initially limited discovery to information regarding when each party knew, or should have known, that recycling NCR-brand carbonless paper would result in the discharge of PCBs to a water body and what action, if any, each party took to avoid the risk of further contamination. The court has set a trial date for those issues only for December 1, 2009. U.S. Mills is vigorously defending the suit against it.

On November 13, 2007, EPA issued a unilateral Administrative Order for Remedial Action pursuant to Section 106 of CERCLA. The order requires U.S. Mills and the seven other respondents to jointly take various actions to clean up Operating Units 2 – 5. The order establishes two phases of work. The first phase consists of planning and design work as well as preparation for dredging and other remediation work and must be completed by December 31, 2008. The second phase consists primarily of dredging and disposing of contaminated sediments and capping of the dredged and less contaminated areas of the river bottom. The second phase is required to begin in 2009 when weather conditions permit and is expected to continue for several years. The order also provides for a \$32.5 per day penalty for failure by a respondent to comply with its terms as well as exposing a non-complying respondent to potential treble damages. Although U.S. Mills has reserved its rights to contest liability for any portion of the work, it is cooperating with the other respondents to comply with the first phase of the order, although its financial contribution will likely be determined by the lawsuit commenced in June 2008.

As of September 28, 2008, U.S. Mills had accrued a total of \$60,825 for potential liabilities associated with the Fox River contamination (not including amounts accrued for remediation at the Site). That amount represents the minimum of the range of probable loss that can be reasonably estimated based on information available through the date of this report. The accrual had been \$35,000 and \$20,000 at March 30, 2008 and December

SONOCO PRODUCTS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands except per share data)
(unaudited)

31, 2007, respectively. In two separate actions during 2008, U.S. Mills increased its estimate of the minimum amount of potential loss it believes it is likely to incur for all Fox River related liabilities (other than the Site) from \$20,000 to \$60,825. Accordingly, U.S. Mills recognized additional pre-tax charges of \$40,825 in 2008 (\$15,000 in the first quarter, followed by \$25,825 in the second quarter) for such potential liabilities. Also during 2008, settlements totaling \$40,825 were reached on certain of the insurance policies covering the Fox River contamination. The recognition of these insurance settlements effectively offset the impact to quarterly earnings of the additional charges in both the first and second quarters of 2008. Nevertheless, U.S. Mills' ultimate share of the liability, and any claims against the Company, could conceivably exceed the net worth of U.S. Mills. However, the Company does not believe it is probable that the effect of U.S. Mills' Fox River liabilities would result in a consolidated pre-tax loss that would exceed the net worth of U.S. Mills, which was approximately \$76,000 at September 28, 2008.

The Company has been named as a potentially responsible party at several other environmentally contaminated sites. All of the sites are also the responsibility of other parties. The potential remediation liabilities are shared with such other parties, and, in most cases, the Company's share, if any, cannot be reasonably estimated at the current time.

As of September 28, 2008 and December 31, 2007, the Company (and its subsidiaries) had accrued \$71,469 and \$31,058, respectively, related to environmental contingencies. Of these, a total of \$68,561 and \$28,996 relate to U.S. Mills at September 28, 2008 and December 31, 2007, respectively. These accruals are included in "Accrued expenses and other" on the Company's Condensed Consolidated Balance Sheets. As discussed above, U.S. Mills also recognized a \$40,825 benefit from settlements reached on certain insurance policies covering the Fox River contamination. All of the cash proceeds from these settlements have been received by U.S. Mills. Of the total received, \$32,000 is restricted for use on liabilities associated with the Fox River contamination. U.S. Mills' two remaining insurance carriers are in liquidation. It is possible that U.S. Mills may recover from these carriers a small portion of the costs it ultimately incurs. U.S. Mills may also be able to reallocate some of the costs it incurs among other parties. There can be no assurance that such claims for recovery would be successful and no amounts have been recognized in the consolidated financial statements of the Company for such potential recovery or reallocation.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Directors of Sonoco Products Company:

We have reviewed the accompanying condensed consolidated balance sheets of Sonoco Products Company as of September 28, 2008, and the related condensed consolidated statements of income for the three month and nine-month periods ended September 28, 2008 and September 30, 2007 and the condensed consolidated statements of cash flows for the nine-month periods ended September 28, 2008 and September 30, 2007. 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 (United States), 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, 2007, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended (not presented herein), and in our report dated February 28, 2008, 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, 2007, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/PricewaterhouseCoopers LLP

Charlotte, North Carolina
October 29, 2008

SONOCO PRODUCTS COMPANY**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

Statements included in this report 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," "consider," "plan," "anticipate," "objective," "goal," "guidance," "outlook," "forecasts" and similar expressions identify forward-looking statements.

Forward-looking statements include, but are not limited to statements regarding offsetting high raw material costs; improved productivity and cost containment; adequacy of income tax provisions; refinancing of debt; adequacy of cash flows; anticipated amounts and uses of cash flows; effects of acquisitions and dispositions; adequacy of provisions for environmental liabilities; financial strategies and the results expected from them; continued payments of dividends; stock repurchases; 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 forecasted in such forward-looking statements. The 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 and contain or reduce costs;
- International, national and local economic and market conditions;
- Availability of credit to us, our customers and/or our suppliers in needed amounts and/or on reasonable terms;
- 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 tubes and cores 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 currency, interest rate and commodity price risk;
- Actions of government agencies and changes in laws and regulations affecting the Company;
- Liability for and anticipated costs of environmental remediation actions;
- Ability to weather the current economic downturn;
- Loss of consumer or investor confidence; and
- Economic disruptions resulting from terrorist activities.

The Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

SONOCO PRODUCTS COMPANY

COMPANY OVERVIEW

Sonoco is a leading manufacturer of industrial and consumer packaging products and provider of packaging services, with 334 locations in 35 countries.

Sonoco competes in multiple product categories with the majority of its operations organized and reported in three segments: Consumer Packaging, Tubes and Cores/Paper and Packaging Services. Various other operations are reported as “All Other Sonoco.” The majority of the Company’s revenues are from products and services sold to consumer and industrial products companies for use in the packaging of their products for sale or shipment. The Company also manufactures paperboard, primarily from recycled materials, for both internal use and open market sale. Each of the Company’s operating units has its own sales staff and maintains direct sales relationships with its customers.

Third Quarter 2008 Compared with Third Quarter 2007

RESULTS OF OPERATIONS

The following discussion provides a review of results for the three months ended September 28, 2008 versus the three months ended September 30, 2007.

OVERVIEW

Sales for the third quarter were higher than the same period last year, despite volume declines, due to price increases and the favorable impact of foreign currency translation. On a net basis, selling price increases did not add significantly to gross profit as they were implemented to offset the effect of higher costs. Therefore, reduced volume, resulting partially from slowing economic activity, was the major contributor to a decline in gross profit margin to 17.4%, compared with 18.2% in 2007.

Selling, general and administrative expenses (S&A) decreased from prior year levels, primarily due to cost containment efforts as well as lower management incentive expenses. Included in 2007 costs was a \$1.1 million adjustment to an environmental reserve. The S&A cost decrease largely offset the impact of lower gross margins.

Net income for the third quarter of 2008 was \$57.4 million, down from the \$64.5 million reported for the same period in 2007. 2008 earnings included \$3.3 million of after-tax charges stemming from previously announced plant closings, while 2007 results included after-tax asset impairment and restructuring charges totaling \$11.5 million and a \$0.6 million after-tax environmental reserve adjustment associated with a subsidiary’s paper operation. Income taxes accounted for a significant portion of the difference in net income between years. The Company’s provision for income taxes was a benefit of \$2.0 million for the third quarter of 2007, primarily due to the release of reserves for uncertain tax positions upon expiration of their related statutory assessment periods.

Growing weakness in the economy, exacerbated by recent credit market turmoil, together with higher year-over-year raw material, energy, freight and other costs, has pressured results in most of the Company’s businesses, particularly those that sell into industrial markets. These factors are expected to continue to impact the Company in the fourth quarter and well into the next year. In the case of steel, it is anticipated that due to the timing of price resets, the Company’s 2009 usage will be at costs significantly higher than in 2008. The Company has implemented, or intends to implement, various price increases to help offset higher costs and is working to further streamline operations, control expenses, and maximize cash flow from operations. While the success of these efforts and the depth and duration of the current negative economic environment and its impact on the Company are uncertain, management believes the Company’s strong balance sheet and diverse mix of business leave it well positioned to weather the downturn.

OPERATING REVENUE

Net sales for the third quarter of 2008 were \$1,063 million, compared to \$1,030 million for the third quarter of 2007, an increase of \$33 million.

SONOCO PRODUCTS COMPANY

The components of the sales change were:

(\$ in millions)

Selling Prices	\$ 30
Foreign Currency Translation	27
Acquisitions/Divestitures	9
Volume/Mix	(33)
Total Sales Increase	\$ 33

Selling prices throughout most of the Company were higher than in the third quarter of 2007, reflecting price increases implemented over the past year to offset the higher costs of materials, energy and freight. Company-wide volume was approximately 3% below third quarter 2007 levels, with declines in the Tubes and Cores/Paper and Packaging Services segments, along with those businesses in All Other Sonoco, being only partially offset by volume increases in the Consumer Packaging segment.

COSTS AND EXPENSES

Charges and related asset impairments recorded in connection with restructuring actions totaled \$5.5 million and \$17.4 million for the third quarters of 2008 and 2007, respectively. The third quarter of 2007 includes asset impairment charges of \$15.1 million, primarily related to the Company's metal ends plant in Brazil and its rigid plastics plant in Wisconsin. Additional information regarding restructuring and impairment actions is provided in Note 4 to the Consolidated Financial Statements. These charges are not allocated to the reporting segments. Results for the third quarter of 2007 also included a \$1.1 million charge to the environmental reserve at a subsidiary's paper operation.

Expenses related to the Company's defined benefit pension plans totaled \$5.7 million and \$8.1 million for the quarters ended September 28, 2008 and September 30, 2007, respectively. For its U.S. defined benefit pension plans, the expected return on plan assets for 2008 was 8.5%; however, recent declines in global equity markets through September 28, 2008, have resulted in a negative return of approximately 14%, significantly reducing the fair value of the Company's plan assets. The 2008 expense for these plans will not be affected by the decline in asset values; however, because the 2009 expense will be based on asset values as of December 31, 2008, the declines will likely impact next year's expense. If the 2009 pension expense for its U.S. plans were to be based on the market value of plan assets at September 28, 2008, it would result in a higher year-over-year expense of approximately \$30 million.

Operating costs were negatively affected by increasing market prices for raw materials, energy and freight, although offset by higher selling prices. Manufacturing productivity improvements were able to largely offset higher labor and other converting costs. Selling and administrative costs decreased from prior year levels, primarily due to cost containment efforts as well as a reduction of management incentive expenses. Included in 2007 spending was a \$1.1 million adjustment to an environmental reserve. These decreases largely offset the impact of lower gross margins. Net interest expense for the third quarter of 2008 decreased to \$10.6 million, compared with \$14.1 million during the same period in 2007, due to lower debt levels and reduced interest rates.

The effective tax rate for the Company for the third quarter of 2008 was 28.9 % compared to a net income tax benefit of \$2.0 million (3.4%) for the same period of 2007, primarily due to the release of reserves upon expiration of their related statutory assessment periods, which were higher in 2007 than in 2008.

ANNUAL GOODWILL REVIEW

During the third quarter, the Company completed its annual test for goodwill impairment in accordance with Statement of Financial Accounting Standards No. 142, 'Goodwill and Other Intangible Assets.' No impairment charge for goodwill was required. The evaluation used forward-looking projections, which included expected improvement in the results of certain operations within the Consumer Packaging and Packaging Services segments. If actual performance in these reporting units falls short of the projected results, non-cash impairment charges may be required. Total goodwill associated with these reporting units is approximately \$370 million.

SONOCO PRODUCTS COMPANY

REPORTABLE SEGMENTS

The following table recaps net sales for the third quarters of 2008 and 2007:

	Three Months Ended	
	September 28, 2008	September 30, 2007
Net Sales:		
Consumer Packaging	\$ 398,825	\$ 369,472
Tubes and Cores/ Paper	435,685	433,686
Packaging Services	135,122	132,445
All Other Sonoco	93,618	94,161
Consolidated	<u>\$ 1,063,250</u>	<u>\$ 1,029,764</u>

Consolidated operating profits, also referred to as “Income before income taxes” on the Condensed Consolidated Statements of Income, are comprised of the following:

	Three Months Ended	
	September 28, 2008	September 30, 2007
Income before income taxes:		
Segment Operating Profit		
Consumer Packaging	\$ 28,899	\$ 23,696
Tubes and Cores/ Paper	41,991	42,339
Packaging Services	9,074	10,924
All Other Sonoco	11,783	13,439
Restructuring & Impairment Charges	(5,350)	(17,401)
Interest, net	(10,629)	(14,054)
Consolidated	<u>\$ 75,588</u>	<u>\$ 58,943</u>

Segment results are used by Company management to evaluate segment performance and do not include restructuring, impairment and net interest charges. Accordingly, the term “segment operating profit” is defined as the segment’s portion of “Income before income taxes” excluding those items. All other general corporate expenses have been allocated as operating costs to each of the Company’s reportable segments and All Other Sonoco.

Consumer Packaging

Sonoco’s Consumer Packaging segment includes the following products: round and shaped rigid packaging (both composite and plastic); printed flexible packaging; and metal and peelable membrane ends and closures.

Third quarter 2008 sales increased \$29 million, or 8%, in the segment compared with the third quarter of 2007. Higher selling prices increased third quarter sales in this segment by approximately \$18 million. Acquisitions (net of a reduction from the partial exit of the composite can business in Europe) and favorable foreign currency translation, also contributed to the sales increase. Overall segment volume was slightly favorable compared to 2007 levels, as increases in ends and closures along with North American rigid paper and plastic were nearly offset by lower volume in rigid packaging in Europe and flexible packaging.

Segment operating profit was up 22% in the third quarter, primarily due to productivity improvements resulting from the resolution of operational issues experienced last year in flexible packaging and an improved mix of business attributable in part to the closing of a metal ends plant in Brazil and the transfer of some of this business to the United States at a higher margin. Higher selling prices offset inflation in material, energy and freight costs.

Tubes and Cores/Paper

The Tubes and Cores/Paper segment includes the following products: high-performance paper and composite paperboard tubes and cores; fiber-based construction tubes and forms; recycled paperboard, linerboard, recovered paper and other recycled materials.

Third quarter 2008 sales for the segment were up \$2 million, less than 1%, compared with the same period in 2007, benefiting from higher selling prices throughout the segment and the favorable effect of foreign currency translation.

SONOCO PRODUCTS COMPANY

Partially offsetting these favorable factors was the effect of lower volume in most global tube, core and paper markets and the Company's closure at the end of last year of its paper operations in China. The lower volume in tubes and cores is primarily due to the effect of the slowing economy on the film core and textile markets.

Segment operating profit showed a small decrease of \$0.3 million as the impact of lower volumes and higher costs for energy, freight and labor were only partially offset by productivity improvements and selling price increases. 2007 results included the unfavorable impact of a \$1.1 million adjustment to the environmental reserve at a subsidiary's paper operation.

Packaging Services

The Packaging Services segment includes the following products and services: designing, manufacturing, assembling, packing and distributing temporary, semipermanent and permanent point-of-purchase displays; brand artwork management; and supply chain management services, including contract packing, fulfillment and scalable service centers.

Third quarter 2008 sales for the segment increased 2% or \$3 million from third quarter 2007 levels. Lower volume throughout the segment and lower selling prices in the pack centers were more than offset by the benefit of foreign currency translation.

Segment operating profit declined nearly 17% in the third quarter, compared with the same period in 2007. The primary cause of this drop was lower volume in point-of-purchase displays and fulfillment along with lower prices in the pack centers. The decreased contract packing volume had a minimal impact on segment profitability due to the pass-through nature of these sales.

All Other Sonoco

All Other Sonoco includes businesses that are not aggregated in a reportable segment and includes the following products: wooden, metal and composite wire and cable reels, molded and extruded plastics, custom-designed protective packaging and paper amenities such as coasters and glass covers.

Third quarter 2008 sales in All Other Sonoco declined slightly from the same period in 2007. The slow housing market resulted in lower volumes in wire and cable reels, protective packaging and molded plastics. However, increased selling prices, the effect of a fourth quarter 2007 acquisition in molded plastics, and favorable foreign currency translation mostly offset the impact to sales of the lower volume.

Operating profit for the third quarter was down 12% from the same period in 2007, due to lower volumes and an unfavorable shift in the mix of business, partially offset by productivity improvements. Increased selling prices were more than offset by higher costs of materials, freight and energy.

Nine Months Ended September 28, 2008 Compared with Nine Months Ended September 30, 2007

RESULTS OF OPERATIONS

The following discussion provides a review of results for the nine months ended September 28, 2008 versus the nine months ended September 30, 2007.

OVERVIEW

Sales for the first nine months of 2008 were higher than the same period last year due to price increases, acquisitions and the favorable impact of foreign currency translation, despite volume declines. Because the selling price increases were largely offset by the effect of global raw material inflation and rising energy and freight costs, their impact on gross profit was reduced. As a result, gross profit was up 0.6 % from 2007 levels, but this increase came on a 7% increase in reported sales and resulted in a decline in the gross profit margin to 17.7%, compared with 18.9% in 2007.

Selling, general and administrative expenses decreased from prior year levels, primarily due to a \$21.1 million charge in 2007 related to an environmental claim at a subsidiary's paper operations in Wisconsin.

SONOCO PRODUCTS COMPANY

Net income for the first three quarters of 2008 was \$128.6 million, a decrease of approximately 20% when compared to \$160.0 million for the same period in 2007. Current year results were significantly affected by a \$31.0 million after-tax non-cash impairment charge for the Company's remaining financial interest related to the 2003 sale of its high density film business. In addition, current year-to-date results include after-tax restructuring charges of \$17.7 million. Prior year results included after-tax asset impairment charges of \$9.9 million, primarily at the Company's metal ends plant in Brazil and its rigid plastics plant in Wisconsin, \$9.2 million of after-tax restructuring charges and a \$12.4 million after-tax impact from the environmental claim noted above. Although results for 2008 also included an after-tax charge of \$24.4 million related to this same environmental claim, the charge was effectively offset by recognized insurance recoveries.

OPERATING REVENUE

Net sales for the first three quarters of 2008 were \$3,188 million, compared to \$2,980 million for the same period of 2007, an increase of \$208 million or 7%.

The components of the sales change were:

(\$ in millions)	
Foreign Currency Translation	\$119
Selling Prices	89
Acquisitions/Divestitures	73
Volume/Mix	(73)
Total Sales Increase	\$208

The increase from selling prices reflects adjustments implemented over the past year to offset higher costs of material, energy and freight. The acquisition of Matrix Packaging, Inc. in May 2007 accounted for the majority of the effect of acquisitions on year-over-year net sales. Volume improvements in rigid paper and plastics, contract packing, and Latin America tubes and cores/paper were more than offset by declines throughout most of the rest of the Company, most notably in those businesses serving industrial markets.

COSTS AND EXPENSES

During the first nine months of 2008, the Company incurred a non-cash impairment charge of \$42.7 million for the Company's remaining financial interest related to the 2003 sale of its high density film business. Restructuring and restructuring related asset impairment charges totaled \$35.2 million and \$27.5 million for the first nine months of 2008 and 2007, respectively. Additional information regarding restructuring actions is provided in Note 4 to the Consolidated Financial Statements. These charges are not allocated to the reporting segments. In addition, 2007 results included a charge of \$21.1 million related to an environmental claim at a subsidiary's paper operations in Wisconsin.

Current year operating expenses were significantly affected by the rising cost of raw materials, primarily old corrugated containers, in addition to energy and freight, but the impact was offset by higher selling prices. Manufacturing productivity improvements partially offset the effect of lower volume, an unfavorable change in the mix of business, and increased converting costs. Selling and administrative costs were lower than the first nine months of 2007 by \$14.4 million, due to the \$21.1 million charge in 2007 related to the environmental claim discussed above.

Net interest expense for the first three quarters of 2008 decreased to \$36.0 million, compared with \$38.3 million during the same period of 2007. The decrease was due primarily to lower debt levels and lower average interest rates versus the prior year. As a result of the impairment of the financial assets discussed above, the Company ceased accruing interest income on these instruments, accounting for approximately \$1.4 million of a year-over-year decrease in interest income, partially offsetting the favorable impacts of lower debt levels and lower interest rates.

The effective tax rate for the first nine months of 2008 was 29.2% compared with 20.8% for the same period last year. Tax expense in 2008 included the favorable effect of a tax law change in Italy, the unfavorable effects of a valuation allowance recorded against capital loss carryovers created by the impairment of financial assets discussed above, and certain restructuring charges for which tax benefits could not be recognized. The effective tax rates for both periods reflect the benefits of reduced reserves due to the expiration of U.S. federal and state statutes of limitations, which were higher in 2007 than in 2008.

SONOCO PRODUCTS COMPANY

REPORTABLE SEGMENTS

The following table recaps net sales for the first three quarters of 2008 and 2007:

	Nine Months Ended	
	September 28, 2008	September 30, 2007
Net Sales:		
Consumer Packaging	\$ 1,184,355	\$ 1,051,178
Tubes and Cores/ Paper	1,327,289	1,268,300
Packaging Services	397,648	377,787
All Other Sonoco	278,521	282,609
Consolidated	<u>\$ 3,187,813</u>	<u>\$ 2,979,874</u>

Consolidated operating profits, which are referred to as “Income before income taxes” on the Condensed Consolidated Statements of Income, are comprised of the following:

	Nine Months Ended	
	September 28, 2008	September 30, 2007
Income before income taxes:		
Segment Operating Profit		
Consumer Packaging	\$ 97,665	\$ 75,781
Tubes and Cores/ Paper	116,601	106,036
Packaging Services	23,945	33,869
All Other Sonoco	35,569	40,441
Restructuring & Impairment Charges	(77,838)	(27,496)
Interest, net	(35,954)	(38,302)
Consolidated	<u>\$ 159,988</u>	<u>\$ 190,329</u>

Consumer Packaging

Sales in the Consumer Packaging segment increased approximately \$133 million, or 13%, from last year’s first nine months. This increase was due to the year-over-year impact of acquisitions made in 2007, selling price increases throughout the segment and the favorable effect of foreign currency translation. Excluding the effect of acquisitions, year-to-date volume decreased less than 1% as a decline in flexible packaging was partially offset by higher sales of rigid paper and plastic containers.

Segment operating profit increased approximately 29% due to productivity improvements resulting from the resolution of operational issues experienced last year in flexible packaging and rigid paper and plastic, and an improved mix of business attributable in part to the closing of a metal ends plant in Brazil and the related transfer of certain business to the United States at a higher margin. Selling price increases offset higher converting costs and increased costs for raw materials, energy and freight, while the favorable effect of foreign currency translation was able to only partially offset the effects of declining volume.

Tubes and Cores/Paper

Sales in the Tubes and Cores/Paper segment increased approximately \$59 million, or 5%, from 2007 levels. This increase resulted from higher selling prices throughout the segment and favorable foreign currency translation, partially offset by lower volume resulting from a slower economy, the closure of several customers’ paper mills in North America, and the effect of plant closures in China.

Segment operating profit showed an increase of nearly \$11 million as prior year results included a \$21 million charge for environmental reserves. Manufacturing productivity improvements, along with the effect of favorable foreign currency translation, also contributed to the rise in segmental operating profit. These factors were partially offset by lower volume throughout the segment and an unfavorable shift in the mix of business. In addition, selling price increases did not compensate for higher costs of material, energy, freight and converting costs.

SONOCO PRODUCTS COMPANY

Packaging Services

Sales during the first nine months of 2008 in the Packaging Services segment increased approximately \$20 million, or 5%, from 2007. Sales in the segment benefited from higher contract packing volume along with the favorable effect of foreign currency translation. These factors were partially offset by lower volumes and prices in point-of-purchase displays, both down as a result of the unfavorable outcome of 2007 competitive bidding activity with a major customer. In addition, lower contract packing pricing had a negative impact on the year over year sales comparison.

The volume declines in point of purchase displays along with lower prices throughout the segment were the primary drivers of a 29% decline in segment operating profit. Because contract packing services are performed on a cost pass-through basis, the volume decrease did not have a significant impact on operating profits.

All Other Sonoco

Sales in All Other Sonoco decreased approximately \$4 million, or 1% from the first three quarters of 2007. Volume declines in wire and cable reels, protective packaging and molded plastics, primarily as a result of a slow housing market, more than offset selling price increases, favorable foreign currency translation and the impact of a small acquisition made in the fourth quarter of 2007.

Operating profit decreased 12% as a result of the volume decline along with an unfavorable shift in the mix of business. Productivity improvements in protective packaging, wire and cable reels and molded and extruded plastics partially offset these negative factors. Selling price increases offset higher material, energy and freight costs.

Financial Position, Liquidity and Capital Resources

The Company's financial position remained strong during the third quarter of 2008. Cash flows from operations totaled \$310.2 million in the first nine months of 2008, compared with \$257.9 million in the same period last year. The year-over-year increase of \$52.3 million was primarily the result of higher net income (excluding non-cash asset impairment charges), cash received from insurance settlements relating to the Fox River environmental issue at the Company's U.S. Paper Mills Corp. subsidiary, and relative year-over-year improvements in working capital.

During the nine months ended September 28, 2008, the Company funded capital expenditures of \$91.5 million, acquisitions of \$5.5 million, and paid dividends of \$79.6 million. Total debt decreased by \$63.0 million during the first nine months of 2008 to \$786.5 million at September 28, 2008, as cash generated from operations was used to pay down outstanding borrowings. On January 2, 2008, the Company prepaid its 6.125% industrial revenue bond with \$35.1 million of other lower rate borrowings classified as long-term. On April 1, 2008, the Company prepaid its 6.0% industrial revenue bond with \$35.0 million of other lower rate borrowings classified as long-term.

During the nine months ended September 28, 2008, the Company made contributions of \$11.1 million to its various retirement and postretirement benefit plans. Funding of the Company's U.S. defined benefit pension plan was not required in 2008. The 2009 funding requirement will not be determined until the December 31, 2008 asset values are known; however, based on the September 28, 2008 asset values, the Company would not be required to make any contributions to the Plan in 2009 due to its ability to utilize a credit balance that exists due to having previously funded the Plan in excess of the minimum requirement.

The Company operates a \$500 million commercial paper program that provides a flexible source of domestic liquidity. The program is supported by the Company's five-year committed bank credit facility of an equal amount established May 3, 2006, with a syndicate of twelve lenders. Although the commercial paper program has continued to operate efficiently during the recent disruption of global credit markets, the Company has experienced an increase in the effective borrowing rate for the commercial paper it issues. In the event that the disruption of global credit markets was to become so severe that the Company was unable to issue commercial paper, it has the contractual right to draw funds directly on the underlying bank credit facility. Based on the information currently available to it, the Company believes that the lenders continue to have the ability to meet their obligations under the facility. At the Company's discretion, the borrowing rate for such loans could be based on either the agent bank's prime rate, or a pre-established spread over LIBOR. Outstanding commercial paper, a component of the Company's long-term debt, totaled \$180.0 million at September 28, 2008.

SONOCO PRODUCTS COMPANY

Certain assets and liabilities are reported in the Company's financial statements at fair value, the fluctuation of which can affect the Company's financial position and results of operations. Items reported by the Company on a recurring basis at fair value include derivative contracts and pension and deferred compensation related assets. The vast majority of these items are valued based either on quoted prices in active and accessible markets or on other observable inputs. Pension assets are valued annually and currently reflect values as of December 31, 2007. Less than five percent of the fair values of the Company's pension plan assets are measured using unobservable inputs. The remaining items are reflected in the financial statements at their fair value as of the respective balance sheet dates. Fair value measurements are discussed further in Note 9 to the Consolidated Financial Statements.

At September 28, 2008, the Company had commodity swaps outstanding to fix the cost of a portion of anticipated raw materials and natural gas purchases. These swaps, which have maturities ranging from October 2008 to June 2011, qualify as cash flow hedges under FAS 133. The fair market value of these commodity swaps was a net unfavorable position of \$5.8 million at September 28, 2008, and a net unfavorable position of \$2.6 million at December 31, 2007. Natural gas contracts covering an equivalent of 6.6 million MMBtu, and aluminum contracts covering 7.2 thousand metric tons, were outstanding at September 28, 2008.

Restructuring and Impairment

Information regarding restructuring charges and restructuring-related asset impairment charges is provided in Note 4 to the Company's Condensed Consolidated Financial Statements. Information regarding financial asset impairment charges is provided in Note 5 to the Company's Condensed Consolidated Financial Statements.

New Accounting Pronouncements

Information regarding new accounting pronouncements is provided in Note 13 to the Company's Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Information about the Company's exposure to market risk is discussed under Part I, Item 2 in this report and was disclosed in its Annual Report on Form 10-K for the year ended December 31, 2007, which was filed with the Securities and Exchange Commission on February 28, 2008. Except for the change noted in Part II – Item 1A – “Risk Factors” of this report, there have been no other material quantitative or qualitative changes in market risk exposure since the date of that filing.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision, and with the participation, of our management, including our principal executive officer and principal financial officer, we conducted an evaluation pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our principal executive officer and principal financial officer concluded that such controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q, were effective.

Changes in Internal Controls

The Company is continuously seeking to improve the efficiency and effectiveness of its operations and of its internal controls. This results in refinements to processes throughout the Company. However, there has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

SONOCO PRODUCTS COMPANY**PART II. OTHER INFORMATION****Item 1. Legal Proceedings.**

Information with respect to legal proceedings and other exposures appears in Part I – Item 3 – “Legal Proceedings” and Part II – Item 8 – “Financial Statements and Supplementary Data” (Note 13 - “Commitments and Contingencies”) in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007, and in Part I – Item 1 – “Financial Statements” (Note 15 – “Commitments and Contingencies”) of this report. In April 2006, the United States and the State of Wisconsin (plaintiffs) sued U.S. Paper Mills Corp. (U.S. Mills), a wholly owned subsidiary of the Company, and NCR Corporation (NCR), an unrelated company, to recover certain costs incurred for response activities undertaken regarding the release and threatened release of hazardous substances and specific areas of elevated concentrations of polychlorinated biphenyls (PCBs) in sediments in the Lower Fox River and Green Bay in northeastern Wisconsin (hereinafter the Site). Pursuant to a Consent Decree agreed to by NCR and U.S. Mills as a consequence of the litigation, the Site is to be cleaned up on an expedited basis and NCR and U.S. Mills started removing contaminated sediment in May 2007. The remediation involves removal of sediment from the riverbed, dewatering of the sediment and storage at an offsite landfill. U.S. Mills and NCR reached an agreement between themselves that each would fund 50% of the costs of remediation, which the Company currently estimates to be between \$29.9 million and \$39.1 million for the project as a whole. The actual costs associated with cleanup of this particular site are dependent upon many factors and it is reasonably possible that remediation costs could be higher than the current estimate of project costs. Moreover, U.S. Mills and NCR are in the early stages of a mediation proceeding with a contractor who claims additional compensation.

In addition to the Site discussed above, as previously disclosed in its Annual Report on Form 10-K for the year ended December 31, 2007, U.S. Mills faces additional exposure related to potential natural resource damage and environmental remediation costs for a larger stretch of the lower Fox River, including the bay at Green Bay, which includes the Site discussed above (Operating Units 2 – 5). On April 9, 2007, U.S. Mills, in conjunction with other potentially responsible parties (PRPs), presented to the U.S. Environmental Protection Agency and the Wisconsin Department of Natural Resources a proposed schedule to mediate the allocation issues among eight PRPs, including U.S. Mills. Non-binding mediation began in May 2007 and continued as bilateral/multilateral negotiations although no agreement among the parties occurred. On June 12, 2008, NCR and Appleton Papers, Inc., as plaintiffs, commenced suit in the United States District Court for the Eastern District of Wisconsin (No. 08-CV-0016-WCG) against U.S. Mills, as one of a number of defendants, seeking a declaratory judgment allocating among all the parties the costs and damages associated with the pollution and clean up of the Lower Fox River. The suit also seeks damages from the defendants for amounts already spent by the plaintiffs, including natural resource damages, and future amounts to be spent by all parties with regard to the pollution and cleanup of the Lower Fox River. The court has initially limited discovery to information regarding when each party knew, or should have known, that recycling NCR-brand carbonless paper would result in the discharge of PCBs to a water body and what action, if any, each party took to avoid the risk of further contamination. The court has set a trial date for those issues only for December 1, 2009. U.S. Mills plans to vigorously defend the suit.

As of September 28, 2008, U.S. Mills had accrued a total of \$60.8 million for potential liabilities associated with the Fox River contamination (not including amounts accrued for remediation at the Site). That amount represents the minimum of the range of probable loss that can be reasonably estimated based on information available through the date of this report. At December 31, 2007, the accrual had been \$20.0 million. In two separate actions during 2008, U.S. Mills increased its estimate of the minimum amount of potential loss it believes it is likely to incur for all Fox River related liabilities (other than the Site) from \$20.0 million to \$60.8 million. Accordingly, U.S. Mills recognized additional pre-tax charges of \$40.8 million in 2008 (\$15.0 million in the first quarter, followed by \$25.8 million in the second quarter) for such potential liabilities. Also during 2008, settlements totaling \$40.8 million were reached on certain of the insurance policies covering the Fox River contamination. The recognition of these insurance settlements effectively offset the impact to quarterly earnings of the additional charges in both the first and second quarters of 2008. Although the Company lacks a reasonable basis for identifying any amount within the range of possible loss as a better estimate than any other amount, as has previously been disclosed, the upper end of the range may exceed the net worth of U.S. Mills. However, because the discharges of hazardous materials into the environment occurred before the

SONOCO PRODUCTS COMPANY

Company acquired U.S. Mills, and U.S. Mills has been operated as a separate subsidiary of the Company, the Company does not believe that it bears financial responsibility for these legacy environmental liabilities of U.S. Mills. Therefore, the Company continues to believe that the maximum additional exposure to its consolidated financial position is limited to the equity position of U.S. Mills, which was approximately \$76 million at September 28, 2008.

On July 7, 2008, the Company was served with a complaint filed in the United States District Court for South Carolina by the City of Ann Arbor Employees' Retirement System, individually and on behalf of others similarly situated. The suit purports to be a class action on behalf of those who purchased the Company's common stock between February 7, 2007 and September 18, 2007, except officers and directors of the Company. The complaint alleges that the Company issued press releases and made public statements during the class period that were materially false and misleading because the Company allegedly had no reasonable basis for the earnings projections contained in the press releases and statements, and that such information caused the market price of the Company's common stock to be artificially inflated. The Complaint also names certain Company officers as defendants and seeks an unspecified amount of damages plus interest and attorneys' fees. The Company believes that the claims are without merit and intends to vigorously defend itself against the suit.

Item 1A. Risk Factors.

Recent turmoil in the credit markets has resulted in higher short-term borrowing costs and, for some companies, has limited their access to short-term funding. Beyond added borrowing costs, it is possible that further deterioration in the credit markets could adversely affect the Company's ability to access funds on reasonable terms in a timely manner. Should such conditions arise and persist over a period of several weeks, it would significantly impact the Company's ability to operate its business and execute its plans. In addition, disruption in the credit markets may negatively impact our customers' and/or suppliers' ability to conduct business on a normal basis.

Item 6. Exhibits.

Exhibit 10-1 – Deferred Compensation Plan for Key Employees of Sonoco Products Company (a.k.a. Deferred Compensation Plan for Corporate Officers of Sonoco Products Company), as amended October 15, 2008

Exhibit 10-2 – Omnibus Benefit Restoration Plan of Sonoco Products Company, amended and restated as of January 1, 2008

Exhibit 10-3 – Deferred Compensation Plan for Outside Directors of Sonoco Products Company, as amended October 15, 2008

Exhibit 10-4 – Sonoco Products Company Amended and Restated Trust Agreement for Executives, as of October 15, 2008

Exhibit 10-5 – Sonoco Products Company Amended and Restated Directors Deferral Trust Agreement, as of October 15, 2008

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)

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.

Date: October 29, 2008

SONOCO PRODUCTS COMPANY
(Registrant)

By: /s/ Charles J. Hupfer
Charles J. Hupfer
Senior Vice President and Chief Financial Officer
(principal financial officer)

By: /s/ Barry L. Saunders
Barry L. Saunders
Vice President and Corporate Controller
(principal accounting officer)

SONOCO PRODUCTS COMPANY**EXHIBIT INDEX**

Exhibit Number	Description
10-1	Deferred Compensation Plan for Key Employees of Sonoco Products Company (a.k.a. Deferred Compensation Plan for Corporate Officers of Sonoco Products Company), as amended October 15, 2008
10-2	Omnibus Benefit Restoration Plan of Sonoco Products Company, amended and restated as of January 1, 2008
10-3	Deferred Compensation Plan for Outside Directors of Sonoco Products Company, as amended October 15, 2008
10-4	Sonoco Products Company Amended and Restated Trust Agreement for Executives, as of October 15, 2008
10-5	Sonoco Products Company Amended and Restated Directors Deferral Trust Agreement, as of October 15, 2008
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)

DEFERRED COMPENSATION PLAN
FOR
KEY EMPLOYEES OF
SONOCO PRODUCTS COMPANY
aka Deferred Compensation Plan for Corporate Officers
of Sonoco Products Company
Effective January 1, 1991
As amended July, 18 2007
As amended October 15, 2008

TABLE OF CONTENTS

ARTICLE I	STATEMENT OF PURPOSE	3
ARTICLE II	DEFINITIONS	4 – 5
ARTICLE III	ELIGIBILITY AND PARTICIPATION	6
ARTICLE IV	DEFERRED COMPENSATION ELECTIONS	7 – 8
ARTICLE V	CREDITS TO DEFERRAL ACCOUNTS	9 – 10
ARTICLE VI	ADMINISTRATIVE COMMITTEE & CLAIMS	11 – 12
ARTICLE VII	AMENDMENT AND TERMINATION	13
ARTICLE VIII	MISCELLANEOUS	14 – 15
ARTICLE IX	CONSTRUCTION	16

**SONOCO PRODUCTS COMPANY
DEFERRED COMPENSATION PLAN
FOR KEY EMPLOYEES**

ARTICLE I

STATEMENT OF PURPOSE

The purpose of this plan is to provide Key Employees of Sonoco Products Company (the “Company”) the opportunity to defer receipt of compensation earned as an employee to a date following separation from service with the Company. This deferral opportunity is designed to help the Company to attract and retain outstanding individuals as employees of the Company through enhancement of the value of the compensation paid to such individuals.

ARTICLE II

DEFINITIONS

When used herein, the following terms shall have the meanings indicated unless a different meaning is clearly required by the context.

1. **"Company"**: Sonoco Products Company, a South Carolina Corporation, and Corporate successors.
 2. **"Committee"**: The Administrative Committee appointed by the Board of Directors of the Company to administer this plan.
 3. **"Key Employee"**: Any person who is serving as an officer of the Company.
 4. **"Participant"**: A Key Employee or former Key Employee who has deferred fees hereunder and has a credit balance in his deferred compensation account.
 5. **"Separation from Service"**: The date of termination of an employee's active service, for reasons other than death, with the Company, which for this purpose includes all companies that would be considered a single employer under Section 414(b) of the Internal Revenue Code ("Code") applying a standard of "at least 50 percent" instead of "at least 80 percent" as provided in the regulations to Section 409A of the Code.
 6. **"Plan"**: The Deferred Compensation Plan for Key Employees of Sonoco Products Company as contained herein, and as may be amended from time to time hereafter, together with any election forms that the Committee requires a Participant to complete.
 7. **"Plan Year"**: The period commencing January 1 and ending December 31.
 8. **"Stock Equivalent Account"**: The account described in Article V.
-

9. “Interest Account”: The account described in Article V.
 10. “Compensation”: Salary and annual incentive compensation.
 11. “Fixed Payment Period”: The period of years over which annual payments are made to a Participant following his Separation from Service or upon his death preceding his Separation from Service.
-

ARTICLE III

ELIGIBILITY AND PARTICIPATION

1. Key Employees of the Company are eligible to become participants in the plan, subject to approval of the Board of Directors.
 2. An eligible Key Employee participates in the plan by irrevocably electing on an annual basis, in the manner specified herein, to defer future Compensation earned for which the related services commence in the calendar year following the year in which the election is made.
 3. An eligible Key Employee may elect to defer up to fifty (50) percent of salary and up to fifty (50) percent of annual incentive earned during the year for which the deferral choice is made.
 4. An eligible Key Employee becomes a Participant in the Plan upon the execution and delivery of a Deferred Compensation Agreement. Such Agreement must be executed (and must become irrevocable) in all cases on or before December 31 preceding the calendar year in which the services related to the Compensation to be deferred commence.
-

ARTICLE IV

DEFERRED COMPENSATION ELECTIONS

1. A Participant electing to defer payment of compensation may elect his deferrals to be invested in the Interest Account and/or the Stock Equivalent Account.
 2. Subject to such limitations as the Committee may impose, a Participant electing to defer hereunder shall also elect at the same time as his deferral election, a Fixed Payment Period commencing six months following the Participant's Separation from Service over which the amount deferred under such election shall be paid to him in annual installments and a Fixed Payment Period (which may be a different period) over which the unpaid portion of the amount deferred shall be paid to his beneficiary or estate in annual installments in the event of his death before Separation from Service occurs. Finally, the participant may elect to have the unpaid portion of the amount deferred paid in a lump sum to his beneficiary or estate in the event of his death following a Separation of Service.
 3. Any Fixed Payment Period Election to defer compensation shall be irrevocable and may not be changed or modified thereafter by a Participant or the Company.
 4. The fact that the Participant has made a particular election with respect to a deferral shall not preclude such Participant from making different elections with respect to new deferrals covering a future period of service.
 5. In the event of a Fixed Payment Period commencing due to a Separation from Service, the initial amount due shall be paid six months following Separation from Service. In the event of a Fixed Payment Period commencing due to a Participant's death prior to a Separation from Service, the initial payment amount due shall be
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paid upon death (or on such later date permitted under the regulations to Code Section 409A). The amount of any payment during a Fixed Payment Period shall equal the unpaid balance of the amount deferred (including any earnings thereon) immediately preceding the payment date divided by the number of annual payments remaining in the Fixed Payment Period (including the payment that is about to be made).

6. Upon consummation of a Change in Control that qualifies under 409A, all amounts credited to the Stock Equivalent Account and/or Interest Account (along with any amounts deferred but not yet credited to these accounts up to the date of payment), shall be paid in a lump sum payment to the Participant within 30 days following the Change in Control.
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ARTICLE V

CREDITS TO DEFERRAL ACCOUNTS

1. Deferred compensation shall be credited to the Stock Equivalent Account or the Interest Account of a Participant or a combination of these accounts, as the Participant may have elected, as follows:
 - (a) The deferred incentive amount shall be credited to the Deferral account on the closing date of the Company's fiscal month in which the incentive was to be paid in cash.
 - (b) The deferred salary shall be credited on the closing date of the Company's fiscal month in which the salary was to be paid in cash.
 2. The compensation credited to a Stock Equivalent Account shall be converted on the closing date of each of the Company's fiscal months into "Stock Equivalents" as though such compensation were applied to the purchase of common stock of the Company as follows:

The Participant's Account shall be assigned Stock Equivalents which shall be the number of full and fractional (rounded to the nearest tenth) shares of the Company's common stock that could be purchased with the compensation credited to the Participant's Account, at the closing price of such common stock for that fiscal month as quoted by the New York Stock Exchange.
 3. As of the payment date for each dividend declared on the Company's common stock, each Participant's dividend shall be determined by multiplying the cash dividend per share by the number of full and fractional Stock Equivalents in the Participant's Stock Equivalent Account on the dividend payment date. The resulting
-

dividend amount will be converted into stock equivalents as though such dividend amounts were applied to the purchase of common stock of the Company on the same date dividends are actually paid to common stock shareholders.

4. Six months following a Participant's Separation from Service, the Participant will begin to receive payments from the Stock Equivalent Account and/or Interest Account in accordance with the Participant's elections. Subsequent installments, if any, shall be paid each January until the accounts have been paid in full. Payment(s) from the Stock Equivalent Account will be in the form of shares of common stock equal in number to the amount of Deferred Stock Units credited to the eligible Participant's Stock Equivalent Account as of the date of payment divided by the number of installment payments remaining to be paid immediately before the payment date. Any remaining fractional share at the end of the payment cycle, will be rounded up and issued as a whole share.
 5. Each month, the balance in the Interest Account will be credited with interest from the date the deferral is credited to the account until payment is complete, at a rate equal to the Merrill Lynch ten year high quality bond index for December 15 of each preceding year.
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ARTICLE VI

ADMINISTRATIVE COMMITTEE & CLAIMS

1. This plan shall be administered by the Governance Committee of the Board of Directors.
 2. The construction and interpretation by the Committee of any provision of this plan shall be final and conclusive.
 3. The administration of this plan is delegated to the Senior Vice President – Human Resources who is responsible for executive compensation and benefits, or at his election, to the Director, Compensation.
 4. No member of the Committee shall be personally liable for any actions taken by the Committee unless the member's action involves willful misconduct.
 5. If any claim for benefits under the Plan is wholly or partially denied, the claimant shall be given notice in writing of such denial within a reasonable period of time (not to exceed 90 days after receipt of the claim or, if special circumstances require an extension of time, written notice of the extension shall be furnished to the claimant and an additional 90 days will be considered reasonable) setting forth the following information: (a) the specific reason or reasons for the denial; (b) specific reference to pertinent Plan provisions on which denial is based; (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and (d) an explanation that a full and fair review by the Committee of the decision denying the claim may be requested by the claimant or his authorized representative by filing with the Committee, within 60 days after such notice has been received, a written request for such review.
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In the event that a claimant does choose to appeal, as described under (d) above, the claimant or his authorized representative may review pertinent documents and submit issues and comments in writing within the same 60-day period specified in subsection (d) above. Upon request (and free of charge), the Member/claimant shall be provided reasonable access to and copies of all documents, records, and other information relevant to his claim for benefits (as further described in DOL regulations, and as determined by the Committee, in its sole discretion), and shall also be informed of his right to bring suit under ERISA.

The decision of the Committee shall be made promptly, and not later than 60 days after the Committee's receipt of the request for review, unless special circumstances require an extension of time for processing, in which case the claimant shall be so notified and a decision shall be rendered as soon as possible, but not later than 120 days after the receipt of the request for review. The claimant shall be given a copy of the decision promptly. The decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based.

ARTICLE VII

AMENDMENT AND TERMINATION

The Company reserves the right, at any time or from time to time, by action of its Board of Directors, to modify or amend in whole or in part any or all provisions of the Plan or terminate and liquidate the Plan, provided, however, that any such modification, amendment or termination and liquidation shall not substantially and adversely affect the benefits then in effect. In the event of Plan termination and liquidation by the Company, the Company will pay any benefits otherwise due under the Plan during the first 12 months following a resolution to terminate and liquidate the Plan and shall pay out any remaining amounts deferred under the Plan during the second 12 months following such resolution to terminate and liquidate the Plan. Notwithstanding the above, the Plan shall not be terminated and liquidated unless all other plans required to be aggregated with the Plan under Section 409A of the Code are terminated and liquidated at the same time.

ARTICLE VIII

MISCELLANEOUS

1. **NON-ALIENATION OF BENEFITS.** No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right or benefit under this Deferral shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such benefits. If the Participant or any beneficiary hereunder shall become bankrupt, or attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right hereunder, then such right or benefit shall, in the discretion of the Committee, cease and terminate, and in such event, the Committee may hold or apply the same or any part thereof for the benefit of the Participant or his beneficiary, spouse, children, or other dependents, or any of them in such manner and in such amounts and proportions as the Committee may deem proper.
 2. **NO TRUST CREATED.** The obligations of the Company to make payments hereunder shall constitute a liability of the Company to a Participant. Such payments shall be made from the general funds of the Company, and the Company shall not be required to establish or maintain any special or separate fund, or purchase or acquire life insurance on a Participant's life, or otherwise segregate assets to assure that payment shall be made, and neither a Participant, his estate nor Beneficiary shall have any interest in any particular asset of the Company by reason of its obligations hereunder. The Participant's rights to deferred amounts will be the same as an unsecured general creditor of the Company, and all property and rights to
-

property, including rights as a beneficiary of a life insurance contract purchased with deferred amounts, and all income attributable to the deferred amounts and property will remain solely the property of the Company and will be subject to claims of general creditors of the Company. Nothing contained in the Plan shall create or be construed as creating a trust of any kind of any other fiduciary relationship between the Company and a Participant or any other person.

3. The effective date of this plan is January 1, 1991.
 4. The plan has been amended effective July 18, 2007, to comply with Section 409A of the Code and the regulations thereunder.
 5. The plan has been amended effective October 15, 2008, to comply with Section 409A of the Code and the regulations thereunder.
-

ARTICLE IX

CONSTRUCTION

1. GOVERNING LAW. This Plan shall be construed and governed in accordance with the laws of the State of South Carolina.
2. GENDER. The masculine gender, where appearing in the plan, shall be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary.
3. HEADINGS, ETC. The cover page of this plan, the Table of Contents and all headings used in this plan are for the convenience of reference only and are not part of the substance of this plan.

**Omnibus Benefit Restoration Plan of
Sonoco Products Company**
Amended and Restated as of January 1, 2008

Contents

Article 1. Introduction	1
1.1 Background and History	1
1.2 Restatement of Plan	1
1.3 Purpose and Applicability of the Plan	1
Article 2. Definitions	2
2.1 Actuarial Equivalent	2
2.2 Affiliate	2
2.3 Beneficiary	2
2.4 Board	3
2.5 Code	3
2.6 Committee	3
2.7 Company	3
2.8 Company Stock	3
2.9 DB Restoration Benefit	4
2.10 DC Restoration Account	4
2.11 DC SERP Account	4
2.12 DC SERP Benefit	4
2.13 Eligible Compensation	4
2.14 Employee	5
2.15 Employer	5
2.16 ERISA	5
2.17 Executive Benefit	5
2.18 Final Average Pay	6
2.19 Five-Year Certain and Life Annuity	6
2.20 401(k) Plan	6
2.21 Gross Executive Restoration Benefit	6
2.22 Gross Executive SERP Benefit	6
2.23 Investment Plan	6
2.24 Joint and 50 Percent Survivor Annuity	6
2.25 Joint and 75 Percent Survivor Annuity	7
2.26 Joint and 100 Percent Survivor Annuity	7
2.27 Key Employee	7
2.28 Level Income Annuity	7
2.29 Military Leave	7
2.30 Net Executive Restoration Benefit	8
2.31 Net Executive SERP Benefit	8
2.32 Normal Retirement Date	8

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

2.33 Participant	8
2.34 Participation Agreement	8
2.35 Plan	8
2.36 Plan Year	8
2.37 Qualified Pension Plan	8
2.38 Restricted Stock Units	9
2.39 Separation from Service	9
2.40 Single Life Annuity	9
2.41 Social Security Benefit	9
2.42 Stable Value Fund	10
2.43 Target Date Retirement Fund	10
2.44 Ten-Year Certain and Life Annuity	10
2.45 Valuation Date	10
2.46 Years of Benefit Service	10
2.47 Years of Vesting Service	10
 Article 3. Executive Benefit	 12
3.1 Eligibility and Participation	12
3.2 Normal Retirement Benefits	12
3.3 Early Retirement Benefits	13
3.4 Deferred Vested Retirement Benefits	14
3.5 Net Executive Restoration Benefit	16
3.6 Form of Payment	18
3.7 Preretirement Death Benefits	22
 Article 4. DB Restoration Benefit	 26
4.1 Eligibility and Participation	26
4.2 Normal Retirement Benefit	26
4.3 Early Retirement Benefits	27
4.4 Deferred Vested Retirement Benefits	28
4.5 Form of Payment	29
4.6 Preretirement Death Benefits	30
 Article 5. DC Restoration Account	 32
5.1 Eligibility and Participation	32
5.2 Benefits	32
5.3 Investment Gains and Losses.	33
5.4 Vesting	35
5.5 Distributions Following a Separation from Service	35
5.6 Distributions upon the Participant's Death	36
 Article 6. DC SERP Benefit	 37
6.1 Eligibility and Participation	37

6.2 Benefits	37
6.3 Investment Gains and Losses.	38
6.4 Vesting	38
6.5 Distributions Following a Separation from Service	39
6.6 Distributions Upon the Participant's Death	40
 Article 7. Participation Agreements	 42
7.1 Social Security Bridge Benefit	42
7.2 Qualified Pension Plan Enhancement.	43
 Article 8. Financing and Administration	 47
8.1 Financing	47
8.2 The Committee	47
8.3 Manner of Action	47
8.4 Committee's Powers and Duties	48
8.5 Delegation of Powers and Duties	49
8.6 Committee's Decisions Conclusive	49
8.7 Compensation, Indemnity and Liability	49
8.8 Notice of Address	49
8.9 Data	50
8.10 Benefit Claims Procedures	50
 Article 9. Amendment and Termination	 52
9.1 Amendments	52
9.2 Termination and Liquidation of Plan	52
9.3 Successors	52
9.4 Prohibition on Changes Due to Code Section 409A	53
9.5 Employer Participation and Termination	53
 Article 10. Miscellaneous Provisions	 54
10.1 Taxation	54
10.2 Withholding on Distributions	54
10.3 Benefit Cash-out	54
10.4 Permissible Delays or Accelerations	55
10.5 No Enlargement of Employment Rights	55
10.6 Non-Alienation	56
10.7 Code Section 409A Aggregation Rules	56
10.8 No Examination or Accounting	56
10.9 Incompetency	56
10.10 Records Conclusive	57
10.11 Service of Legal Process	57
10.12 Qualified Military Service	57
10.13 Counterparts	57

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Article 1. Introduction

1.1 Background and History

Sonoco Products Company (the “Company”) previously established and presently maintains the Omnibus Benefit Restoration Plan of Sonoco Products Company (the “Plan”). The Plan was initially effective as of January 1, 1979 and was last amended and restated effective as of January 1, 1994.

1.2 Restatement of Plan

Effective as of January 1, 2008, the Company hereby amends and restates the Plan to—

- (a) add an installment payment option with respect to a portion of the Executive Benefit;
- (b) add a new supplemental retirement benefit for employees who are appointed as officers on and after January 1, 2008; and
- (c) bring the Plan into compliance with Code section 409A.

1.3 Purpose and Applicability of the Plan

The purpose of this Plan is to—

- (a) Provide certain eligible employees with supplemental retirement income; and
- (b) Restore to certain eligible employees benefits that may be lost or curtailed under the Company’s broad-based qualified retirement plans as a result of limits imposed on such benefits under the Internal Revenue Code.

The Plan is intended to be a nonqualified deferred compensation arrangement for eligible employees who are members of a “select group of management or highly compensated employees” within the meaning of ERISA section 201(2). The Plan, therefore, is intended to be exempt from the participation, funding, and fiduciary requirements of Title I of ERISA.

The provisions of this Plan are generally applicable only to eligible employees who are employed by the Company or an Affiliate on and after January 1, 2008. Unless otherwise provided in a retroactively effective provision of this restatement, any person who was covered by the Plan as in effect before January 1, 2008, and who had a Separation from Service before that date, shall continue to be covered by the provisions of this Plan as in effect upon his or her Separation from Service.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Article 2. Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below, unless otherwise expressly provided; and when the defined meaning is intended, the term is capitalized.

2.1 Actuarial Equivalent

“Actuarial Equivalent” means the following:

- (a) **General Rule.** Actuarial Equivalent means a benefit having the same value as the benefit which it replaces, computed on the basis of—
 - (1) the 1984 Unisex Pension Mortality Table, with no age setback for Participants and a three-year age setback for beneficiaries; and
 - (2) interest at 9 percent compounded annually.
- (b) **Lump Sum Payments.** Notwithstanding section 2.1(a), the value of a lump sum payment calculated under section 10.3(a)(1) and 10.3(b) shall be computed on the basis of—
 - (1) the mortality table specified in section 2.1(a)(1); and
 - (2) an interest rate equal to the discount rate used to compute FAS-87 costs under the Qualified Pension Plan for the Plan Year immediately preceding the Plan Year in which the distribution occurs, as stated each year in the Company’s annual report to shareholders.

2.2 Affiliate

“Affiliate” means—

- (a) any corporation while it is a member of the same controlled group of corporations (within the meaning Code section 414(b) as the Company); and
- (b) any other trade or business (whether or not incorporated) while it is under common control with the Company (within the meaning of Code section 414(c)).

2.3 Beneficiary

“Beneficiary” means the person or persons designated by the Participant to receive any benefits that become payable under this Plan on account of the Participant’s death under:

- (a) Section 3.6(a), regarding survivor payments that may become due if the Participant elected to receive his or her Net Executive Restoration Benefit in one of the optional forms of payment described therein;

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (b) Section 3.6(b), regarding survivor payments that may become due if the Participant's Net Executive SERP Benefit was being distributed in the form of a Ten-Year Certain and Life Annuity or three annual installments at the time of his or her death)
- (c) Section 4.5(b), regarding survivor payments that may become due if the Participant elects to receive his or her DB Restoration Benefit in one of the optional forms of payment described therein;
- (d) Section 5.6, regarding the vested portion of a Participant's DC Restoration Account that remains unpaid at the time of the Participant's death; or
- (e) Section 6.6, regarding the vested portion of a Participant's DC SERP Benefit that remains unpaid at the time of the Participant's death; and
- (f) Section 7.2(d), regarding survivor payments that may become due with respect to a Qualified Pension Plan enhancement payable under an individual Participation Agreement (depending on the form of payment in effect under such section).

A Participant's Beneficiary shall be the person or persons designated by the Participant to receive the benefits described in subsection (a) through (f) above. This designation shall be made at a time and in a manner prescribed by the Committee. If the Participant fails to designate a Beneficiary, or if the person named by the Participant as his or her Beneficiary is not living as of the date that a benefit becomes payable, the Participant's Beneficiary shall be the Participant's surviving spouse; or if there is no surviving spouse, the Participant's estate.

(With respect to the preretirement death benefits that may become payable under section 3.7 or 4.6, the only permissible Beneficiary under this Plan is the Participant's surviving spouse.)

2.4 Board

"Board" means the Board of Directors of the Company.

2.5 Code

"Code" means the Internal Revenue Code of 1986, as amended, or as it may be amended from time to time. A reference to a section of the Code shall also be deemed to refer to the regulations under that section.

2.6 Committee

"Committee" means the Benefits Committee which shall have primary responsibility for administering the Plan under Article 8.

2.7 Company

"Company" means Sonoco Products Company or any successor thereto that agrees to adopt and continue this Plan.

2.8 Company Stock

"Company Stock" means the Company's no par value common stock.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

2.9 DB Restoration Benefit

“DB Restoration Benefit” means the benefit that is intended to provide benefits that would have been provided under the Qualified Pension Plan without regard to the limits in effect under Code sections 401(a)(17) and 415, as determined under Article 4.

2.10 DC Restoration Account

“DC Restoration Account” means the bookkeeping account maintained by the Company which represents the total benefits accumulated by a Participant under Article 5. A Participant’s DC Restoration Account shall be comprised of the following subaccounts:

- (a) **401(k) Plan Restoration Account** means the portion of the Participant’s DC Restoration Account that evidences the value of benefits accumulated by the Participant under section 5.2(a), including any gains and losses attributable to such benefits, as determined under section 5.3(a).
- (b) **Investment Plan Restoration Account** means the portion of the Participant’s DC Restoration Account that evidences the value of benefits accumulated by the Participant under section 5.2(b), including any gains and losses attributable to such benefits, as determined under section 5.3(b).

2.11 DC SERP Account

“DC SERP Account” means the bookkeeping account maintained by the Company that evidences the portion of an eligible Participant’s DC SERP Benefit that is determined under section 6.2(a)(1), including the investment gains that are allocated to such account under section 6.3(a).

2.12 DC SERP Benefit

“DC SERP Benefit” means the benefit determined under Article 6, comprised of both a Participant’s DC SERP Account and a Participant’s Restricted Stock Units.

2.13 Eligible Compensation

“Eligible Compensation” means the compensation used to determine the amount of a Participant’s benefits under Article 3 (regarding the Executive Benefit), Article 5 (regarding the DC Restoration Account) and Article 6 (regarding the DC SERP Benefit).

- (a) **General Rule.** Except as otherwise provided in subsections (b) and (c) below, “Eligible Compensation” means the sum of the total base salary received by the Participant for the Plan Year and any annual bonus earned by the Participant for the Plan Year (even if such bonus is actually paid in a subsequent year).
- (b) **DC Restoration Account.** For the purpose of determining amounts to be credited to a Participant’s DC Restoration Account under Article 5 for a Plan Year, “Eligible Compensation” means the Participant’s compensation that is used in calculating contributions under the 401(k) Plan and Investment Plan for the same Plan Year, but

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

determined without regard to the limit imposed on such compensation by Code section 401(a)(17).

(c) **Special Rule for Last Year of Employment.** When calculating Final Average Pay under section 2.18 for a Participant who incurs a Separation from Service before the last day of the Plan Year, Eligible Compensation for this final partial Plan Year of employment shall equal the sum of—

- (1) the base salary actually paid to the Participant for such Plan Year for employment before his or her Separation from Service;
- (2) the additional base salary the Participant would have received had he or she remained in active employment for the period beginning on the date of his or her Separation from Service and ending on the next following December 31 (at the same rate of base salary as in effect immediately prior to such Separation from Service); and
- (3) the annual bonus actually earned by Participant for such Plan Year for employment before his or her Separation from Service (even if such bonus is actually paid in a subsequent year). However, if such annual bonus has not been determined as of the Participant's benefit commencement date, the annual bonus that will be treated as part of the Participant's Eligible Compensation for his or her last partial Plan Year of employment shall equal the Participant's target bonus percentage for such year multiplied by the base salary actually paid to the Participant for such year for employment before his or her Separation from Service.

2.14 Employee

"Employee" means any person who is employed by the Company or an Affiliate, other than a person who is retained as an independent contractor, a leased employee (as determined under the Company's or an Affiliate's customary worker classification procedures), or a non-employee member of the Board.

2.15 Employer

"Employer" means the Company and each Affiliate that has been designated as an Employer under this Plan in accordance with section 9.5.

2.16 ERISA

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or as it may be amended from time to time. A reference to a particular section of ERISA shall also be deemed to refer to the regulations under that section.

2.17 Executive Benefit

"Executive Benefit" means the benefit determined under Article 3, comprised of both a Participant's Net Executive Restoration Benefit and Net Executive SERP Benefit.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

2.18 Final Average Pay

“Final Average Pay” is used to determine an eligible Participant’s Gross Executive SERP Benefit under section 2.22. “Final Average Pay” means the monthly average of the Eligible Compensation earned by the Participant for any three Plan Years of employment (regardless of whether such years are consecutive), selected from the last seven full Plan Years of employment (and the final partial Plan Year of employment for a Participant whose Separation from Service occurs on a date other than December 31), that produces the highest average. If a Participant has fewer than three complete Plan Years of Eligible Compensation after annualizing the final year in accordance with section 2.13(c), Final Average Pay shall be determined by averaging all Eligible Compensation received by the Participant over his or her whole and partial years of employment with the Company and its Affiliates.

2.19 Five-Year Certain and Life Annuity

“Five-Year Certain and Life Annuity” means a monthly retirement benefit payable to the Participant for life, and if the Participant dies before receiving 60 monthly payments, such payments shall continue to the Beneficiary until a total of 60 payments have been made.

2.20 401(k) Plan

“401(k) Plan” means the tax-qualified Sonoco Savings Plan, as amended from time to time.

2.21 Gross Executive Restoration Benefit

“Gross Executive Restoration Benefit” is used in the calculation of the Net Executive Restoration Benefit and shall be determined in accordance with section 3.5(b).

2.22 Gross Executive SERP Benefit

“Gross Executive SERP Benefit” is used in the calculation of the Executive Benefit under Article 3. An eligible Participant’s Gross Executive SERP Benefit is expressed as a Joint and 75 Percent Survivor Annuity commencing on the Participant’s Normal Retirement Date and shall equal the product of (a) and (b) where —

- (a) is 4 percent of the Participant’s Final Average Pay multiplied by his or her Years of Benefit Service (but not to exceed 15 years); and
- (b) is a fraction having a numerator equal to the Participant’s Years of Benefit Service and a denominator equal to the Years of Benefit Service the Participant would have earned had he or she continued in the employment of an Employer through his or her Normal Retirement Date.

2.23 Investment Plan

“Investment Plan” means the tax-qualified Sonoco Investment and Retirement Plan, as amended from time to time.

2.24 Joint and 50 Percent Survivor Annuity

“Joint and 50 Percent Survivor Annuity” means a monthly retirement benefit payable for the lifetime of the Participant with a monthly survivor annuity for the lifetime of the Participant’s

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Beneficiary equal to 50 percent of the monthly amount payable during the joint lives of the Participant and such Beneficiary.

2.25 Joint and 75 Percent Survivor Annuity

“Joint and 75 Percent Survivor Annuity” means a monthly retirement benefit payable for the lifetime of the Participant with a monthly survivor annuity for the lifetime of the Participant’s Beneficiary equal to 75 percent of the monthly amount payable during the joint lives of the Participant and such Beneficiary.

2.26 Joint and 100 Percent Survivor Annuity

“Joint and 100 Percent Survivor Annuity” means a monthly retirement benefit payable for the lifetime of the Participant with a monthly survivor annuity for the lifetime of the Participant’s Beneficiary equal to 100 percent of the monthly amount payable during the joint lives of the Participant and such Beneficiary.

2.27 Key Employee

“Key Employee” means generally a Participant who is either:

- (a) one of the top-paid 50 officers of the Company or an Affiliate who has annual compensation in excess of \$130,000 (as indexed from time to time in accordance with Code section 416(i)(1));
- (b) a 5-percent owner of the Company or an Affiliate; or
- (c) a 1-percent owner of the Company or an Affiliate who has annual compensation in excess of \$150,000.

A Participant who meets one or more of the conditions described in subsection (a), (b), or (c) at any time during a Plan Year shall be subject to the distribution restrictions that apply to Key Employees under this Plan during the 12-month period that begins on the April 1 next following the last day of such Plan Year.

(For purposes of this section 2.27, “compensation” means an amount determined in accordance with Code section 415(c)(3).)

2.28 Level Income Annuity

“Level Income Annuity” means a single life annuity that pays an increased monthly benefit until the date on which the Participant reaches age 62 or age 65 (as elected by the Participant), and a reduced monthly benefit upon reaching such age, such that the total benefits under both this Plan and the Social Security Act are as level as possible throughout the period beginning on the Participant’s benefit commencement date and ending on the date of his death.

2.29 Military Leave

“Military Leave” means leave subject to reemployment rights under the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended from time to time.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

2.30 Net Executive Restoration Benefit

“Net Executive Restoration Benefit” means the portion of the Participant’s Executive Benefit determined under section 3.2(b)(1), 3.3(b)(1), or 3.4(b)(1), whichever applies to the Participant as of his or her Separation from Service.

2.31 Net Executive SERP Benefit

“Net Executive SERP Benefit” means the portion of the Participant’s Executive Benefit determined under section 3.2(b)(2), 3.3(b)(2), or 3.4(b)(2), whichever applies to the Participant as of his or her Separation from Service.

2.32 Normal Retirement Date

“Normal Retirement Date” means the first day of the month next following the date on which the Participant attains age 65 (or incurs a Separation from Service, if later).

2.33 Participant

“Participant” means an Employee who has met and continues to meet the eligibility requirements described in—

- (a) section 3.1 (related to the Executive Benefit);
- (b) section 4.1 (related to the DB Restoration Benefit);
- (c) section 5.1 (related to the DC Restoration Account);
- (d) section 6.1 (related to the DC SERP Benefit); and/or
- (e) section 7.1 (related to individual Participation Agreements).

2.34 Participation Agreement

“Participation Agreement” means an agreement individually negotiated between the Employer and an Employee to provide certain benefits after retirement. Any such Participation Agreement shall form an integral part of this Plan and shall be subject to the provisions of Article 7.

2.35 Plan

“Plan” means this Omnibus Benefit Restoration Plan of Sonoco Products Company, as amended from time to time.

2.36 Plan Year

“Plan Year” means the 12-month period beginning on January 1 and ending on December 31.

2.37 Qualified Pension Plan

“Qualified Pension Plan” means the tax-qualified Sonoco Pension Plan, as amended from time to time.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

2.38 Restricted Stock Units

“Restricted Stock Units” means the portion of the DC SERP Benefit that is valued by reference to a share of Stock and the accumulated value of dividend equivalents determined under sections 6.2(a)(2) and 6.3(b).

2.39 Separation from Service

“Separation from Service” means an Employee’s termination from employment with the Company and all Affiliates, whether by retirement, resignation from or discharge by the Company or an Affiliate (but not by a transfer among Affiliates or death).

- (a) A Separation from Service shall be deemed to have occurred as of the date the Employee and the Company or any Affiliate reasonably anticipates, based on the facts and circumstances, that either:
 - (1) The Employee will not provide any additional services for the Company or an Affiliate after that date; or
 - (2) The level of bona fide services performed by the Employee after that date will permanently decrease to no more than 20 percent of the average level of bona fide services performed by the Employee over the immediately preceding 36 months.
- (b) If an Employee is absent from employment due to Military Leave, sick leave, or any other bona fide leave of absence authorized by the Company or an Affiliate, and there is a reasonable expectation that the Employee will return to perform services for the Company or an Affiliate, then a Separation from Service shall not occur until the later of:
 - (1) The first date immediately following the date that is six months after the first date that an Employee was absent from employment; and
 - (2) To the extent the Employee retains a right to reemployment with the Company or any Affiliates under an applicable statute or by contract, the date the Employee no longer retains a right to reemployment.

2.40 Single Life Annuity

“Single Life Annuity” means a monthly retirement benefit payable for the lifetime of the Participant, with no continuing payments following the Participant’s death.

2.41 Social Security Benefit

“Social Security Benefit” is used in the calculation of the Net Executive SERP Benefit under sections 3.2(b)(2), 3.3(b)(2), and 3.4(b)(2). “Social Security Benefit” means the estimated monthly benefit that the Participant would be entitled to receive under the Social Security Act commencing at age 62 (or, if later, the date of the Participant’s Separation from Service). This estimate shall be based on—

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (a) the Social Security Act in effect as of the date of the Participant's Separation from Service; and
- (b) an assumption that the Participant's compensation does not increase after the last day of the Plan Year that precedes the date of the Participant's Separation from Service.

2.42 Stable Value Fund

"Stable Value Fund" means the stable value fund that is available for the investment of a Participant's account under the Investment Plan (or any other fund selected by the Committee in its sole discretion for the deemed investment of a portion of the Participant's Investment Plan Account under section 5.3(b)).

2.43 Target Date Retirement Fund

"Target Date Retirement Fund" means the target date retirement funds that are available for the investment of a Participant's account under the Investment Plan (or any other fund selected by the Committee in its sole discretion for the deemed investment of a portion of the Participant's DC Restoration Account under section 5.3). With respect to a particular Participant, the Target Date Retirement Fund shall be the fund having the target date that is closest to the year in which the Participant reaches age 65.

2.44 Ten-Year Certain and Life Annuity

"Ten-Year Certain and Life Annuity" means a monthly retirement benefit payable to the Participant for life, and if the Participant dies before receiving 120 monthly payments, such payments shall continue to the Beneficiary until a total of 120 payments have been made.

2.45 Valuation Date

"Valuation Date" means any date selected by the Committee in its sole and absolute discretion for revaluation and adjustment of the Participant's DC Restoration Account and DC SERP Account.

2.46 Years of Benefit Service

"Years of Benefit Service" mean generally the years of service earned by a Participant for benefit accrual purposes under the Qualified Pension Plan. However, for purposes of determining the amount of a Participant's Gross Executive SERP Benefit under section 2.22, "Years of Benefit Service" shall be credited for the Participant's full period of employment with the Company and its Affiliates.

2.47 Years of Vesting Service

"Years of Vesting Service" mean the following:

- (a) **Executive Benefit.** For purposes of determining whether a Participant has a vested interest in the Executive Benefit under Article 3, "Years of Vesting Service" mean the vesting service earned by the Participant as determined under the Qualified Pension Plan (but considering only such service earned during the Participant's period of active participation under Article 3).

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (b) **DB Restoration Benefit.** For purposes of determining whether a Participant has a vested interest in the DB Restoration Benefit under Article 4, “Years of Vesting Service” mean the vesting service earned by the Participant as determined under the Qualified Pension Plan.
- (c) **Investment Plan Restoration Account.** For purposes of determining whether a Participant has a vested interest in an Investment Plan Restoration Account under Article 5, “Years of Vesting Service” mean the vesting service earned by the Participant as determined under the Investment Plan.
- (d) **DC SERP Benefit.** For purposes of determining whether a Participant has a vested interest in a DC SERP Benefit under Article 6, “Years of Vesting Service” will be determined as follows:
 - (1) If the Participant is accruing benefits under the Qualified Pension Plan, his or her “Years of Vesting Service” mean the vesting service earned by the Participant as determined under the Qualified Pension Plan (but considering only such service earned during the Participant’s period of employment as an officer of the Company).
 - (2) If the Participant is an active participant in the Investment Plan, his or her “Years of Vesting Service” mean the vesting service earned by the Participant as determined under the Investment Plan (but considering only such service earned during the Participant’s period of employment as an officer of the Company).

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Article 3. Executive Benefit

3.1 Eligibility and Participation

- (a) **Eligibility.** Subject to section 3.1(b) below, an Employee who was a Participant with respect to the Executive Benefit as of December 31, 2007 shall continue to be a Participant with respect to this benefit on and after January 1, 2008. Each Employee who was not a Participant with respect to the Executive Benefit as of December 31, 2007 shall not be eligible to become a Participant under this Article 3.
- (b) **Duration of Participation.** An individual who becomes a Participant under this Article 3 shall continue as an active Participant until the earlier of the date on which he or she—
- (1) is designated by the Committee as no longer eligible to be a Participant with respect to the Executive Benefit; or
 - (2) incurs a Separation from Service.

When active participation ends under subsection (b)(1) or (b)(2), the individual will continue as an inactive Participant with respect to the Executive Benefit until he or she has received a complete distribution of any benefits to which he or she is entitled under this Article 3 (or forfeits any such benefits by incurring a Separation from Service before qualifying for a deferred vested retirement benefit under section 3.4(a)).

3.2 Normal Retirement Benefits

- (a) **Eligibility.** A Participant under this Article 3 who incurs a Separation from Service on or after attaining age 65 shall be eligible for a normal retirement benefit under this section 3.2. This benefit shall commence as of the date determined under section 3.2(c) and shall be paid in the form determined under section 3.6.
- (b) **Amount.** The Executive Benefit payable under this section 3.2 to a Participant who retires after reaching age 65 shall equal the sum of—
- (1) the Participant's Net Executive Restoration Benefit determined under section 3.5 as of the date of the Participant's Separation from Service, but expressed as a Single Life Annuity (i.e., determined before converting the Gross Executive Restoration Benefit and the offset for the benefit payable under the Qualified Pension Plan into a Joint and 75 Percent Survivor Annuity under section 3.5(d)); and
 - (2) the Participant's Net Executive SERP Benefit, which shall equal (A) reduced by the sum of (B) and (C) where—
 - (A) is the Gross Executive SERP Benefit determined as of the date of the Participant's Separation from Service;

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (B) is the Gross Executive Restoration Benefit determined under section 3.5(b) as of the date of the Participant's Separation from Service (after such amount has been converted into a Joint and 75 Percent Survivor Annuity in the manner described in section 3.5(d)); and
 - (C) is the Participant's Social Security Benefit.
- (c) **Commencement.** If a Participant becomes entitled to an Executive Benefit under this section 3.2 upon his or her Separation from Service, both the Net Executive Restoration Benefit and the Net Executive SERP Benefit shall commence as of the first day of the month next following the month in which the six-month anniversary of the Participant's Separation from Service occurs. If all or a portion of the Executive Benefit is paid as an annuity under section 3.6, the first such annuity payment shall include the monthly amounts (with no adjustment for interest) the Participant would have received had his or her benefit commencement date been the first day of the month next following the date on which the Participant incurs a Separation from Service.

3.3 Early Retirement Benefits

- (a) **Eligibility.** A Participant under this Article 3 who incurs a Separation from Service before reaching age 65, but after reaching age 55, shall be eligible for an early retirement benefit under this section 3.3. This benefit shall commence on the date determined under section 3.3(c) and shall be paid in the form determined under section 3.6.
- (b) **Amount.** The Executive Benefit payable under this section 3.3 shall equal the sum of the Net Executive Restoration Benefit determined under section 3.3(b)(1) and the Net Executive SERP Benefit determined under section 3.3(b)(2).
- (1) **Net Executive Restoration Benefit.** The Net Executive Restoration Benefit under this section 3.3 shall equal (A) reduced by (B) where—
- (A) is the Net Executive Restoration Benefit determined under section 3.5 as of the date of the Participant's Separation from Service, but expressed as a Single Life Annuity (i.e., determined before converting the Gross Executive Restoration Benefit and the offset for the benefit payable under the Qualified Pension Plan into a Joint and 75 Percent Survivor Annuity under section 3.5(d)); and
 - (B) is 0.30 percent of the amount determined under section 3.3(b)(1)(A) for each month by which the first day of the month that next follows the month in which the Participant incurred a Separation from Service precedes the first day of the month next following the month in which the Participant would attain age 65.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (2) **Net Executive SERP Benefit.** The Net Executive SERP Benefit payable under this section 3.3 shall equal (A) reduced by the sum of (B) and (C) where—
- (A) is the Participant's Gross Executive SERP Benefit determined as of the date of the Participant's Separation from Service, reduced by 0.25 percent for each month by which the first day of the month that next follows the month in which the Participant incurred a Separation from Service precedes the first day of the month next following the month in which the Participant would attain age 62;
 - (B) is the Gross Executive Restoration Benefit determined under section 3.5(b) as of the date of the Participant's Separation from Service (after such amount has been converted into a Joint and 75 Percent Survivor Annuity in the manner described in section 3.5(d)), reduced for commencement before age 65 in the manner and amount described in section 3.3(b)(1)(B) above; and
 - (C) is the Participant's Social Security Benefit, calculated as if it were to commence on the first day of the month next following the later of (i) the month in which the Participant incurs a Separation from Service or (ii) the month in which the Participant attains age 62. (This offset for the Social Security Benefit shall first be applied as of the first day of the month next following the later of the month in which the Participant incurs a Separation from Service or attains age 62.)
- (c) **Commencement.** If a Participant becomes entitled to an Executive Benefit under this section 3.3 upon his or her Separation from Service, both the Net Executive Restoration Benefit and the Net Executive SERP Benefit shall commence as of the first day of the month next following the month in which the six-month anniversary of the Participant's Separation from Service occurs. If all or a portion of the Executive Benefit is paid as an annuity under section 3.6, the first such annuity payment shall include the monthly amounts (with no adjustment for interest) the Participant would have received had his or her benefit commencement date been the first day of the month next following the date on which the Participant incurs a Separation from Service.

3.4 Deferred Vested Retirement Benefits

- (a) **Eligibility.** A Participant under this Article 3 who incurs a Separation from Service before qualifying for early retirement under section 3.3, but after completing five or more Years of Vesting Service as a Participant under this Article 3, shall be eligible for a deferred vested retirement benefit under this section 3.4. This benefit shall commence on the date determined under section 3.4(c) and shall be paid in the form determined under section 3.6.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (b) **Amount.** The Executive Benefit payable under this section 3.4 shall equal the sum of the Net Executive Restoration Benefit determined under section 3.4(b)(1) and the Net Executive SERP Benefit determined under section 3.4(b)(2).
- (1) **Net Executive Restoration Benefit.** The Net Executive Restoration Benefit payable under this section 3.4 shall equal (A) multiplied by (B) where —
- (A) is the Net Executive Restoration Benefit determined under section 3.5 as of the date of the Participant's Separation from Service, but expressed as a Single Life Annuity (i.e., determined before converting the Gross Executive Restoration Benefit and the offset for the benefit payable under the Qualified Pension Plan into a Joint and 75 Percent Survivor Annuity under section 3.5(d)); and
- (B) is 64 percent.
- (2) **Net Executive SERP Benefit.** The Net Executive SERP Benefit payable under this section 3.4 shall equal (A) reduced by the sum of (B) and (C) where—
- (A) is 79 percent of the Participant's Gross Executive SERP Benefit determined as of the date of the Participant's Separation from Service;
- (B) is 64 percent of the Gross Executive Restoration Benefit determined under section 3.5(b) as of the date of the Participant's Separation from Service, (after such amount has been converted into a Joint and 75 Percent Survivor Annuity in the manner described in section 3.5(d)); and
- (C) is the Participant's Social Security Benefit, calculated as if it were to commence on the first day of the month next following the month in which the Participant attains age 62. (This offset for the Social Security Benefit shall first be applied as of the first day of the month next following the month in which the Participant attains age 62.)
- (c) **Commencement.** If a Participant becomes entitled to an Executive Benefit under this section 3.4 upon his or her Separation from Service, both the Net Executive Restoration Benefit and the Net Executive SERP Benefit shall commence as of the later of—
- (1) the first day of the month next following the month in which the Participant reaches age 55; or
- (2) the first day of the month next following the month in which the six-month anniversary of the Participant's Separation from Service occurs.
- If all or a portion of the Executive Benefit is paid as an annuity under section 3.6, and the Participant's benefit commencement date is the date determined under section 3.4(c)(2), the first such annuity payment shall include the monthly amounts

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

(with no adjustment for interest) the Participant would have received had his or her benefit commencement date been the first day of the month next following the month in which the Participant reaches age 55.

3.5 Net Executive Restoration Benefit

- (a) **In General.** A Participant's Net Executive Restoration Benefit shall equal the difference between—
- (1) the Gross Executive Restoration Benefit determined as of the Participant's Separation from Service under section 3.5(b); and
 - (2) the benefit accrued by the Participant under the Qualified Pension Plan determined as of his or her Separation from Service as determined under 3.5(c).
- (b) **Gross Executive Restoration Benefit.** A Participant's Gross Executive Restoration Benefit shall be determined initially as of December 31, 2008 (in accordance with section 3.5(b)(1)); then adjusted for each full Plan Year of participation thereafter (in accordance with section 3.5(b)(2)); and adjusted further for the Plan Year in which the Participant incurs a Separation from Service (in accordance with section 3.5(b)(3)).
- (1) **Gross Executive Restoration Benefit as of December 31, 2008.** The Gross Executive Restoration Benefit as of December 31, 2008 shall equal the amount that would have been accrued by the Participant under the Qualified Pension Plan as of such date without regard to the limits imposed by Code sections 401(a)(17) and 415, and calculated initially as a Single Life Annuity commencing on the Participant's Normal Retirement Date, but then converted into a Joint and 75 Percent Survivor Annuity commencing on the Participant's Normal Retirement Date (in the manner described in section 3.5(d)).
 - (2) **Annual Adjustments to Gross Executive Restoration Benefit for Full Plan Years of Participation.** Beginning January 1, 2009, the Gross Executive Restoration Benefit determined as of the end of the immediately preceding Plan Year shall be increased as of the last day of each subsequent full Plan Year of participation by an amount equal to the lesser of (A) or (B) where—
 - (A) is the difference (but not less than zero) between—
 - (i) the amount that would have been accrued by the Participant under the Qualified Pension Plan through the last day of the current Plan Year without regard to the limits imposed by Code sections 401(a)(17) and 415, and calculated initially as a Single Life Annuity commencing on the Participant's Normal Retirement Date, but then converted into a Joint and 75 Percent Survivor Annuity commencing on the Participant's Normal Retirement Date (in the manner described in section 3.5(d)); and

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

(ii) is the lesser of—

(I) the amount that would have been accrued by the Participant under the Qualified Pension Plan through the last day of the immediately preceding Plan Year without regard to the limits imposed by Code sections 401(a)(17) and 415, calculated initially as a Single Life Annuity commencing on the Participant's Normal Retirement Date but then converted into a Joint and 75 Percent Survivor Annuity commencing on the Participant's Normal Retirement Date (in the manner described in section 3.5(d)); and

(II) the amount of the Gross Executive Restoration Benefit as of the last day of the immediately preceding Plan Year; and

(B) is the increase in the Gross Executive SERP Benefit for such full Plan Year of participation. (This increase shall equal the Gross Executive SERP Benefit as of the last day of the Plan Year reduced by the Gross Executive SERP Benefit determined as of the last day of the immediately preceding Plan Year.)

(3) **Final Determination of Gross Executive Restoration Benefit as of Separation from Service.** As of the date of the Participant's Separation from Service, the Gross Executive Restoration Benefit shall equal the Gross Executive Restoration Benefit determined under section 3.5(b)(2) as of the last day of the immediately preceding Plan Year increased through the date of the Participant's Separation from Service by an amount equal to the lesser of (A) or (B) where—

(A) is the difference (but not less than zero) between—

(i) the amount that would have been accrued by the Participant under the Qualified Pension Plan through the date of his or her Separation from Service without regard to the limits imposed by Code sections 401(a)(17) and 415, calculated initially as a Single Life Annuity commencing on the Participant's Normal Retirement Date, but then converted into a Joint and 75 Percent Survivor Annuity commencing on the Participant's Normal Retirement Date (in the manner described in section 3.5(d)); and

(ii) the lesser of—

(I) the amount that would have been accrued by the Participant under the Qualified Pension Plan through the last day of the immediately preceding Plan Year without regard to the limits imposed by Code sections 401(a)(17) and 415, calculated initially as a Single Life Annuity commencing on the

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Participant's Normal Retirement Date, but then converted into a Joint and 75 Percent Survivor Annuity commencing on the Participant's Normal Retirement Date (in the manner described in section 3.5(d)); and

(II) the amount of the Gross Executive Restoration Benefit as of the last day of the immediately preceding Plan Year; and

(B) is the increase in the Gross Executive SERP Benefit for the Plan Year in which the Participant incurred a Separation from Service. (This increase shall equal the Gross Executive SERP Benefit as of the date of the Participant's Separation from Service reduced by the Gross Executive SERP Benefit determined as of the last day of the immediately preceding Plan Year).

(c) **Offset for Qualified Pension Plan Benefit.** The offset described in section 3.5(a)(2) equal the amount accrued by the Participant under the Qualified Pension Plan as of the date of the Participant's Separation from Service, calculated initially as a Single Life Annuity commencing on the Participant's Normal Retirement Date, but then converted into a Joint and 75 Percent Survivor Annuity (in the manner described in section 3.5(d)).

(d) **Adjustment to the Single Life Annuity Amounts.** Amounts calculated initially as a Single Life Annuity under sections 3.5(b) and 3.5(c) shall be converted into actuarially equivalent Joint and 75 Percent Survivor Annuity by—

(1) applying the mortality and interest assumptions described in section 2.1, and

(2) for a Participant who is not married as of the applicable calculation date, by assuming that the Participant's beneficiary under the Joint and 75 Percent Survivor Annuity is the same age as the Participant.

3.6 Form of Payment

(a) **Net Executive Restoration Benefit.** The portion of the Executive Benefit that is attributable to the Net Executive Restoration Benefit shall be paid as follows:

(1) **Before 2009.** If a Participant's benefit commencement date under this Article 3 is before January 1, 2009, and the Participant elects to commence his or her benefits under the Qualified Pension Plan before such date, the Participant's Executive Restoration Benefit shall be paid in the same annuity form in effect for the Participant under the Qualified Pension Plan. Any annuity benefit payable under this section 3.6(a)(1) shall be the Actuarial Equivalent of the Single Life Annuity determined under section 3.2(b)(1), 3.3(b)(1), or 3.4(b)(1) (as applicable).

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

(2) **After 2008.** Subject to section 10.3, if a Participant's benefit commencement date under this Article 3 is after December 31, 2008, such benefit shall be distributed as follows:

- (A) **Normal Form of Payment.** Unless a Participant elects an optional form under 3.6(a)(2)(B), the Net Executive Restoration Benefit shall be paid in the form of a Single Life Annuity, as determined under section 3.2(b)(1), 3.3(b)(1), or 3.4(b)(1) (as applicable).
- (B) **Optional Forms of Payment.** In lieu of the Single Life Annuity described in section 3.6(a)(2)(A), a Participant may elect instead, at any time before his or her benefit commencement date and in a manner specified by the Committee, to receive his or her Net Executive Restoration Benefit in any one of the following forms of payment (each of which shall be the Actuarial Equivalent of the Single Life Annuity):
 - (i) Joint and 50 Percent Survivor Annuity;
 - (ii) Joint and 75 Percent Survivor Annuity;
 - (iii) Joint and 100 Percent Survivor Annuity;
 - (iv) Five-Year Certain and Life Annuity;
 - (v) 10-Year Certain and Life Annuity; or
 - (vi) Level Income Annuity.

(b) **Net Executive SERP Benefit.**

- (1) **Normal Form of Payment.** Except as provided in sections 3.6(b)(2) and 10.3, the portion of the Executive Benefit that is attributable to the Net Executive SERP Benefit shall be paid as follows:
 - (A) **Married Participant:** If a Participant is married when the payment of his or her Executive Benefit commences under this Article 3, the Net Executive SERP Benefit (i.e., the monthly amount determined under section 3.2(b)(2), 3.3(b)(2), or 3.4(b)(2), as applicable) shall be paid in the form a Joint and 75 Percent Survivor Annuity, with the Participant's spouse as his or her Beneficiary.
 - (B) **Unmarried Participant.** If a Participant is not married when the payment of his or her Net Executive SERP Benefit commences under this Article 3, such benefit shall be paid in the form of a Ten-Year Certain and Life Annuity. This Ten-Year Certain and Life Annuity shall be the Actuarial Equivalent of the Joint and 75 Percent Survivor Annuity determined under section 3.2(b)(2), 3.3(b)(2), or 3.4(b)(2), as applicable (which shall be

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

valued assuming that the Participant's Beneficiary is the same age as the Participant).

(2) **Optional Form of Payment.**

- (A) **Three Equal Installments.** A Participant may waive the normal form of payment specified under Section 3.6(b)(1) and elect instead to receive the Net Executive SERP Benefit in the form of three equal installments, with the first installment payable on the benefit commencement date determined under section 3.2(c), 3.3(c), or 3.4(c) (as applicable), the second installment payable six months after the payment of the first installment, and the third installment payable 12 months after the payment of the second installment.

The amount of these installments shall be determined as follows:

- (i) The Net Executive SERP Benefit determined under 3.2(b)(2), 3.3(b)(2), or 3.4(b)(2) (as applicable) shall first be converted from an amount payable as a Joint and 75 Percent Survivor Annuity into an equivalent lump sum using—
 - (I) a mortality table, modified as appropriate by the Secretary of the Treasury, that is based on the mortality table specified for the Plan Year under Code section 430(h)(3) (but determined without regard to Code sections 430(h)(3)(C) and 430(h)(3)(D)); and
 - (II) an interest rate equal to the first, second, and third tier segment rates applied under rules similar to the rules of Code section 430(h)(2)(C), and adjusted in the manner described in Code section 417(e)(3)(D), for the month of November immediately preceding the first day of the Plan Year in which the distribution occurs.
 - (ii) The lump sum determined under section 3.6(b)(2)(A)(i) shall then be converted into an equivalent payment stream of three installments by applying the first tier segment rate described in section 3.6(b)(2)(A)(i)(II).
- (B) **Limitation on Final Installment Payments.** If the amount of the final (i.e., third) installment payments made on behalf of all Participants who are entitled to such final installment payments in any Plan Year would trigger settlement accounting for such Plan Year under Statement of Financial Accounting Standards No. 88 (or any successor to such statement), the amount actually paid in such Plan Year shall be limited to avoid the application of settlement accounting in the manner described below.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (i) The aggregate excess amount for the Plan Year is equal to (I) minus (II) where—
 - (I) is the total of all final (i.e., third) installment payments due to Participants under this section 3.6(b)(2) for the Plan Year; and
 - (II) is the total amount of all final (i.e., third) installment payments that could be made for such Plan Year without triggering settlement accounting for the Plan Year.
 - (ii) The aggregate excess amount for the Plan Year (as determined under section 3.6(b)(2)(B)(i)) shall be allocated among the Participants who are otherwise entitled to their final installment payments in the Plan Year in proportion to the amount of each individual's final installment payment.
 - (iii) The installment payment actually made to each such Participant for the Plan Year shall equal the difference between (I) and (II) where—
 - (I) is the installment payment the Participant would otherwise be entitled to for the Plan Year without regard to this section 3.6(b)(2)(B); and
 - (II) is the Participant's proportionate share of the aggregate excess amount determined under section 3.6(b)(2)(B)(ii).
 - (iv) Each affected Participant will then receive an additional payment during the next following Plan Year equal to the amount by which his or her third installment payment was reduced under section 3.6(b)(2)(B)(iii), provided such payment would not itself trigger settlement accounting for such Plan Year under Statement of Financial Accounting Standards No. 88 (or any successor to such statement). If such payment would trigger settlement accounting, the Committee will continue to apply the procedures described in this section 3.6(b)(2)(B) until the Participant has received a complete distribution of his or her final payment.
- (C) **Electing an Optional Form.** An election of the optional form of payment described in this section 3.6(b)(2) must be made by the Participant at a time and in a manner prescribed by the Committee, but not later than June 30, 2008.
- (D) **Death of the Participant after the Benefit Commencement Date.** If a Participant who has elected the optional form of payment described in this section 3.6(b)(2) dies after the benefit commencement date specified in section 3.2(c), 3.3(c), or 3.4(c) (as applicable), but before receiving all

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

three installments, the remaining installments shall be paid to the Participant's Beneficiary at the same time as such installments would have been paid to the Participant.

3.7 Preretirement Death Benefits

- (a) **Eligibility.** If a Participant under this Article 3 dies before his or her benefit commencement date, but after attaining age 55 or completing five or more Years of Vesting Service as a Participant under this Article 3, the Participant's surviving spouse shall be entitled to the preretirement death benefit determined under this section 3.7. (If a Participant dies before meeting the eligibility requirements described above, or if the Participant does not have a surviving spouse as of the benefit commencement date determined under this section, no benefits will be payable under this section 3.7.)
- (b) **Net Executive Restoration Benefit.** A surviving spouse who becomes entitled to a benefit under section 3.7(a) shall receive a preretirement death benefit attributable to the Participant's Net Executive Restoration Benefit. The amount of such benefit shall be determined under subsection (b)(1). In addition, this benefit shall commence on the date determined under subsection (b)(2) and shall be paid in the form described in subsection (b)(3).
 - (1) **Benefit Amount.** The preretirement death benefit attributable to the Participant's Net Executive Restoration Benefit shall be a monthly benefit that is determined as follows:
 - (A) In the case of a Participant who dies after reaching age 55, the surviving spouse shall receive a Single Life Annuity having monthly payments equal to the survivor portion of the Joint and 50 Percent Survivor Annuity that would have become payable to the Participant as a Net Executive Restoration Benefit under this Article 3 had he or she incurred a Separation from Service on the day before his or her death and commenced a benefit as of the date determined under section 3.2(c) or 3.3(c) (as applicable) in the form of a Joint and 50 Percent Survivor Annuity with the Participant's spouse as his or her designated Beneficiary.
 - (B) In the case of a Participant who dies before reaching age 55, the surviving spouse shall receive a Single Life Annuity having monthly payments equal to the survivor portion of the Joint and 50 Percent Survivor Annuity that would have become payable to the Participant as a Net Executive Restoration Benefit under this Article 3 had he or she incurred a Separation from Service on the date of his or her death, survived to the first day of the month next following the month in which the Participant would have attained age 55, and commenced a benefit as of such date in the form of a Joint and 50 Percent Survivor Annuity with the Participant's spouse as his or her designated Beneficiary.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (2) **Benefit Commencement Date.** A preretirement death benefit that becomes payable under this section 3.7(b) shall commence on the first day of the month next following the later of—
- (A) the date of the Participant's death; or
 - (B) the date the Participant would have reached age 55.
- (3) **Form of Payment.** Except as provided in section 10.3, a preretirement death benefit under this section 3.7(b) shall be paid to the Participant's surviving spouse in the form of a Single Life Annuity.
- (c) **Net Executive SERP Benefit.** A surviving spouse who becomes entitled to a benefit under section 3.7(a) shall receive a preretirement death benefit attributable to the Participant's Net Executive SERP Benefit. The amount of such benefit shall be determined under subsection (c)(1). In addition, this benefit shall commence on the date determined under subsection (c)(2) and shall be paid in the form described in subsection (c)(3).
- (1) **Benefit Amount.** The preretirement death benefit attributable to the Participant's Net Executive SERP Benefit shall be a monthly benefit that is determined as follows.
- (A) **Death on or after Age 55.** If a vested Participant dies before the commencement date of his or her Net Executive SERP Benefit, but on or after attaining age 55, the Participant's surviving spouse shall be entitled to a Single Life Annuity with monthly payments equal to (i) reduced by (ii) where—
- (i) is 75 percent of the Gross Executive SERP Benefit accrued by the Participant as of the date of his or her death (with no reductions for early commencement)—
 - (I) assuming the Participant had at least 15 Years of Benefit Service under section 2.22(a);
 - (II) using the Participant's actual Years of Benefit Service as of his or her date of death under section 2.22(b); and
 - (III) replacing the offset for Social Security Benefits with an offset for the combined family Social Security benefit; and
 - (ii) is the sum of—
 - (I) the survivor portion of the amount that would have become payable to the Participant under the Qualified Pension Plan, assuming the Participant incurred a Separation from Service on

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

the day before his or her death, and commenced a benefit under such plan as of the first day of the month next following the month of the Participant's death in the form of a Joint and 50 Percent Survivor Annuity with the Participant's spouse as his or her designated Beneficiary; and

- (II) the amount that would become payable to the Participant's spouse under section 3.7(b) as of the first day of the month next following the month of the Participant's death.

(B) **Death before Age 55.** If a vested Participant dies before attaining age 55, the Participant's surviving spouse shall be entitled to a Single Life Annuity with monthly payments equal to (i) reduced by (ii) where—

- (i) is the amount determined under section 3.7(c)(1)(A)(i) above as of the date of the Participant's death; and
- (ii) is the sum of—

- (I) the survivor portion of the amount that would have become payable to the Participant under the Qualified Pension Plan, assuming the Participant incurred a Separation from Service on the day of his or her death, survived to the first day of the month next following the month in which the Participant would have attained age 55, and commenced a benefit as of such date in the form of a Joint and 50 Percent Survivor Annuity with the Participant's spouse as his or her designated Beneficiary; and
- (II) the amount that would become payable to the Participant's spouse under section 3.7(b) as of the first day of the month next following the month in which the Participant attains age 55.

(2) **Benefit Commencement Date.**

(A) **Death on or after Age 55.** A preretirement death benefit payable on behalf of a Participant described in section 3.7(c)(1)(A) shall commence as of the first day of the month next following the month of the Participant's death.

(B) **Death before Age 55.** A preretirement death benefit that becomes payable on behalf of a Participant under section 3.7(c)(1)(B) shall commence as of the first day of the month next following the month in which the Participant would have attained age 55.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

(3) **Form of Payment.**

- (A) **General Rule.** Except as provided in sections 3.7(c)(3)(B) and 10.3, a preretirement death benefit under this section 3.7(c) shall be paid to the Participant's surviving spouse in the form of a Single Life Annuity.
- (B) **Installments.** If a Participant made a timely election under section 3.6(b)(2)(C) to receive his or her Net Executive SERP benefit in the form of three equal installments, the preretirement death benefit attributable to the Net Executive SERP benefit under section 3.7(c) shall be paid to the Participant's surviving spouse in the form of three equal installments (calculated in the manner described in section 3.6(b)(2)(A), but with the first installment to be paid as soon as practicable following the Participant's death, and no later than the last day of the Plan Year in which the Participant died (or the 15th day of the third calendar month following date of the Participant's death, if later). The second installment shall be paid in January of the year following payment of the first installment, and the third installment shall be paid in January of the year following payment of the second installment).

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Article 4. DB Restoration Benefit

4.1 Eligibility and Participation

- (a) **Eligibility.** Each Employee who was a Participant with respect to the DB Restoration Benefit on December 31, 2007 shall continue to be Participant under this Article 4 on January 1, 2008. Each other Employee shall be eligible to become a Participant with respect to the DB Restoration Benefit described in this Article 4 if the Employee is—

- (1) a participant under the Qualified Pension Plan; and
- (2) determined by the Committee to be among a select group of management or highly compensated employees.

However, notwithstanding any provision in this Plan to the contrary, any Employee who is a Participant with respect to the Executive Benefit described in Article 3 shall not be a Participant with respect to the DB Restoration Benefit described in this Article 4.

- (b) **Date of Participation.** Each Employee who is eligible to participate under subsection (a) shall become a Participant under this Article 4 as of the first day of the month next following the month in which his or her accrued benefit under the Qualified Pension Plan becomes limited by Code section 401(a)(17) and/or Code section 415.
- (c) **Duration of Participation.** An individual who becomes a Participant under this section 4.1 shall continue as an active Participant under this Article 4 until the earlier of the date on which he or she—
- (1) is determined by the Committee as no longer meeting the requirements of section 4.1(a); or
 - (2) incurs a Separation from Service.

When active participation ends under subsection (c)(1) or (c)(2), the individual will continue as an inactive Participant with respect to the DB Restoration Benefit until he or she has received a complete distribution of any benefits earned under this Article 4 (or forfeits any such benefits by incurring a Separation from Service before meeting the eligibility requirements for a deferred vested retirement benefit under section 4.4(a)).

4.2 Normal Retirement Benefit

- (a) **Eligibility.** A Participant under this Article 4 who incurs a Separation from Service after reaching age 65 shall be entitled to a normal retirement benefit under this section 4.2. This normal retirement benefit shall be calculated as a Single Life Annuity commencing on the date specified in section 4.2(c)(1), but shall be paid in the form determined under section 4.5.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (b) **Amount.** A Participant who is eligible for a normal retirement benefit under section 4.2(a) shall be entitled to a monthly benefit equal to the difference between—
- (1) the monthly benefit to which the Participant would be entitled to under the Qualified Pension Plan commencing as of the first day of the month next following the month in which the Participant incurs a Separation from Service, but calculated without regard to the compensation and benefit limits in effect under the Qualified Pension Plan pursuant to Code sections 401(a)(17) and 415; and
 - (2) the monthly normal retirement benefit payable to the Participant under the Qualified Pension Plan commencing as of the first day of the month next following the month in which the Participant incurs a Separation from Service.
- (c) **Benefit Commencement Date.**
- (1) **In General.** Except as provided in section 4.2(c)(2), payment of benefits under this section 4.2 shall begin as of the first day of the month following the date on which the Participant incurs a Separation from Service.
 - (2) **Delayed Commencement for Key Employees.** If the Participant is a Key Employee upon his or her Separation from Service, payment of the DB Restoration Benefit shall commence as of the first day of the month next following the month in which the six-month anniversary of the Participant's Separation from Service occurs. However, the first benefit payment will include the payments (with no adjustment for interest) the Participant would have received had his or her benefit commencement date been the date determined under section 4.2(c)(1).

4.3 Early Retirement Benefits

- (a) **Eligibility.** A Participant under this Article 4 who incurs a Separation from Service after reaching age 55, but before meeting the requirements for a normal retirement benefit under section 4.2(a), shall be entitled to an early retirement benefit under this section 4.3. This early benefit shall be calculated as a Single Life Annuity commencing on the date specified in section 4.3(c)(1), but shall be paid in the form determined under section 4.5.
- (b) **Amount.** The benefit payable to a Participant under this section 4.3 shall equal the normal retirement benefit accrued by the Participant under section 4.2(b) as of the date of his or her Separation from Service, reduced by 0.3 percent of such amount for each month by which the benefit commencement date described in section 4.3(c)(1) precedes the Participant's Normal Retirement Date.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

(c) **Benefit Commencement Date.**

- (1) **In General.** Except as otherwise provided in section 4.3(c)(2) below, payment of an early retirement benefit under this section 4.3 shall commence as of the date stated below:
 - (A) **Before 2009.** For a Participant who incurs a Separation from Service before January 1, 2009, and who also elects to commence his or her benefit under the Qualified Pension Plan before such date, payment of benefits under this section 4.3 shall commence as of the same date on which the Participant's benefit begins under the Qualified Pension Plan.
 - (B) **After 2008.** For a Participant who is not described in section 4.3(c)(1)(A), payment of early retirement benefits under this section 4.3 shall commence as of the first day of the month next following the date on which the Participant incurs a Separation from Service (or as of January 1, 2009, if earlier).
- (2) **Delayed Commencement for Key Employees.** If the Participant is a Key Employee upon his or her Separation from Service, and such Participant's benefit commencement date under section 4.3(c)(1) would otherwise occur on or after January 1, 2009, payment of the DB Restoration Benefit shall commence as of the first day of the month next following the month in which the six-month anniversary of the Participant's Separation from Service occurs. However, the first benefit payment will include the payments (with no adjustment for interest) the Participant would have received had his or her benefit commencement date been the date determined under section 4.3(c)(1)(B).

4.4 Deferred Vested Retirement Benefits

- (a) **Eligibility.** A Participant under this Article 4 who incurs a Separation from Service before becoming eligible for an early retirement benefit under section 4.3, but after completing five or more Years of Vesting Service, shall be entitled to a deferred vested retirement benefit under this section 4.4. This deferred vested retirement benefit shall be calculated as a Single Life Annuity commencing on the date specified in section 4.4(c)(1), but shall be paid in the form determined under section 4.5.
- (b) **Amount.** The benefit payable to a Participant under this section 4.4 shall equal the normal retirement benefit accrued by the Participant under section 4.2(b) as of the date of his or her Separation from Service, reduced by 0.3 percent of such amount for each month by which the benefit commencement date described in section 4.4(c)(1) precedes the Participant's Normal Retirement Date.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

(c) **Benefit Commencement Date.**

- (1) **In General.** Except as otherwise provided in section 4.4(c)(2) below, payment of a deferred vested retirement benefit under this section 4.4 shall commence as of the date stated below:
 - (A) **Before 2009.** For a Participant who incurs a Separation from Service before January 1, 2009, and who also elects to commence his or her benefit under the Qualified Pension Plan before such date, payment of benefits under this section 4.4 shall commence as of the same date on which the Participant's benefit begins under the Qualified Pension Plan.
 - (B) **After 2008.** For a Participant who is not described in section 4.4(c)(1)(A), payment of benefits under this section 4.4 shall commence as of the first day of the month next following the date on which the Participant reaches age 55 (or as of January 1, 2009, if later).
- (2) **Delayed Commencement for Key Employees.** If the Participant is a Key Employee upon his or her Separation from Service, and such Participant's benefit commencement date under section 4.4(c)(1) would otherwise occur on or after January 1, 2009, payment of the DB Restoration Benefit shall commence as of the first day of the month next following the month in which the six-month anniversary of the Participant's Separation from Service occurs. However, the first benefit payment will include the payments (with no adjustment for interest) the Participant would have received had his or her benefit commencement date been the date determined under section 4.4(c)(1)(B).

4.5 Form of Payment

- (a) **Before 2009.** If the Participant's benefit commencement date under this Article 4 is before January 1, 2009, and the Participant elects to commence his or her benefit under the Qualified Pension Plan before such date, the Participant's DB Restoration Benefit shall be paid in the same annuity form in effect for the Participant under the Qualified Pension Plan. Any annuity benefit payable under this subsection (a) shall be the Actuarial Equivalent of the Single Life Annuity calculated under section 4.2(b), 4.3(b), or 4.4(b) (as applicable).
- (b) **After 2008.** Except as provided in section 10.3, if a Participant's benefit commencement date under this Article 4 is after December 31, 2008, the benefit shall be distributed to the Participant as follows:
 - (1) **Normal Form of Payment.** Unless a Participant elects an optional form under subsection (b)(2), the DB Restoration Benefit shall be paid in the form of a Single Life Annuity.
 - (2) **Optional Forms of Payment.** In lieu of the Single Life Annuity described in subsection (b)(1), a Participant may elect instead, at any time before his or her

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

benefit commencement date and in a manner specified by the Committee, to receive his or her DB Restoration Benefit in any one of the following forms of payment (each of which shall be the Actuarial Equivalent of the Single Life Annuity):

- (A) Joint and 50 Percent Survivor Annuity;
- (B) Joint and 75 Percent Survivor Annuity;
- (C) Joint and 100 Percent Survivor Annuity;
- (D) Five-Year Certain and Life Annuity;
- (E) 10-Year Certain and Life Annuity; or
- (F) Level Income Annuity.

4.6 Preretirement Death Benefits

- (a) **Eligibility.** If a Participant under this Article 4 dies before his or her benefit commencement date, but after attaining age 55 or completing five or more Years of Vesting Service, the Participant's surviving spouse shall be entitled to the preretirement death benefit determined under this section 4.6. No preretirement death benefit shall be payable under this Article 4 on behalf of a Participant who—
 - (1) is not married at the time of his or her death; or
 - (2) is married at the time of his or her death, but had not either attained age 55 or completed five or more Years of Vesting Service.
- (b) **Amount.** A surviving spouse who becomes eligible for a preretirement death benefit under section 4.6(a) shall be entitled to a monthly benefit equal to the difference between—
 - (1) the preretirement death benefit to which the spouse would be entitled under the Qualified Pension Plan commencing as of the date specified under section 4.6(c), but calculated without regard to the compensation and benefit limits in effect under the Qualified Pension Plan pursuant to Code sections 401(a)(17) and 415; and
 - (2) the preretirement death benefit that actually would be payable to the spouse under the Qualified Pension Plan if such benefit were to commence as of the date specified under subsection (c) below.
- (c) **Benefit Commencement Date.** A preretirement death benefit that becomes payable under this section 4.6 shall commence on the first day of the month following the later of—

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (1) the date of the Participant's death; or
- (2) the date the Participant would have reached age 55.
- (d) **Form of Payment.** Except as provided in section 10.3, a preretirement death benefit under this section 4.6 shall be paid to the Participant's surviving spouse in the form of a Single Life Annuity.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Article 5. DC Restoration Account

5.1 Eligibility and Participation

- (a) **Eligibility.** Each Employee who was a Participant with respect to the “Excess ESSOP Benefit” (as defined under the Plan as in effect before the effective date of this Plan restatement) on December 31, 2007 shall continue to be Participant under this Article 5 on January 1, 2008. Each other Employee shall be eligible to become a Participant with respect to the DC Restoration Account described in this Article 5 if the Employee is—
- (1) a participant under the 401(k) Plan and/or Investment Plan; and
 - (2) determined by the Committee to be among a select group of management or highly compensated employees.
- (b) **Date of Participation.** Each Employee who is eligible to participate under subsection (a) shall become a Participant under this Article 5 as of the first day of the month next following the month in which his or her benefits under the 401(k) Plan and/or Investment Retirement Plan become limited by Code section 401(a)(17) and/or Code section 415.
- (c) **Duration of Participation.** An individual who becomes a Participant under this section 5.1 shall continue as an active Participant under this Article 5 until the earlier of the date on which he or she—
- (1) is determined by the Committee as no longer meeting the requirements of section 5.1(a); or
 - (2) incurs a Separation from Service.

When active participation ends under subsection (c)(1) or (c)(2), the individual will continue as an inactive Participant with respect to the DC Restoration Account until he or she has received a complete distribution of all vested benefits earned under this Article 5.

5.2 Benefits

- (a) **401(k) Plan Restoration Benefit.** For each Plan Year, the Company shall credit to the 401(k) Plan Restoration Account of each Participant an amount equal to:
- (1) the portion of the Participant’s Eligible Compensation for the Plan Year that exceeds the limit in effect for such Plan Year under Code section 401(a)(17); multiplied by
 - (2) the matching contribution percentage that would have applied to the Participant under the 401(k) Plan for such Plan Year assuming that he or she had been contributing at a rate to qualify for the maximum matching contribution percentage under the 401(k) Plan.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (b) **Investment Plan Restoration Benefit.** For each Plan Year, the Company shall credit to the Investment Plan Restoration Account of each Participant who is also an eligible participant under the Investment Plan during the same Plan Year an amount equal to the difference between—
- (1) the annual contribution to which the Participant would be entitled to under the Investment Plan for such Plan Year, calculated without regard to the compensation and benefit limits in effect pursuant to Code sections 401(a)(17) and 415; and
 - (2) the annual contribution actually allocated to the Participant's account under the Investment Plan for such Plan Year.
- However, notwithstanding the above, a Participant shall be entitled to an allocation under this section 5.2(b) for a Plan Year only if (i) he or she is actively employed on the last day of the Plan Year or (ii) incurs a Separation from Service before the last day of the Plan Year on account of death, disability, or termination of employment after reaching age 55.
- (c) **Timing.** Contributions under this section 5.2 shall be credited to each Participant's DC Restoration Account at the time or times determined by the Committee within its sole and absolute discretion, but in no event shall contributions for a Plan Year be allocated to a Participant's DC Restoration Account later than March 1 of the next following Plan Year (or as soon as administratively practicable after such date).

5.3 Investment Gains and Losses.

Amounts credited to a Participant's DC Restoration Account shall be adjusted as of each Valuation Date to reflect the earnings and losses that would have occurred had such account actually been invested in the manner described in subsection (a) and (b) below.

- (a) **401(k) Plan Restoration Account.**
- (1) **Before 2009.** Prior to January 1, 2009, a Participant's 401(k) Plan Restoration Account shall be deemed to be invested at all times in Company Stock.
 - (A) **Company Allocations.** Whenever an allocation is made to the Participant's 401(k) Plan Restoration Account under section 5.2, such account shall be credited with a number of phantom shares of Company Stock equal to—
 - (i) the amount of such Company allocation; divided by
 - (ii) the closing price of the Company Stock on the date of such allocation.
 - (B) **Cash Dividends.** Whenever the Company pays a cash dividend with respect to Company Stock, the Company will credit an additional number

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

of phantom shares of Company Stock to the Participant's 401(k) Plan Restoration Account equal to—

- (i) the number of phantom shares of Company Stock credited to such account as of the date of record for such dividend; multiplied by
- (ii) the per share cash dividend amount; divided by
- (iii) the closing price of the Company Stock on the dividend payment date.

(C) **Stock Dividends.** Whenever the Company pays a stock dividend, the Company will credit an additional number of phantom shares of Company Stock to the Participant's 401(k) Plan Restoration Account equal to—

- (i) the number of phantom shares of Company Stock credited to such account as of the date of record for such dividend; multiplied by
- (ii) the per share stock dividend rate.

(2) **After 2008.** Except as otherwise provided in subsection (c) below:

- (A) All allocations made to a Participant's 401(k) Plan Restoration Account under section 5.2 on and after January 1, 2009 shall be deemed to be invested in the Target Date Retirement Fund;
- (B) Effective February 19, 2009, 50 percent of the portion of the Participant's 401(k) Plan Restoration Account that is deemed to be invested in phantom shares of Company Stock (as determined on February 18, 2009) shall be transferred from such deemed investment into a deemed investment in the Target Date Retirement Fund; and
- (C) Effective May 21, 2009, the remaining portion of the Participant's 401(k) Plan Restoration Account that is deemed to be invested in phantom shares of Company Stock (as determined on May 20, 2009) shall be transferred from such deemed investment into a deemed investment in the Target Date Retirement Fund.

(b) **Investment Plan Account.** Except as provided in subsection (c) below, 75 percent of all amounts allocated to the Investment Plan Restoration Account shall be deemed to be invested in the Target Date Retirement Fund and 25 percent of all such amounts shall be deemed to be invested in the Stable Value Fund.

(c) **Investment Transfers.**

- (1) **Active Participants.** A Participant who continues in active employment after reaching age 55 may, one time per Plan Year, transfer all or any portion of his or

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

her DC Restoration Account that is deemed to be invested in the Target Date Retirement Fund to the Stable Value Fund. Any such election shall be made at a time, and in a manner, prescribed by the Committee.

- (2) **Former Participants.** A Participant who incurs a Separation from Service before reaching age 65, and who has not yet received a complete distribution of his or her DC Restoration Account, may one time per Plan Year, transfer all or any portion of his or her DC Restoration Account that is deemed to be invested in the Target Date Retirement Fund to the Stable Value Fund.

5.4 Vesting

- (a) **401(k) Plan Restoration Account.** A Participant shall at all times have a fully vested interest in his or her 401(k) Plan Restoration Account.
- (b) **Investment Plan Restoration Account.** A Participant will become fully vested in his or her Investment Plan Restoration Account upon the earlier of—
 - (1) completing three Years of Vesting Service; or
 - (2) attaining age 55 while actively employed by the Company or an Affiliate.

A Participant who incurs a Separation from Service before reaching age 55 or completing three Years of Vesting Service will forfeit all amounts accumulated in his or her Investment Plan Restoration Account.

5.5 Distributions Following a Separation from Service

- (a) **Time of Payment.** The payment of vested benefits under this Article 5 shall commence as soon as administratively practicable following the first day of the month next following the month in which the six-month anniversary of the Participant's Separation from Service occurs. In no event, however, shall payment commence later than the last day of the Plan Year in which such six-month anniversary occurs (or the 15th day of the third calendar month following such six-month anniversary, if later).
- (b) **Form of Payment.** Except as otherwise provided in section 10.3, the Participant's DC Restoration Account shall be distributed as of the benefit payment date determined under section 5.5(a) in the form of three installments, with—
 - (1) the first installment occurring on the benefit payment date determined under section 5.5(a) above, and comprised of a cash payment equal to one-third of the amount credited to the Participant's DC Restoration Account as of such payment date;
 - (2) the second installment occurring in January of the Plan Year next following the Plan Year in which the first installment is paid, and comprised of a cash payment equal to 50 percent of the amount credited to the Participant's DC Restoration Account as of such payment date; and

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (3) the third installment occurring in January of the Plan Year next following the Plan Year in which the second installment is paid, and comprised of a cash payment equal to the balance remaining in the Participant's DC Restoration Account as of such payment date.

During the installment distribution period described under this section 5.5(b), the Participant's remaining DC Restoration Account will continue to be adjusted for gains and losses under section 5.3 until such account has been completely distributed.

5.6 Distributions upon the Participant's Death

- (a) **Death Before the Benefit Commencement Date.** If a Participant dies after having received one or more installment payments under section 5.5, any installment that remains unpaid as of the date of the Participant's death shall be distributed to the Participant's Beneficiary on the same date on which such installment payment would have been distributed to the Participant in accordance with section 5.5(b).
- (b) **Death After Benefit Commencement Date.** If a Participant dies before his or her benefit commencement date (as determined under section 5.5), the vested balance of the Participant's DC Restoration Account shall be distributed to the Participant's Beneficiary in three installments, with—
 - (1) the first installment occurring as soon as practicable following the Participant's death, but no later than the last day of the Plan Year in which the Participant died (or the 15th day of the third calendar month following date of the Participant's death, if later), and comprised of a cash payment equal to one-third of the amount credited to the Participant's DC Restoration Account;
 - (2) the second installment occurring in January of the Plan Year next following the Plan Year in which the first installment is paid, and comprised of a cash payment equal to one-half of the amount credited to the Participant's DC Restoration Account; and
 - (3) the third installment occurring in January of the Plan Year next following the Plan Year in which the second installment is paid, and comprised of a cash payment equal to the balance remaining in the Participant's DC Restoration Account.

During the installment distribution period described under this section 5.6, the Participant's DC Restoration Account will continue to be adjusted for gains and losses under section 5.3 until the entire benefit has been completely distributed.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Article 6. DC SERP Benefit

6.1 Eligibility and Participation

- (a) **Eligibility.** An Employee shall be eligible to become a Participant with respect to the DC SERP Benefit described in this Article 6 if he or she—
- (1) first becomes an officer of the Company on or after January 1, 2008; and
 - (2) is determined by the Committee to be among a select group of management or highly compensated employees.
- (b) **Date of Participation.** Each Employee who is eligible to participate under subsection (a) shall become a Participant under this Article 6 as of the first day of the month next following the month in which he or she first meets the eligibility requirements described in section 6.1(a).
- (c) **Duration of Participation.** An individual who becomes a Participant under this section 6.1 shall continue as an active Participant under this Article 6 (and be entitled to the benefits described in section 6.2 below) until the earlier of the date on which he or she—
- (1) is determined by the Committee as no longer meeting the requirements of subsection (a); or
 - (2) incurs a Separation from Service.

When active participation ends under subsection (c)(1) or (c)(2), the individual will continue as an inactive Participant with respect to the DC SERP Benefit until he or she has received a complete distribution of any benefits earned under this Article 6 (or forfeits any such benefits under section 6.4).

6.2 Benefits

- (a) **Amount.** For each Plan Year:
- (1) the Company shall credit 7.50 percent of each Participant's Eligible Compensation for that Plan Year to his or her DC SERP Account; and
 - (2) the Company shall provide the Participant with a number of Restricted Stock Units equal to (A) 2.50 percent of the Participant's Eligible Compensation for that Plan Year, divided by (B) the closing price of the Company Stock as of the contribution date determined under subsection (b) below.
- (b) **Timing.**
- (1) The amount determined under section 6.2(a)(1) for any Plan Year shall be credited to the Participant's DC SERP Account as of a date or dates selected by

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

the Committee within its sole and absolute discretion, but in no event shall these amounts be credited later than March 1 of the next following Plan Year (or as soon as administratively practicable after such date).

- (2) The Restricted Stock Units determined under section 6.2(a)(2) for any Plan Year shall be issued to the Participant as of a date or dates selected by the Committee within its sole and absolute discretion, but in no event shall these Restricted Stock Units be issued later than March 1 of the next following Plan Year (or as soon as administratively practicable after such date).

6.3 Investment Gains and Losses.

- (a) **DC SERP Account:** A Participant's DC SERP Account shall be adjusted for earnings as of each Valuation Date at a rate equal to 120 percent of the Federal long-term rate as determined under Code section 1274(d) for January of the Plan Year in which the Valuation Date occurs.
- (b) **Restricted Stock Units:** Each Participant shall be entitled to the following with respect to his or her Restricted Stock Units:
 - (1) **Cash Dividends.** Whenever the Company pays a cash dividend with respect to Company Stock, the Company will issue an additional number of Restricted Stock Units to a Participant under this Article 6 equal to—
 - (A) the number of Restricted Stock Units held by the Participant as of the date of record for such dividend; multiplied by
 - (B) the per share cash dividend amount; divided by
 - (C) the closing price of the Company's Stock on the dividend payment date.
 - (2) **Stock Dividends.** Whenever the Company pays a stock dividend with respect to Company Stock, the Company will issue an additional number of Restricted Stock Units to a Participant under this Article 6 equal to—
 - (A) the number of Restricted Stock Units held by the Participant as of the date of record for such dividend; multiplied by
 - (B) the per share stock dividend rate.

6.4 Vesting

A Participant shall become vested in both the DC SERP Account and his or her Restricted Stock Units upon attaining age 55 and completing five Years of Vesting Service as an officer. A Participant who incurs a Separation from Service before reaching age 55 or before completing five Years of Vesting Service as an officer will forfeit all amounts accumulated in his or her DC SERP Account and all of the Restricted Stock Units granted under this Article 6.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

6.5 Distributions Following a Separation from Service

- (a) **Time of Payment.** The payment of vested benefits under this Article 6 shall commence as soon as administratively practicable following the first day of the month next following the month in which the six-month anniversary of the Participant's Separation from Service occurs. In no event, however, shall payment commence later than the last day of the Plan Year in which such six-month anniversary occurs (or the 15th day of the third calendar month following such six-month anniversary, if later).
- (b) **Form of Payment.** Except as otherwise provided in section 10.3, the Participant's vested benefit under this Article 6 shall be distributed as of the benefit payment date determined under section 6.5(a) in the form of three installments, with—
- (1) the first installment occurring on the benefit payment date determined under section 6.5(a) above, and comprised of—
 - (A) a cash payment equal to one-third of the amount credited to the Participant's DC SERP Account as of such payment date; and
 - (B) a number of shares of Company Stock equal to one-third of the number of the Participant's Restricted Stock Units as of such payment date (rounded down to the nearest whole number with the any remaining fractional Restricted Stock Unit converted to, and distributed as, cash);
 - (2) the second installment occurring in January of the Plan Year next following the Plan Year in which the first installment is paid, and comprised of—
 - (A) a cash payment equal to one-half of the amount credited to the Participant's DC SERP Account as of such payment date; and
 - (B) a number of shares of Company Stock equal to one-half of the number of the Participant's Restricted Stock Units as of such payment date (rounded down to the nearest whole number with the any remaining fractional Restricted Stock Unit converted to, and distributed as, cash); and
 - (3) the third installment occurring in January of the Plan Year next following the Plan Year in which the second installment is paid, and comprised of —
 - (A) a cash payment equal to the balance remaining in the Participant's DC SERP Account as of such payment date; and
 - (B) a number of shares of Company Stock equal to remaining number of the Participant's Restricted Stock Units as of such payment date (rounded down to the nearest whole number with the any remaining fractional Restricted Stock Unit converted to, and distributed as, cash).

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

During the installment distribution period described under this section 6.5(b), the Participant's DC SERP Benefit will continue to be adjusted for gains and losses under section 6.3 until the entire benefit has been completely distributed.

6.6 Distributions Upon the Participant's Death

- (a) **Death Before the Benefit Commencement Date.** If a Participant dies after having received one or more installment payments under section 6.5, any installment that remains unpaid as of the date of the Participant's death shall be distributed to the Participant's Beneficiary on the same date (and in the same manner) on which such installment payment would have been distributed to the Participant in accordance with section 6.5(b).
- (b) **Death After Benefit Commencement Date.** If a Participant dies before his or her benefit commencement date (as determined under section 6.5), the Participant's vested DC SERP Benefit shall be distributed to the Participant's Beneficiary in three installments, with—
- (1) the first installment occurring as soon as administratively practicable following the Participant's death, but no later than the last day of the Plan Year in which the Participant died (or the 15th day of the third calendar month following date of the Participant's death, if later), and comprised of—
 - (A) a cash payment equal to one-third of the amount credited to the Participant's DC SERP Account as of such payment date; and
 - (B) a number of shares of Company Stock equal to one-third of the number of the Participant's Restricted Stock Units as of such payment date (rounded down to the nearest whole number with the any remaining fractional Restricted Stock Unit converted to, and distributed as, cash);
 - (2) the second installment occurring in January of the Plan Year following the Plan Year in which the first installment is paid, and comprised of—
 - (A) a cash payment equal to one-half of the amount credited to the Participant's DC SERP Account as of such payment date; and
 - (B) a number of shares of Company Stock equal to one-half of the number of the Participant's Restricted Stock Units as of such payment date (rounded down to the nearest whole number with the any remaining fractional Restricted Stock Unit converted to, and distributed as, cash); and
 - (3) the third installment occurring in January of the Plan Year following the Plan Year in which the second installment is paid, and comprised of –
 - (A) a cash payment equal to the balance remaining in the Participant's DC SERP Account as of such payment date; and

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (B) a number of shares of Company Stock equal to the remaining number of the Participant's Restricted Stock Units as of such payment date (rounded down to the nearest whole number with the any remaining fractional Restricted Stock Unit converted to, and distributed as, cash).

During the installment distribution period described under this section 6.6, the Participant's DC SERP Benefit will continue to be adjusted for gains and losses under section 6.3 until the entire benefit has been completely distributed.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Article 7. Participation Agreements

7.1 Social Security Bridge Benefit

(a) **Eligibility.** An Employee shall be eligible to become a Participant with respect to the Social Security bridge benefit described in this section 7.1 if he or she

- (1) is determined by the Committee to be among a select group of management or highly compensated employees; and
- (2) has entered into a Participation Agreement requiring his or her immediate retirement from the Company and its Affiliates in exchange for the Social Security bridge benefit described below.

An individual who has met the eligibility requirements described in paragraphs (1) and (2) above shall become a Participant with respect to the Social Security bridge benefit described in this section 7.1 as of the first day of the month next following the month in which he or she incurred a Separation from Service. Such Participant shall continue as an inactive Participant under this Article 7 until he or she has received a complete distribution of all benefits to which he or she is entitled under his or her individual Participation Agreement.

(b) **Amount.** The Social Security bridge benefit payable pursuant to a Participation Agreement shall be a monthly payment equal to the amount specified in the Participant's Participation Agreement (but not to exceed the estimated monthly benefit the Participant would be entitled to under the Social Security Act commencing at age 62).

(c) **Commencement.**

- (1) **In General.** Except as otherwise provided in subsection (c)(2), the monthly Social Security bridge benefit described in this section 7.1 shall commence on the first day of the month next following the month in which the Participant incurred a Separation from Service.
- (2) **Delayed Commencement for Key Employees.** If the Participant is a Key Employee upon his or her Separation from Service, payment of the Social Security bridge benefit described in this section 7.1 shall commence as of the first day of the month next following the month in which the six-month anniversary of the Participant's Separation from Service occurs. However, the first benefit payment will include the payments (with no adjustment for interest) the Participant would have received had his or her benefit commencement date been the date determined under section 7.1(c)(1).

(d) **Duration.** The payment of the monthly Social Security bridge benefit under this section 7.1 shall cease as of the first day of the month next following the earlier of—

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (1) the month in which the Participant attains age 62; or
- (2) the month of the Participant's death.

7.2 Qualified Pension Plan Enhancement.

(a) **Eligibility.** An Employee shall be eligible to become a Participant with respect to the Qualified Pension Plan enhancement described in this section 7.2 if he or she—

- (1) is an active participant under the Qualified Pension Plan;
- (2) would be entitled to an immediate normal or early retirement benefit under the Qualified Pension Plan upon his or her Separation from Service;
- (3) is determined by the Committee to be among a select group of management or highly compensated employees; and
- (4) has entered into a Participation Agreement requiring his or her immediate retirement from the Company and its Affiliates in exchange for the Qualified Pension Plan enhancement described below.

An individual who has met the eligibility requirements described in this subsection (a) shall become a Participant under this section 7.2 as of the first day of the month next following the month in which he or she incurred a Separation from Service. Such Participant shall continue as an inactive Participant under this Article 7 until he or she has received a complete distribution of all benefits provided for under his or her individual Participation Agreement.

(b) **Amount.**

(1) **Executive Benefit Participants.** The Qualified Pension Plan enhancement payable under a Participation Agreement on behalf of a Participant who is also entitled to an Executive Benefit under Article 3 shall equal (A) minus the sum of (B), (C), and (D) where:

(A) is the Gross Executive SERP Benefit determined as of the Participant's benefit commencement date under Article 3, but calculated—

- (i) assuming the Participant's Years of Benefit Service are a stated number of years greater than his or her actual Years of Benefit Service (as specified in the individual Participation Agreement); and
- (ii) assuming the Participant's age as of the date of his or her Separation from Service is a stated number of years older than his or her actual age (as specified in the individual Participation Agreement); and

(B) is the Net Executive SERP Benefit actually payable to the Participant as of the benefit commencement date determined under Article 3 (and

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

calculated without regard to the additional Years of Benefit Service and years of age specified under section 7.2(b)(1)(A));

- (C) is the Gross Executive Restoration Benefit determined as of the Participant's benefit commencement date under Article 3 (and calculated without regard to the additional Years of Benefit Service and years of age specified under section 7.2(b)(1)(A));
 - (D) is the Participant's Social Security Benefit (with such offset applied as of the later of the Participant's benefit commencement date under Article 3 or the first day of the month next following the month in which the Participant reaches age 62).
- (2) **DB Restoration Participants.** The Qualified Pension Plan enhancement payable under a Participation Agreement on behalf of a Participant who is also entitled to a DB Restoration Benefit under Article 4 shall be calculated initially as a Single Life Annuity equal to (A) minus (B) where:
- (A) is the monthly benefit to which the Participant would be entitled under Article 4 as of the first day of the month next following the month in which the Participant incurs a Separation from Service , but calculated—
 - (i) assuming the Years of Benefit Service used in the calculation of the amount described in section 4.2(b)(1) are a stated number of years greater than his or her actual Years of Benefit Service (as specified in the individual Participation Agreement); and
 - (ii) assuming the Participant's age as of the date of his or her Separation from Service that is used in calculating the reductions under section 4.3(b) or 4.4(b) (as applicable) is a stated number of years older than his or her actual age (as specified in the individual Participation Agreement); and
 - (B) is the monthly benefit actually payable to the Participant under Article 4 as of the first day of the month next following the month in which the Participant incurs a Separation from Service (and calculated without regard to the additional Years of Benefit Service and years of age specified under section 7.2(b)(2)(A)).
- (3) **Other Participants.** The Qualified Pension Plan enhancement payable under a Participation Agreement on behalf of a Participant who is not entitled to a benefit under Article 3 or Article 4 shall be calculated initially as a Single Life Annuity equal to (A) minus (B) where:
- (A) is the monthly benefit to which the Participant would be entitled under the Qualified Pension Plan commencing as of the first day of the month next

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

following the month in which the Participant incurs a Separation from Service, but calculated—

- (i) without regard to the compensation and benefit limits in effect under the Qualified Pension Plan pursuant to Code sections 401(a)(17) and 415;
- (ii) assuming the Participant's Years of Benefit Service are a stated number of years greater than his or her actual Years of Benefit Service (as specified in the individual Participation Agreement); and
- (iii) assuming the Participant's age as of the date of his or her Separation from Service is a stated number of years older than his or her actual age (as specified in the individual Participation Agreement); and

- (B) is the monthly benefit actually payable to the Participant under the Qualified Pension Plan as of the first day of the month next following the month in which the Participant incurs a Separation from Service (as limited by Code sections 401(a)(17) and 415 and calculated without regard to the additional Years of Benefit Service and years of age specified under section 7.2(b)(3)(A)).

(c) **Commencement.**

- (1) **Executive Benefit Participants.** The Qualified Pension Plan enhancement payable to a Participant who is also entitled to an Executive Benefit under Article 3 shall be the Participant's benefit commencement date as determined under Article 3.
- (2) **DB Restoration Participants.** The Qualified Pension Plan enhancement payable to a Participant who is also entitled to a DB Restoration Benefit under Article 4 shall be the Participant's benefit commencement date as determined under Article 4.
- (3) **Other Participants.**
 - (A) **General Rule.** Except as otherwise provided in subparagraph (c)(3)(B), the Qualified Pension Plan enhancement payable to a Participant who is not described in subsection (c)(1) or (c)(2) above shall commence on the first day of the month next following the month in which the Participant incurs a Separation from Service.
 - (B) **Delayed Commencement for Key Employees.** If a Participant described in this subsection (c)(3) is a Key Employee upon his or her Separation from Service, payment of the Qualified Pension Plan enhancement described in this section 7.2 shall commence as of the first day of the month next

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

following the month in which the six-month anniversary of the Participant's Separation from Service occurs. However, the first benefit payment will include the payments (with no adjustment for interest) the Participant would have received had his or her benefit commencement date been the date determined under section 7.2(c)(3)(A).

(d) **Form of Payment.**

- (1) **Executive Benefit Participant.** The Qualified Pension Plan enhancement payable to a Participant who is also entitled to an Executive Benefit under Article 3 shall be distributed to the Participant in the same form (and with the same Beneficiary) as his or her Net Executive SERP Benefit. (If this Qualified Pension Plan enhancement is distributed in a form other than a Joint and 75 Percent Survivor Annuity, the amount payable shall be the Actuarial Equivalent of such Joint and 75 Percent Survivor Annuity, as determined under section 3.6(b).)
- (2) **DB Restoration Participant.** The Qualified Pension Plan enhancement payable to a Participant who is also entitled to a DB Restoration Benefit under Article 4 shall be distributed to the Participant in the same form (and with the same Beneficiary, as applicable) as his or her DB Restoration Benefit. (If this Qualified Pension Plan enhancement is distributed in a form other than a Single Life Annuity, the amount payable shall be the Actuarial Equivalent of the Single Life Annuity calculated under section 7.2(b)(2) above.)
- (3) **Other Participants.** In lieu of the Single Life Annuity determined under section 7.2(b)(3), a Participant who is not described in subsection (d)(1) or (d)(2) above may elect instead, at any time before his or her benefit commencement date and in a manner specified by the Committee, to receive his or her Qualified Pension Plan enhancement in any one of the following forms of payment (each of which shall be the Actuarial Equivalent of the Single Life Annuity):
 - (A) Joint and 50 Percent Survivor Annuity;
 - (B) Joint and 75 Percent Survivor Annuity;
 - (C) Joint and 100 Percent Survivor Annuity;
 - (D) Five-Year Certain and Life Annuity;
 - (E) 10-Year Certain and Life Annuity; or
 - (F) Level Income Annuity.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Article 8.Financing and Administration

8.1 Financing

- (a) **General Creditors.** The Plan constitutes a mere promise of the Company to make payments in accordance with the terms of the Plan. This Plan does not give any Participant or Beneficiary any interest, lien, or claim in or against any specific assets of the Company or any Affiliate. Each Participant and Beneficiary shall have only the rights of general, unsecured creditors of the Company and its Affiliates with respect to their rights under the Plan.
- (b) **Allocation Among Employers.** The obligation to pay Plan benefits shall be the obligation of the Employers whose Employees are Participants entitled to such benefits. Except to the extent provided in subsection (c), each Employer shall provide the benefits described in the Plan to its Employees from its general assets. However, the Company may, in its sole discretion, allocate the total liability to pay benefits under the Plan among the Employers in such manner and amounts as it deems appropriate.
- (c) **Alternative Funding.** The Company may, but shall not be required to, establish a grantor trust as a funding source for its obligations under the Plan. If such a trust is established, it shall constitute an unfunded arrangement for purposes of the Plan, and the Plan shall continue to be an unfunded plan maintained for the purpose of providing deferred compensation to a select group of management or highly compensated employees under ERISA. With respect to any Participant, the assets of any such trust shall remain subject to the claims of the creditors of that Participant's Employer in the event of the Employer's bankruptcy or insolvency. However, to the extent that funds placed in a trust and allocable to the benefits payable under the Plan are sufficient, the trust assets may be used to pay benefits under the Plan. If such trust assets are not sufficient to pay all benefits due under the Plan, then the appropriate Employer shall have the obligation, and the Participant or Beneficiary who is due such benefits shall look to such Employer to provide such benefits.

8.2 The Committee

The Plan shall be administered by the Committee created through the adoption of a resolution by the Board providing for at least three, but no more than seven, Employees holding certain job titles will serve as Committee members. A Committee member will lose his or her status as such if he or she ceases to hold the job title specified in the Board resolution. In that case, the successor to such job title shall become a member of the Committee. In addition, any member of the Committee may resign by delivering his or her written resignation to the Board.

8.3 Manner of Action

A majority of the members of the Committee at the time in office shall constitute a quorum for the transaction of business. All resolutions adopted, and other actions taken by the Committee at any meeting shall be by the vote of a majority of those present at any such

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

meeting. Upon obtaining the written consent of a majority of the members at the time in office, action of the Committee may be taken otherwise than at a meeting.

8.4 Committee's Powers and Duties

The Committee shall have responsibility for the general administration of the Plan and for carrying out the Plan's provisions. The Committee shall have such powers and duties as may be necessary to discharge its functions hereunder, including, but not limited to, the following:

- (a) To construe and interpret the Plan, to supply all omissions from, correct deficiencies in and resolve ambiguities in the language of the Plan, and to determine any question arising under the Plan or in connection with the administration or operation thereof;
- (b) To decide all questions of eligibility;
- (c) To determine the amount, manner, and time of payment of any benefits that may be payable to any person;
- (d) With the advice of an actuary, from time to time to adopt, for purposes of the Plan, such actuarial and other tables as it may deem necessary or appropriate for the operation of the Plan;
- (e) To obtain from individuals such information as shall be necessary for the proper administration of the Plan and, when appropriate, to furnish such information promptly to the persons entitled thereto;
- (f) To prepare and distribute, in such manner as the Company determines to be appropriate, information explaining the Plan;
- (g) To establish rules for the administration of the Plan;
- (h) To maintain the necessary records, as determined by the Company in its sole discretion, of the administration of the Plan;
- (i) To authorize all disbursements by the Employers pursuant to the Plan;
- (j) To prepare and file, or respond to any governmental forms or documents;
- (k) To designate Affiliates as Employers as described in Plan section 8.5 (to the extent authorized by the Board);
- (l) To delegate to other individuals or entities from time to time the performance of any of its duties or responsibilities hereunder;
- (m) To hire agents, accountants, actuaries, consultants and legal counsel to assist in operating and administering the Plan; and
- (n) To exercise such other powers as are not inconsistent with the intent and purposes of this Plan.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

8.5 Delegation of Powers and Duties

- (a) **Subcommittees.** The Committee may appoint one or more subcommittees and delegate such of its power and duties as it deems desirable to any such subcommittee, in which case every reference made herein to the Committee shall be deemed to include the subcommittees as to matters within their jurisdiction.
- (b) **Specialists.** The Committee may authorize one or more of their members or any agent to execute or deliver any instrument or instruments on their behalf, and may employ such counsel, auditors, and other specialists and such clerical, actuarial, and other services as they may require in carrying out the provisions of the Plan.

8.6 Committee's Decisions Conclusive

The Committee shall have the exclusive right and discretionary authority to interpret the terms and provisions of the Plan and to resolve all questions arising hereunder, including the right to resolve and remedy ambiguities, inconsistencies, or omissions in the Plan; provided, however, that the construction necessary for the Plan to conform to the Code and ERISA shall in all cases control. Benefits under this Plan shall be paid only if the Committee decides in its discretion that the applicant is entitled to them. Any and all disputes with respect to the Plan that may arise involving Participants, Beneficiaries or alternate payees shall be referred to the Committee and its decisions shall be final, conclusive, and binding. All findings of fact, interpretations, determinations, and decisions of the Committee in respect of any matter or question arising under the Plan shall be final, conclusive, and binding upon all persons, including, without limitation, Employees, Participants, Beneficiaries, alternate payees, and any and all other persons having, or claiming to have, any interest in or under the Plan. The decisions of the Committee shall be given the maximum possible deference allowed by law.

8.7 Compensation, Indemnity and Liability

Committee members shall serve without compensation for services hereunder. All expenses of the Committee shall be paid by the Employers. No member of the Committee shall be liable for any act or omission of any other member of the Committee, or for any act or omission on his own part, except with regard to his or her own willful misconduct. The Employers shall indemnify and hold harmless the Committee and each member thereof against any and all expenses and liabilities, including reasonable legal fees and expenses, arising out of his or membership on the Committee, excepting only expenses and liabilities arising out of his own willful misconduct.

8.8 Notice of Address

Each person entitled to benefits from the Plan must file with the Committee or its agent, in writing, his or her post office address and each change of post office address. Any communication, statement, or notice addressed to such a person at his or her latest reported post office address will be binding for all purposes of the Plan, and neither the Committee nor the Company shall be obliged to search for or ascertain such person's whereabouts.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

8.9 Data

All persons entitled to benefits from the Plan must furnish to the Company such documents, evidence, or information, including information concerning marital status, as the Company considers necessary or desirable for the purpose of administering the Plan.

8.10 Benefit Claims Procedures

This section 8.10 shall be subject to, and shall apply to the extent required under, Department of Labor Regulations section 2560.503-1 (relating to the requirements of claims procedures). All decisions made under the procedures described in this section shall be final and there shall be no further right of appeal.

- (a) No lawsuit may be initiated by any person before fully pursuing the procedures set forth in this Plan section, including the appeal permitted under subsection (d). The right of a Participant, Beneficiary, alternate payee, or any other person entitled to claim a benefit under the Plan shall be determined by the Committee; provided, however, that the Committee may delegate its responsibility to any person. All persons entitled to claim a benefit under the Plan shall be referred to as a "Claimant" for purpose of this section 8.10. The term "Claimant" shall also include, where appropriate to the context, any person authorized to represent the Claimant under procedures established by the Committee.
 - (1) The Claimant may file a claim for benefits by written notice to the Committee.
 - (2) Any such claim shall be filed with the Committee no later than 18 months after the date that a transaction occurred, or should have occurred, with respect to a Claimant's benefits under the Plan. The Committee in its sole discretion shall determine whether this limitation period has been exceeded.
- (b) If a claim for benefits is wholly or partially denied, the Committee shall, within a reasonable period of time, but no later than 90 days after receipt of the claim, notify the Claimant of the denial of benefits. In the case of a claim, if special circumstances justify extending the period up to an additional 90 days, the Claimant shall be given written notice of this extension within the initial 90-day period, and such notice shall set forth the special circumstances and the date on which a decision is expected.
- (c) A notice of denial:
 - (1) shall be written in a manner calculated to be understood by the Claimant; and
 - (2) shall contain:
 - (A) the specific reasons for denial of the claim;
 - (B) specific reference to the Plan provisions on which the denial is based;

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

- (C) a description of any additional material or information necessary for the Claimant to perfect the claim, along with an explanation as to why such material or information is necessary; and
 - (D) an explanation of the Plan's claim review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA section 502(a) following an adverse determination on review.
- (d) Within 60 days of the receipt by the Claimant of the written denial of his or her claim or, if the claim has not been granted, within a reasonable period of time (which shall not be less than the applicable time period specified in subsection (b)), the Claimant may file a written request with the Committee that it conduct a full review of the denial of the claim. In connection with the Claimant's appeal, upon request, the Claimant may review and obtain copies of all documents, records and other information relevant to the Claimant's claim for benefits, but not including any document, record or information that is subject to any attorney-client or work-product privilege or whose disclosure would violate the privacy rights or expectations of any person other than the Claimant. The Claimant may submit issues and comments in writing and may submit written comments, documents, records, and other information relating to the claim for benefits. All comments, documents, records, and other information submitted by the Claimant shall be taken into account in the appeal without regard to whether such information was submitted or considered in the initial benefit determination.
- (e) The Committee shall deliver to the Claimant a written decision on the claim promptly, but no later than 60 days after the receipt of the Claimant's request for such review, unless special circumstances exist that justify extending this period up to an additional 60 days. If the period is extended, the Claimant shall be given written notice of this extension during the initial 60-day period and such notice shall set forth the special circumstances and the date a decision is expected. The decision on review of the denial of the claim shall:
- (1) be written in a manner calculated to be understood by the Claimant;
 - (2) include specific reasons for the decision;
 - (3) contain specific references to the Plan provisions on which the decision is based;
 - (4) contain a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and other information relevant to the Claimant's claim for benefits; and
 - (5) contain a statement of the Claimant's right to bring a civil action under ERISA section 502(a) following an adverse determination on review.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Article 9. Amendment and Termination

9.1 Amendments

The Company must necessarily and does hereby reserve the right to amend or modify the Plan at any time by action of the Executive Compensation Committee of the Board. Any amendment shall be in writing and executed by a duly authorized officer of the Company or a member of the Executive Compensation Committee of the Board. However, no amendment will be permitted which would have the effect of reducing or eliminating any benefits earned by a Participant (including both vested and nonvested benefits) under the Plan as of the later of the date on which the amendment is adopted or the date on which the amendment is effective.

9.2 Termination and Liquidation of Plan

The Company, through action of the Executive Compensation Committee of the Board, reserves the right to terminate and liquidate the Plan, or any portions of the Plan, at any time, for any reason provided such action does not result in the assessment of additional tax and/or interest under Code section 409A. Any such action shall be taken by such committee in the form of a written Plan amendment executed by a duly authorized officer of the Company or a member of the Executive Compensation Committee of the Board. However, no action taken under this section 9.2 shall have the effect of decreasing the level of benefits which a Participant would be entitled to receive under the Plan if he or she incurred a Separation from Service with the Company and all Affiliates on the later of:

- (a) The date the resolution to terminate and discontinue the Plan is adopted, or
- (b) The date the resolution to terminate and discontinue the Plan is effective.

If the Plan (or portion of the Plan) is terminated under this section 9.2, all Plan benefits affected by such termination that are earned as of the effective date of such termination shall be treated as fully vested and nonforfeitable and shall be distributed in a single sum as of any date (as determined by the Committee) that would not result in the assessment of additional tax and/or interest under Code section 409A.

9.3 Successors

In case of the merger, consolidation, liquidation, dissolution or reorganization of an Employer, or the sale by an Employer of all or substantially all of its assets, provision may be made by written agreement between the Company and any successor corporation acquiring or receiving a substantial part of the Employer's assets, whereby the Plan shall be continued by the successor. If the Plan is to be continued by the successor, then effective as of the date of the reorganization or transfer, the successor corporation shall be substituted for the Employer under the Plan. To the extent applicable, such written agreement may also specify no later than the closing date of an asset purchase transaction, whether Employees covered by the transaction shall incur a Separation from Service. The substitution of a successor corporation for an Employer shall not in any way be considered a termination of the Plan.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

9.4 Prohibition on Changes Due to Code Section 409A

Notwithstanding the foregoing, the Plan may not be amended or terminated in any manner that would result in the assessment of additional taxes under Code section 409A, as determined by the Executive Compensation Committee of the Board in its sole discretion and in accordance with the advice of counsel.

9.5 Employer Participation and Termination

The Board or, if authorized by the Board, the Committee may designate any Affiliate as an Employer under this Plan. The Affiliate shall become an Employer and a party to this Plan upon acceptance of such designation effective as of the date specified by the Board or Committee.

- (a) **Conditions of Participation.** By accepting such designation or continuing as a party to the Plan, each Employer acknowledges that:
- (1) It is bound by such terms and conditions relating to the Plan as the Company or the Committee may reasonably require;
 - (2) It has authorized the Company and the Committee to act on its behalf with respect to Employer matters pertaining to the Plan; and
 - (3) It shall cooperate fully with the Plan officials and their agents by providing such information and taking such other actions, as they deem appropriate for the efficient administration of the Plan.
- (b) **Withdrawal by Affiliate.** Subject to the concurrence of the Board or Committee, any Affiliate may withdraw from the Plan, and end its status as an Employer hereunder, by communicating in writing to the Committee its desire to withdraw. The withdrawal shall be effective as of the date agreed to by Board or Committee, as the case may be, and the Affiliate. Upon such withdrawal, the Plan shall not be terminated with respect to such Affiliate until all Plan benefits have been distributed to Participants affected by such termination in accordance with other provisions of this Plan.
- (c) **Termination by Company.** The Company, acting through the Board or, if authorized by the Board, the Committee, reserves the right, in its sole discretion and at any time, to terminate the participation in this Plan of any Employer. Such termination shall be effective immediately upon the notice of such termination from the Company and the Employer being terminated, whichever occurs first, or such later effective date agreed to by the Company. Upon such termination, this Plan shall not be terminated with respect to such Affiliate until all Plan benefits have been distributed to Participants affected by such termination in accordance with other provisions of this Plan.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Article 10. Miscellaneous Provisions

10.1 Taxation

It is the intention of the Company that the benefits payable hereunder shall not be deductible by the Employers nor taxable for federal income tax purposes to Participants or Beneficiaries until such benefits are paid by the Employers to such Participants or Beneficiaries. Without limiting the foregoing, it is intended that the Plan meet the requirements of Code section 409A and the Committee shall use its reasonable best efforts to interpret and administer the Plan in accordance with such requirements. When benefits are paid hereunder, it is the intention of the Company that they shall be deductible by the Employers under Code section 162.

10.2 Withholding on Distributions

All distributions shall be net of any applicable federal, state, or local income or employment taxes or any other amounts required to be withheld by law. In addition, the Company or any Affiliate may withhold from a Participant's currently payable salary, bonus, or other compensation any applicable federal, state, or local income or employment taxes that may be due upon accruing benefits under the Plan.

10.3 Benefit Cash-out

(a) Cash-Out of Retirement Benefits.

- (1) If the Actuarial Equivalent lump sum value of the benefits a Participant is entitled to under Article 3, Article 4, Article 7, and all other "nonaccount balance plans" of the Company and its Affiliates does not exceed the Code section 402(g)(1)(B) limit as of a date certain, the Committee may, in its sole discretion, distribute all such benefits under Article 3, Article 4, and Article 7 to the Participant in a single lump sum payment if all of the Participant's other nonaccount balance plan benefits are also paid in a single lump sum payment as of the same date. To the extent that a distribution is being made under this section 10.3(a)(1) on account of a Participant's Separation from Service (for reasons other than the Participant's death), and such Participant is a Key Employee upon his or her Separation from Service, the single lump sum payment described in this section 10.3(a)(1) shall not be paid before the end of the six-month period following the Participant's Separation from Service.
- (2) If the benefits a Participant is entitled to under Article 5, Article 6, and all other "account balance plans" of the Company and its Affiliates does not exceed the Code section 402(g)(1)(B) limit as of a date certain, the Committee may, in its sole discretion, distribute all such benefits under Article 5 and Article 6 to the Participant in a single lump sum payment if all of the Participant's other account balance plan benefits are also paid in a single lump sum payment as of the same date. To the extent that a distribution is being made under this section 10.3(a)(2) on account of a Participant's Separation from Service (for reasons other than the

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

Participant's death), and such Participant is a Key Employee upon his or her Separation from Service, the single lump sum payment described in this section 10.3(a)(2) shall not be paid before the end of the six-month period following the Participant's Separation from Service.

- (b) **Cash-Out of Pre-Retirement Death Benefits.** If the Actuarial Equivalent lump sum value of all preretirement death benefits that become payable to a Participant's surviving spouse under Article 3, Article 4, and all other "nonaccount balance plans" of the Company and all Affiliates does not exceed the Code section 402(g)(1)(B) limit as of a date certain, the Committee may, in its sole discretion, distribute to the surviving spouse in a single lump sum payment all preretirement death benefits to which he or she is entitled to under Article 3 and Article 4 if all of such surviving spouse's other nonaccount balance plan benefits are also paid in a single lump sum payment as of the same date.
- (c) **Definitions.**
- (1) For purposes of this section 10.3, a "nonaccount balance plan" is a plan that meets the requirements of Treasury Regulation section 1.409A-1(c)(2)(i)(C) and which must be aggregated with this Plan under this regulation.
 - (2) For purposes of this section 10.3, an "account balance plan" is a plan that meets the requirements of Treasury Regulation section 1.409A-1(c)(2)(i)(A) and which must be aggregated with this Plan under this regulation.

10.4 Permissible Delays or Accelerations

If the Committee determines that a delay or an acceleration of a Participant's Plan benefits complies with the requirements under Code section 409A (*e.g.*, a delay to comply with Code section 162(m) or an acceleration to pay employment taxes), the Committee may either delay or accelerate the payment of a Participant's Plan benefit in accordance with the terms of Code section 409A in its sole discretion as it deems advisable.

10.5 No Enlargement of Employment Rights

This Plan is strictly a voluntary undertaking on the part of the Company and the Employers and shall not be deemed to constitute a contract between the Employers and any Employee or Participant, Beneficiary, or alternate payee, or to be consideration for, or an inducement to, or a condition of, the employment of any Employee. Nothing contained in this Plan or any modification of the same or act done in pursuance hereof shall be construed as giving any person any legal or equitable right against the Employer, unless specifically provided herein, or as giving any person a right to be retained in the employ of the Employer. All Participants shall remain subject to assignment, reassignment, promotion, transfer, layoff, reduction, suspension, and discharge to the same extent as if this Plan had never been established.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

10.6 Non-Alienation

- (a) Except as otherwise permitted by the Plan, no benefit payable at any time under the Plan shall be subject to the debts or liabilities of a Participant or his or her Beneficiary. Any attempt to alienate, sell, transfer, assign, pledge, or otherwise encumber any such benefit, whether presently or thereafter payable, shall be void. Except as provided in this Plan section, no benefit under the Plan shall be subject in any manner to attachment, garnishment, or encumbrance of any kind.
- (b) Payment may be made from a Participant's Plan benefits to an alternate payee pursuant to a domestic relations order.
 - (1) The Committee shall establish reasonable written procedures for reviewing court orders pursuant to state domestic relations law (including a community property law), relating to child support, alimony payments, or marital property rights of a spouse, former spouse, child, or other dependent of a Participant and for notifying Participants and alternate payees of the receipt of such orders and of the Plan's procedures for determining if the orders are domestic relations orders and for administering distributions under domestic relations orders.
 - (2) Except as may otherwise be required by applicable law, such domestic relations orders may not require a retroactive transfer of all or part of a Participant's Plan benefits.

10.7 Code Section 409A Aggregation Rules

The Company has the authority to provide to any individual or individuals selected by the Company or Committee benefits under the Plan or under a separate agreement, method, program or other arrangement. To the extent that any such separate agreement, method or arrangement constitutes an "account balance plan" (as defined in section 10.3(c)(2)), it shall be aggregated with the benefits provided under Articles 5 and 6 to the extent required by Code section 409A. To the extent that any such separate agreement, method or arrangement constitutes a "nonaccount balance plan" (as defined in section 10.3(c)(1)), it shall be aggregated with the benefits provided under Articles 3, 4, and 7 to the extent required by Code section 409A.

10.8 No Examination or Accounting

Neither this Plan nor any action taken thereunder shall be construed as giving any person the right to an accounting or to examine the books or affairs of the Company or any Affiliate.

10.9 Incompetency

Every person receiving or claiming benefits under the Plan shall be conclusively presumed to be mentally competent and of age until the date on which the Committee receives a written notice, in a form and manner acceptable to the Committee, that such person is incompetent or a minor, for whom a guardian or other person legally vested with the care of his or her person or estate has been appointed. However, if the Committee finds that any person to whom a benefit is payable under the Plan is unable to care for his or her affairs because of

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

incompetency, or is a minor, any payment due (unless a prior claim therefore shall have been made by a duly appointed legal representative) may be paid instead to the guardian of such person or to the person having custody of such person, without further liability on the part of an Employer for the amount of such payment to the person on whose account such payment is made.

10.10 Records Conclusive

The records of the Company, Employer and the Committee shall be conclusive in respect to all matters involved in the administration of the Plan.

10.11 Service of Legal Process

The members of the Committee and the Secretary of the Company are hereby designated agents of the Plan for the purpose of receiving service of summons, subpoena, or other legal process.

10.12 Qualified Military Service

Notwithstanding any provision of this Plan to the contrary, benefits and service credits with respect to qualified military service shall be provided in accordance with Code section 414(u).

10.13 Counterparts

This Plan may be executed in any number of counterparts, each of which shall be deemed to be an original. All the counterparts shall constitute but one and the same instrument and may be sufficiently evidenced by any one counterpart.

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

In Witness Whereof, the authorized officer of the Company has signed this document and has affixed the corporate seal on _____, 2008, but effective as of January 1, 2008.

Sonoco Products Company

By _____

Its _____

Sonoco Omnibus Benefit Restoration Plan
October 2, 2008

DEFERRED COMPENSATION PLAN
FOR
OUTSIDE DIRECTORS OF
SONOCO PRODUCTS COMPANY
Effective January 1, 1990
As amended October 15, 2008

TABLE OF CONTENTS

ARTICLE I	STATEMENT OF PURPOSE	3
ARTICLE II	DEFINITIONS	4 – 5
ARTICLE III	ELIGIBILITY AND PARTICIPATION	6
ARTICLE IV	DEFERRED COMPENSATION ELECTIONS	7 – 8
ARTICLE V	CREDITS TO DEFERRAL ACCOUNTS	9 – 10
ARTICLE VI	ADMINISTRATIVE COMMITTEE & CLAIMS	11 – 12
ARTICLE VII	AMENDMENT AND TERMINATION	13
ARTICLE VIII	MISCELLANEOUS	14 – 15
ARTICLE IX	CONSTRUCTION	16

**SONOCO PRODUCTS COMPANY
DEFERRED COMPENSATION PLAN
FOR OUTSIDE DIRECTORS**

ARTICLE I

STATEMENT OF PURPOSE

The purpose of this plan is to provide outside directors of Sonoco Products Company (the “Company”) the opportunity to defer receipt of compensation earned as a director to a date following separation from service with the Company. This deferral opportunity is designed to help the Company to attract and retain outstanding individuals as Directors of the Company through enhancement of the value of the fees paid to such individuals.

ARTICLE II

DEFINITIONS

When used herein the following terms shall have the meanings indicated unless a different meaning is clearly required by the context.

1. **"Company"**: Sonoco Products Company, a South Carolina Corporation, and its corporate successors.
 2. **"Committee"**: The Administrative Committee appointed by the Board of Directors of the Company to administer this plan.
 3. **"Director"**: Any person who is serving on the Board of Directors and is not an employee of the Company or any of its subsidiaries.
 4. **"Participant"**: A Director or former Director who has deferred fees hereunder and has a credit balance in his deferred compensation account.
 5. **"Separation from Service"**: The date of termination of a Director's active service with the Company as defined under code section 409A.
 6. **"Plan"**: The Deferred Compensation Plan for Outside Directors of Sonoco Products Company as contained herein, and as may be amended from time to time hereafter, together with any election forms that the Committee requires a Participant to complete.
 7. **"Plan Year"**: The period commencing January 1 and ending December 31.
 8. **"Stock Equivalent Account"**: The account described in Article V.
 9. **"Interest Account"**: The account described in Article V.
 10. **"Director's Fees"**: Retainer fees and meeting fees.
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11. “Fixed Payment Period”: The period of years over which annual payments are made to a Participant following his Separation from Service or upon his death preceding his Separation from Service.
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ARTICLE III

ELIGIBILITY AND PARTICIPATION

1. Any Director of the Company who is not also an employee of the Company is eligible to participate in the plan.
 2. The Director may elect to defer receipt of all or a specified part of the compensation payable to the Director for serving on the Board of Directors or committees of the Board of Directors of the Company.
 3. An eligible Director participates in the plan by irrevocably electing on an annual basis, in the manner specified herein, to defer future Director's Fees earned for which the related services commence in the calendar year following the year in which the election is made. Participation commences upon the execution and delivery of a Deferred Compensation Agreement. Such Agreement must be executed (and must become irrevocable) in all cases on or before December 31 preceding the calendar year in which the services related to the Director's Fees to be deferred commence.
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ARTICLE IV

DEFERRED COMPENSATION ELECTIONS

1. A Director electing to defer payment of fees may elect deferral to be invested in the Interest Account and/or the Stock Equivalent Account.
 2. Subject to such limitations as the Committee may impose, a Director electing to defer hereunder shall also elect at the same time as his deferral election, a Fixed Payment Period commencing six months following the Director's Separation from Service over which the amount deferred under such election shall be paid to him in annual installments and a Fixed Payment Period (which may be a different period) over which the unpaid portion of the amount deferred shall be paid to his beneficiary or estate in annual installments in the event of his death before Separation from Service occurs. Finally, the Director may elect to have the unpaid portion of the amount deferred paid in a lump sum to his beneficiary or estate in the event of his death following a Separation of Service.
 3. Any Fixed Payment Period Election to defer compensation shall be irrevocable and may not be changed or modified thereafter by a Participant or the Company.
 4. The fact that a Director has made a particular election with respect to a deferral shall not preclude such Director from making different elections with respect to new elections to defer fees covering future period of service.
 5. In the event of a Fixed Payment Period commencing due to a Separation from Service, the initial amount due shall be paid six months following Separation from Service. In the event of a Fixed Payment Period commencing due to a Participant's death prior to a Separation from Service, the initial payment amount due shall be paid upon death (or on such later date permitted under the regulations to Code
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Section 409A). The amount of any payment during a Fixed Payment Period shall equal the unpaid balance of the amount deferred (including any earnings thereon) immediately preceding the payment date divided by the number of annual payments remaining in the Fixed Payment Period (including the payment that is about to be made).

6. Upon consummation of a Change in Control that qualifies under 409A, all amounts credited to the Stock Equivalent Account and/or Interest Account (along with any amounts deferred but not yet credited to these accounts up to the date of payment), shall be paid in a lump sum payment to the Participant within 30 days following the Change in Control.
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ARTICLE V

CREDITS TO DEFERRAL ACCOUNTS

1. Deferred compensation shall be credited to the Stock Equivalent Account or the Interest Account of a Participant or a combination of these accounts, as the Participant may have elected, as follows:
 - a) One fourth of the annual retainer fee shall be credited on the closing date for each of the Company's fiscal quarters.
 - b) The committee meeting fee shall be credited on the closing date for the Company's fiscal quarter in which the Director attends the committee meeting.
 2. The fees credited to a Stock Equivalent Account shall be converted on the closing date for each of the Company's fiscal quarters into "Stock Equivalents" as though such fees were applied to the purchase of common stock of the Company as follows:

The Director's Account shall be assigned Stock Equivalents which shall be the number of full and fractional (rounded to the nearest tenth) shares of the Company's common stock that could be purchased, with the fees credited to the Director's Account, at the closing price of such common stock as of the end of the fiscal quarter as quoted by the New York Stock Exchange.
 3. As of the payment date for each dividend declared on the Company's common stock, each Director's dividend shall be determined by multiplying the cash dividend per share by the number of full and fractional Stock Equivalents in the Director's Stock Equivalent Account on the dividend payment date, with the resulting dividend amount converted into stock equivalents as though such dividend amounts were applied to the purchase of common stock of the Company.
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4. Six months following a Participant's Separation from Service, the Participant will begin to receive payment(s) from the Stock Equivalent Account and/or Interest Account in accordance with the Participant's elections. Subsequent installments, if any, shall be paid each January until the accounts have been paid in full. Payment(s) from the Stock Equivalent Account will be in the form of shares of common stock equal in number to the amount of Stock Equivalents credited to the eligible Director's Stock Equivalent Account as of the date of payment divided by the number of installment payments remaining to be paid immediately before the payment date. Any remaining fractional share at the end of the payment cycle, will be rounded up and issued as a whole share.
 5. Each month, the balance in the Interest Account will be credited with interest from the date the deferral is credited to the account until payment is complete, at a rate equal to the Merrill Lynch ten year high quality bond index for December 15 of each preceding year.
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ARTICLE VI

ADMINISTRATIVE COMMITTEE & CLAIMS

1. This plan shall be administered by the Governance Committee of the Board of Directors.
 2. The construction and interpretation by the Committee of any provision of this plan shall be final and conclusive.
 3. The administration of this plan is delegated to the Senior Vice President — Human Resources who is responsible for executive compensation and benefits, or at his election, to the Director, Compensation.
 4. No member of the Committee shall be personally liable for any actions taken by the Committee unless the member's action involves willful misconduct.
 5. If any claim for benefits under the Plan is wholly or partially denied, the claimant shall be given notice in writing of such denial within a reasonable period of time (not to exceed 90 days after receipt of the claim or, if special circumstances require an extension of time, written notice of the extension shall be furnished to the claimant and an additional 90 days will be considered reasonable) setting forth the following information: (a) the specific reason or reasons for the denial; (b) specific reference to pertinent Plan provisions on which denial is based; (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and (d) an explanation that a full and fair review by the Committee of the decision denying the claim may be requested by the claimant or his authorized representative by filing with the Committee, within 60 days after such notice has been received, a written request for such review.
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In the event that a claimant does choose to appeal, as described under (d) above, the claimant or his authorized representative may review pertinent documents and submit issues and comments in writing within the same 60-day period specified in subsection (d) above. Upon request (and free of charge), the Member/claimant shall be provided reasonable access to and copies of all documents, records, and other information relevant to his claim for benefits (as further described in DOL regulations, and as determined by the Committee, in its sole discretion), and shall also be informed of his right to bring suit under ERISA.

The decision of the Committee shall be made promptly, and not later than 60 days after the Committee's receipt of the request for review, unless special circumstances require an extension of time for processing, in which case the claimant shall be so notified and a decision shall be rendered as soon as possible, but not later than 120 days after the receipt of the request for review. The claimant shall be given a copy of the decision promptly. The decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based.

ARTICLE VII

AMENDMENT AND TERMINATION

The Company reserves the right, at any time or from time to time, by action of its Board of Directors, to modify or amend in whole or in part any or all provisions of the Plan, or terminate and liquidate the Plan provided, however, any such modification, amendment or termination and liquidation shall not substantially and adversely affect the benefits then in effect. In the event of Plan termination and liquidation by the Company, the Company will pay any benefits otherwise due under the Plan during the first 12 months following a resolution to terminate and liquidate the Plan and shall pay out any remaining amounts deferred under the Plan during the second 12 months following such resolution to terminate and liquidate the Plan. Notwithstanding the above, the Plan shall not be terminated and liquidated unless all other plans required to be aggregated with the Plan under Section 409A of the Code are terminated and liquidated at the same time.

ARTICLE VIII

MISCELLANEOUS

1. **NON-ALIENATION OF BENEFITS.** No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right or benefit under this Deferral shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such benefits. If the Participant or any beneficiary hereunder shall become bankrupt, or attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right hereunder, then such right or benefit shall, in the discretion of the Committee, cease and terminate, and in such event, the Committee may hold or apply the same or any part thereof for the benefit of the Participant or his beneficiary, spouse, children, or other dependents, or any of them in such manner and in such amounts and proportions as the Committee may deem proper.
 2. **NO TRUST CREATED.** The obligations of the Company to make payments hereunder shall constitute a liability of the Company to a Participant. Such payments shall be made from the general funds of the Company, and the Company shall not be required to establish or maintain any special or separate fund, or purchase or acquire life insurance on a Participant's life, or otherwise segregate assets to assure that payment shall be made, and neither a Participant, his estate nor Beneficiary shall have any interest in any particular asset of the Company by reason of its obligations hereunder. The Participant's rights to deferred amounts will be the same as an unsecured general creditor of the Company, and all property and rights to property, including rights as a beneficiary of a life insurance contract purchased with deferred
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amounts, and all income attributable to the deferred amounts and property will remain solely the property of the Company and will be subject to claims of general creditors of the company. Nothing contained in the Plan shall create or be construed as creating a trust of any kind or any other fiduciary relationship between the Company and a Participant or any other person.

3. The effective date of this plan is January 1, 1990.
 4. The plan has been amended effective October 15, 2008, to comply with Section 409A of the Code and the regulations thereunder.
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ARTICLE IX
CONSTRUCTION

1. GOVERNING LAW. This Plan shall be construed and governed in accordance with the laws of the State of South Carolina.
2. GENDER. The masculine gender, where appearing in the plan, shall be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary.
3. HEADINGS, ETC. The cover page of this plan, the Table of Contents and all headings used in this plan are for the convenience of reference only and are not part of the substance of this plan.

**SONOCO PRODUCTS COMPANY
AMENDED AND RESTATED TRUST AGREEMENT
FOR EXECUTIVES**

As of

October 15, 2008

TABLE OF CONTENTS

ARTICLE I		2
1.1	TRUST FUND	2
1.2	IRREVOCABILITY	2
1.3	GRANTOR TRUST	2
1.4	SEPARATE AND APART	2
1.5	BENEFITS NOT TRANSFERABLE	2
1.6	ACCEPTANCE OF TRUST	3
1.7	ADDITIONAL OBLIGATIONS	3
1.8	DEFINITIONS	3
ARTICLE II		4
2.1	INITIAL CONTRIBUTIONS	4
2.2	ADDITIONAL CONTRIBUTIONS	4
2.3	CREDIT CONTRIBUTIONS	5
2.4	SUBSTITUTION OF ASSETS	5
ARTICLE III		5
3.1	BENEFIT ENTITLEMENT	5
3.2	PARTICIPANT INFORMATION	5
3.3	COMPANY RESPONSIBILITY	6
3.4	PAYMENT DUE TO TAXABLE INCOME	6
3.5	SEPARATE ACCOUNTING	6
3.6	COMPANY REIMBURSEMENT	6
3.7	INITIATION OF PAYMENT	7
3.8	FOLLOWING A CHANGE OF CONTROL	7
3.9	RETURN OF ASSETS	8
3.10	EXCESS ASSET DETERMINATION	9
3.11	LETTER OF CREDIT FUNDING ON A CHANGE OF CONTROL OR THREATENED CHANGE OF CONTROL	9
ARTICLE IV		10
4.1	POWERS	10
ARTICLE V		11
5.1	PURCHASE OF CONTRACTS	11
5.2	TRUSTEE POWERS AND DUTIES OVER CONTRACTS	12
5.3	PROCEEDS	12
5.4	PAYMENTS OF PREMIUMS, ASSESSMENTS AND DUES	12
5.5	INSURANCE COMPANY NOT PARTY	12
5.6	CONTRACTS	13
ARTICLE VI		13
6.1	TRUSTEE RECORDS	13
6.2	TAXES	13
6.3	COMPENSATION AND EXPENSES	14
6.4	JUDICIAL SETTLEMENT	14
ARTICLE VII		14
7.1	RELIANCE	14
7.2	ADVICE OF COUNSEL	15

ARTICLE VIII		15
8.1	RESIGNATION	15
8.2	REMOVAL	15
ARTICLE IX		16
9.1	INSOLVENCY	16
9.2	DETERMINATION OF INSOLVENCY	16
9.3	COMPANY OBLIGATIONS	17
9.4	CERTAIN TRANSACTIONS	17
9.5	AMENDMENT	17
ARTICLE X		18
10.1	GOVERNING LAW	18
10.2	TITLES AND HEADINGS	18
10.3	AFFILIATES	18
10.4	ASSIGNMENT	18
10.5	ENTIRE AGREEMENT	18
10.6	SEVERABILITY	18

**SONOCO PRODUCTS COMPANY
AMENDED AND RESTATED
TRUST AGREEMENT FOR EXECUTIVES**

AMENDED AND RESTATED AGREEMENT made as of October 15, 2008, by and between SONOCO PRODUCTS COMPANY, a South Carolina corporation with an office in Hartsville, South Carolina, or any successor corporation (hereinafter referred to as the “Company”) and WACHOVIA BANK, National Association, a national banking association having an office at One West Fourth Street, NC 6251, 5th Floor, Winston-Salem, North Carolina 27101 (hereinafter referred to as the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company has adopted various plans outlined in Appendix I, and may in the future adopt additional plans that provide for benefits to current and former executives or other “Highly Compensated Employees” as that term is defined in the Internal Revenue Code of 1986 (the “Code”) (“Executives”) employed by the Company (collectively the “Plan”); and

WHEREAS, the Company has incurred or expects to incur liability under the terms of the Plan to or with respect to the individuals participating in the Plan or to the beneficiaries of the participating individuals (hereinafter referred to as the “Participants” and “Beneficiaries”); and

WHEREAS, the Plan contemplates that the Company will pay the entire cost of benefits from its general assets and the obligations of the Company under the Plan, such benefits are not funded or otherwise secured, and the Company desires to assure payment under the Plan; and

WHEREAS, by trust agreement dated as of July 26, 1988, and amended as of July 26, 1988 and February 7, 2001, the Company established a trust arrangement (hereinafter referred to as the “Trust”), which was intended to be a grantor trust as generally defined within the Code for the purpose of accumulating assets to assist the Company in fulfilling its obligations under the Plan; to which Trust the Company has made or shall in the future make contributions in the amounts determined by the Company’s Board of Directors in accordance with the terms of the Trust; with the corpus and income of the Trust treated as assets and income of the Company for federal income tax purposes; and

WHEREAS, the Company desires to further amend and restate in its entirety such original trust agreement, as amended; and

WHEREAS, the Company desires that the Trustee hold and administer all funds contributed by the Company, and the Trustee is willing to hold and administer such funds pursuant to the terms of this Agreement; and

WHEREAS, records of separate accounts (hereinafter referred to as “Accounts”) may be created and maintained for each Participant in the Plan to provide a source of payments of the

Company's obligations to Participants under the Plan; and

WHEREAS, the Plan is administered by the Board of Directors of the Company or its designee (hereinafter referred to as the "Committee"); and

WHEREAS, the Company intends that the assets of the Trust shall at all times be subject to the claims of creditors of the Company, as provided below, and that the existence of the Trust shall not cause the Plan to become a funded employee benefit plan for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and shall not be construed to provide taxable income to any participant of the Plan prior to actual payment of benefits thereunder.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the Company and the Trustee do hereby covenant and agree as follows:

ARTICLE I ESTABLISHMENT OF TRUST

1.1 Trust Fund. The Trustee hereby accepts the assets constituting the initial trust corpus contributed by the Company. The Trustee shall receive any contributions paid in cash or in other acceptable property which shall be transferred to the Trustee by the Company. All such money and other property, all investments and reinvestments made therewith or proceeds thereof and all earnings and profits thereon, less all payments and charges shall constitute the Trust Fund. The Trust Fund shall be held, managed and administered by the Trustee pursuant to the terms of this Agreement. The Trustee shall not have a duty or responsibility with respect to the determination of the amount of contributions to this Trust. The Trustee may maintain one or more separate investment funds in the Trust.

1.2 Irrevocability. The Company and the Trustee agree that the Trust created herein shall be irrevocable after December 31, 1992.

1.3 Grantor Trust. This Trust is intended to be a grantor trust under Section 671 of the Code and shall be construed accordingly. All interest and other income earned on the investment of this Trust shall for such purposes be the property of, and taxable to, the Company. All taxes on or with respect to the Trust shall be payable by the Company from its separate funds and shall not be a charge against the Trust.

1.4 Separate and Apart. The Trust shall be held separate and apart from other funds of the Company and shall be used exclusively for the uses and purposes herein set forth. Neither the Plan nor any Participant or Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Trust prior to the time such assets are payable to the Participant or Beneficiary.

1.5 Benefits Not Transferable. No right or interest to receive a benefit from the Trust may be assigned, sold, anticipated, alienated or otherwise transferred by a Participant or Beneficiary.

Any rights created under the Plan and this Trust shall be mere unsecured contractual rights of Participants and Beneficiaries against the Company. Any assets held by the Trust will be subject to the claims of the Company's general creditors under federal and state law in the event of Insolvency.

1.6 Acceptance of Trust. The Trustee accepts the Trust established under this Agreement on the terms and subject to the provisions set forth herein, and it agrees to discharge and perform fully and faithfully all of the duties and obligations imposed upon it under this Agreement.

1.7 Additional Obligations. The Company has provided or will provide the Trustee with true and correct copies of the Plans, and all amendments thereto, to be attached hereto, as Appendix I. The Company may add plans to this Trust, by amending Appendix I and notifying the Trustee in writing, provided such additional plans are subject to the terms of this Agreement. Provided, however, that following a Change in Control or during a Threatened Change in Control Period, the Company may not add plans to this Agreement, add participants to the Payment Schedule, increase payments under the Payment Schedule, or amend any plan covered by this Trust which would increase the accrued benefits payable under this Trust unless it makes a contribution to the Trust sufficient to pay the benefits arising under such plans or changes, plus reasonably anticipated Trustee's fees relating to such plans. Such funding calculation shall be in the same manner as set forth in Section 2.2(b) below. Benefits under any such plans or changes and additional contributions related to such benefits shall be segregated from other liabilities and assets of the Trust and payable only from such segregated additional assets provided in accordance with this Section.

1.8 Definitions.

(a) "Affiliate" shall mean any corporation, partnership or other entity, the majority interest in which is held by the Company directly or through one or more intermediaries.

(b) The "Board" shall mean the Board of Directors of the Company.

(c) "Company" shall have the meaning assigned to such term in the introductory paragraph.

(d) "Participants" shall mean active and former directors and employees of the Company and/or of its Affiliates eligible for a benefit under the Plan.

(e) "Threatened Change in Control" shall occur when:

(1) a corporation, person or group initiates a tender offer to acquire such number of shares as would result in such corporation, person or group holding twenty-five percent (25%) or more of the voting power of the Company's outstanding common shares; or

(2) the Board notifies the Trustee in writing that it has determined that a Change in Control is imminent.

(f) “Threatened Change in Control Period” shall mean the period beginning on the date a Threatened Change in Control commences and ending on the earliest of:

- (1) The date when a corporation, person or group shall have abandoned the tender offer;
- (2) The date the Board shall have notified the Trustee in writing that a Change in Control is no longer imminent when the Threatened Change in Control Period has commenced by reason of a written notification by the Board; or
- (3) The date a Change in Control (as defined in Section 3.7) occurs.

ARTICLE II CONTRIBUTIONS

2.1 Initial Contributions. The Company shall promptly after the execution and delivery of this Agreement, transfer to the Trustee assets to form the corpus of the Trust as determined by the Company.

2.2 Additional Contributions.

(a) The Company, in its sole discretion, may at any time, or from time to time, make additional contributions of cash or other property to the Trustee to augment the principal to be held, administered and disposed of by the Trustee as provided in this Agreement. Neither the Trustee nor any Participant or Beneficiary shall have the right to compel such discretionary additional deposits.

(b) Upon a Change in Control or Threatened Change in Control (the “Funding Trigger Date”), the Company shall, as soon as possible, but in no event later than ten (10) days following the Change in Control or, if sooner, thirty (30) days following the commencement of the Threatened Change in Control Period, make a contribution to the Trust such that the total assets in the Trust equal 110% of the present value of the benefit obligation for the Plans (as of the date of a Change in Control or, if earlier, the beginning of the Threatened Change in Control Period), plus reasonably anticipated Trustee’s fees. The benefit obligation for the Plans shall be measured in accordance with generally accepted accounting principles, using the same assumptions and methodologies for measuring this obligation as recorded in the Company’s most recent quarterly financial statements, and shall reflect the Projected Benefit Obligation (the “PBO”) under SFAS 87 (as may be subsequently amended) for Plan obligations that are treated as pensions, and shall reflect participant account balances for Plan obligations that are not treated as pensions.

(c) Following a Change in Control or during a Threatened Change in Control Period, if the Trust assets are less than 105% of the present value of the benefit obligation for the Plans reflected on the Company’s most recent annual financial statement at the time that the annual financial statement is published, the Company shall notify the Trustee and contribute an additional

amount to the Trust, if required, such that the total assets in the Trust equal 110% of a modified benefit obligation, as described in this paragraph. The modified benefit obligation for purposes of this paragraph (c), shall be measured based on actual benefits accrued as of the Funding Trigger Date assuming the Participants terminated employment on the Funding Trigger Date, whether or not vested, (adjusted, in the case of account-based obligations, for subsequent earnings attributed to the accrued benefit, and further adjusted for any benefit payments actually made to Participants following the Funding Trigger Date). The Company shall provide such notification and make any required contribution within 10 days following the publication of the annual financial statement of the Company.

The Trustee shall invest such contributed funds in accordance with the investment guidelines attached hereto.

2.3 Credit Contributions. Company contributions to the Trust may be in the form of an irrevocable letter of credit or irrevocable letters of credit (“Credit”). Such Credit shall be in a form reasonably acceptable to the Trustee.

2.4 Substitution of Assets. At any time prior to a Change in Control or Threatened Change in Control, the Company shall have the right at any time and from time to time, in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust. This right is exercisable by the Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity. Following a Change in Control or Threatened Change in Control, substitution of assets must be acceptable to the Trustee and not detrimental to the interests of the Participants and Beneficiaries.

ARTICLE III PAYMENTS FROM THE TRUST FUND

3.1 Benefit Entitlement. At the time a Participant or Beneficiary is entitled to payment under the Plan, such Participant or Beneficiary shall be entitled to receive from the Trust an amount in cash equal to (i) the amount to which he is entitled under the Plan at such time, less (ii) any payments previously made to him by the Company with respect to such amount under the terms of the Plan. Unless otherwise provided herein, the Trustee shall pay such amount to the Participant or Beneficiary as directed by the Company or as the Participant or Beneficiary may otherwise be eligible and application is made in conformity with this Article.

3.2 Participant Information. The Company shall deliver to the Trustee a schedule of benefits (the “Payment Schedule”), to include state and federal tax withholding guidelines, due under the Plan on an annual basis. Immediately after a Change in Control, the Company shall deliver to the Trustee an updated schedule of benefits due under the Plan. Upon payment to a Participant or Beneficiary, the Trustee shall make payment of all withholding taxes to the appropriate taxing authority and shall furnish each Participant or Beneficiary or person receiving benefits with respect to the Participant or Beneficiary with the appropriate tax information form evidencing such payment and the amount thereof.

3.3 Company Responsibility. Notwithstanding the provisions of this Article III, the Company shall remain obligated to pay benefits under the Plan or Plans. To the extent the amount in a Participant's or Beneficiary's Account or Accounts is not sufficient to pay any and all benefits under the applicable Plan when due, the Company shall pay such benefits directly. In the event of such a funding shortfall, the Trustee shall make payments under the Plan as such payments come due until the Participant's Account or Beneficiary's Account, if applicable, has been reduced to zero.

3.4 Payment Due To Taxable Income. In the event the Internal Revenue Service issues a deficiency notice to any individual entitled to benefits under the terms of the Plan covered by this Trust stating that such individual is subject to any tax by reason of any interest in the Trust in a calendar year prior to the calendar year of his receipt of such benefits, then the Trustee upon presentation of the deficiency notice and written direction from the Participant or Beneficiary shall distribute to such individual the amount which has been determined to be taxable income to the individual.

3.5 Separate Accounting. The Payment Schedule may be maintained to reflect the interest of each Participant or Beneficiary in the Trust. The Company may identify at the time any contribution is made to the Trust how such contribution shall be credited to the Account of any Participant or Beneficiary shown in the Payment Schedule. Prior to a Change in Control, the Company (or its agents) may adjust such accounts to reflect investment experience, expenses, distributions and subsequent contributions. Following a Change in Control, the Trustee may perform the duties reflected in the preceding sentence. After all obligations with respect to a Participant or Beneficiary have been fully satisfied, any remaining amounts allocated to his Account shall be reallocated among other Participants and Beneficiaries Accounts in accordance with directions from the Company.

The Company shall indemnify and hold harmless the Trustee for any liability or expenses, including without limitation reasonable attorney's fees, incurred by the Trustee with respect to maintaining the subaccounts for Participants' and Beneficiaries' Accounts, any reporting thereon to Participants or Beneficiaries, certifying benefit or payment information, determining the status of Accounts and benefits hereunder and otherwise carrying out its obligations in maintaining the subaccounts under this Agreement, other than those resulting from the Trustee's gross negligence or willful misconduct.

3.6 Company Reimbursement. The Company may make payment of benefits directly to a Participant or Beneficiary as they become due under the terms of the Plan. The Company shall notify the Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to a Participant or Beneficiary. Before a Threatened Change in Control or Change in Control, the Company may direct the Trustee in writing to reimburse the Company from the Trust assets, and debit the account of each Participant or Beneficiary, for amounts paid directly to the Participant or Beneficiaries by the Company. The Trustee shall reimburse the Company for such payments promptly after receipt by the Trustee of satisfactory evidence that the Company has made the direct payments. No such reimbursement shall be allowed upon or during a Threatened Change in Control or after a Change in Control that would result in Trust assets equaling less than the funding levels outlined in Section 2.2 (b) and (c).

3.7 Initiation of Payment. Prior to a Change in Control, the Trustee shall commence or continue payments from the Plan to a Participant or Beneficiary upon the occurrence of one or more of the following events:

(i) an instruction from the Company in a form or manner reasonably acceptable to the Trustee; or

(ii) other evidence presented by a Participant or Beneficiary of eligibility to commence or continue receiving benefits in accordance with the Plan, in a form or manner reasonably acceptable to the Trustee, and with such evidence as the Trustee deems necessary to prove eligibility for benefits.

Upon a demand of the Participant or Beneficiary, the Trustee shall immediately notify the Company of the demand and the intended action of the Trustee as to payment. The Company shall have a period of fifteen business days from such notification to object to such intended action. Barring objection, the Trustee shall take its intended action at the close of this 15 day period. If the Company files an objection, the Trustee shall resolve the issue using such means as are appropriate, including, but not limited to requiring additional evidence from either or both the Company and the Participant or Beneficiary and hiring any outside advisors it deems necessary. If the Company files an objection to a demand for payment, payment will be made if the Trustee is satisfied with the Participant's or Beneficiary's eligibility for benefits. The cost of this process shall be borne by the Company. However, in the event the Company refuses to pay to the Trustee the cost of the process, the Trustee may charge the Trust and demand reimbursement from the Company. If such demand is not met, the Trustee may proceed with a collection action against the Company.

3.8 Following a Change in Control.

(a) A "Change in Control" shall be deemed to have occurred if (i) any person or group of persons within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 is or becomes the beneficial owner, directly or indirectly, of 25% or more of the common stock of the Company, (ii) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the Board of Directors of the Company, cease for any reason to constitute at least a majority of the Board of Directors of the Company, or (iii) the stockholders of the Company, shall approve a merger, consolidation or dissolution of the Company or a sale, lease, or exchange of all or substantially all its assets.

(b) Following a Change in Control, the Trustee shall, without direction from the Company, to the extent designated funds are available from the Accounts of Participants or Beneficiaries, make payments to Participants and Beneficiaries in such manner and in such amounts as the Trustee shall determine they are entitled to be paid under the Plans based on the most recent Payment Schedule and the terms of the appropriate Plan, provided that such payment obligations shall be fixed as of the date of the Change in Control and shall not include any obligations or liabilities that are not listed on the most recent Payment Schedule or that accrue after the Change in

Control, except as provided in Section 1.7 herein. A Participant or Beneficiary who believes he is eligible or entitled to benefits under the Plan may apply directly to the Trustee for payment of such benefits. Such application shall advise the Trustee of the information and circumstances which entitles such Participant or Beneficiary to payments of such benefit.

The Trustee shall make its own independent determination as to the Participant's or Beneficiary's entitlement to benefits, even though the Trustee may be informed from another source (including the Company) that payments are not due under the Plan or that a distribution called for by the Payment Schedule and Plan should not be made. If the Trustee so desires, it may, in its sole discretion, make such additional inquiries and take such additional measures as it deems necessary in order to enable it to determine whether benefits are due and payable, including, but not limited to, interviewing appropriate persons, requesting affidavits, soliciting oral or written testimony under oath, or holding a hearing or other proceeding. The Trustee shall make its determination whether benefits are payable as promptly as possible.

The Trustee may engage its own counsel or other experts to assist it in making its determination. The cost of such counsel or other expert assistance, and any other costs reasonably incurred by the Trustee in making its determination, shall be borne by the Company. Trustee expenses in making such determination shall be extraordinary expenses for which compensation in addition to normal fees shall be due and payable. If the Company fails to pay any such fees and expense when due, the Trustee may use the assets of the Trust to pay the fees and expense and demand reimbursement from the Company. If such demand is not met the Trustee may proceed with a collection action on behalf of the Trust against the Company.

Following a Change in Control and during a Threatened Change in Control, the Trustee shall owe its fiduciary duties to the Participants and Beneficiaries and shall exercise its powers hereunder for the sole benefit of such Participants and Beneficiaries.

Within thirty (30) days after a Change in Control, the Trustee shall notify all Participants and Beneficiaries who are entitled to receive benefits under the Plans, in writing, of the Trustee's availability to aid them in pursuing any claims they may have for benefits under the terms of those Plans under which they are covered. The Trustee shall provide such notice by using such method or methods of delivery likely to result in full distribution. Materials sent through the mail shall be sent by first class mail to the address of the Participant or Beneficiary listed on the Payment Schedule. In addition, the Trustee may, at its option, provide such notification by placing an advertisement in one newspaper of general circulation in each of the ten locations in which the largest number of employees of the Company and its Affiliates are located as communicated by the Company to the Trustee prior to a Change in Control.

3.9 Return of Assets.

(a) Prior to termination of the Trust, except (i) following a Change in Control or (ii) during a Threatened Change in Control Period, the Trustee shall, upon the Company's written request, deliver all or any portion of the trust assets to the Company, and allow the cancellation of any Credits previously contributed to the Trust, leaving a minimum corpus of \$100.

(b) Following a Change in Control, if the assets of the Trust Fund exceed 120% of the present value (as determined under generally accepted accounting principles) of the amount which would be payable to all Participants and Beneficiaries in the Plan if all such persons were to become immediately entitled to receive all benefits reflected on the Payment Schedule (the amount of such excess being referred to as the "Excess Assets"), the Trustee shall, upon the Company's written request, deliver all or any portion of such Excess Assets to the Company.

3.10 Excess Asset Determination. The Trustee shall determine in its sole discretion the amount of any Excess Assets and whether any Excess Assets shall be delivered to the Company in accordance with Section 3.8(b) above. The Company shall provide to the Trustee such information as the Trustee shall reasonably request, and the Trustee shall be fully protected in acting on such information.

3.11 Letter of Credit Funding on a Change in Control or Threatened Change in Control.

(a) In the event of a Change in Control or Threatened Change in Control, the Company may fund part or all of its obligation under Section 2.2 through contribution of Credits and the Trustee may draw on a Credit as it shall determine in its sole discretion.

(b) If after a Change in Control or Threatened Change in Control, the Trustee receives written notice from the Bank which issued a Credit, referencing the Credit by number, signed by an officer of such Bank, and stating that such Credit is due to expire and has not been extended, then the Trustee shall draw on such Credit to the full extent thereof at any time during the ten business days prior to the expiration of such Credit unless: (1) prior to taking such action, the Trustee has received a copy of a replacement letter of credit executed by the bank issuing a replacement letter of credit in at least the amount of the Credit which is due to expire, or (2) the Trustee has received a contribution from Company equal to the amount of the Credit which is due to expire.

(c) Any direction to Wachovia pursuant to this Section shall be addressed as follows:

Wachovia Bank, National Association
Attn: Executive Benefits Group/Sonoco Products Company NC6251
One West Fourth Street
Winston-Salem, NC 27101

All directions shall plainly reference the Plan and the Trust and provide all necessary information for the Trustee to act.

(d) The Trustee shall draw on any Credit only if and to the extent specifically directed or provided for in the foregoing provisions of this Agreement. In the event that the Trustee shall resign or be removed, and a successor trustee shall be appointed hereunder, the rights and obligations of the Trustee under each Credit shall automatically become the rights and obligations of the successor trustee, and the Trustee shall have no further rights, duties, obligations or liabilities with respect to any Credit.

ARTICLE IV
TRUSTEE POWERS AND AUTHORITY

4.1 **Powers.** Subject to investment guidelines agreed to in writing from time to time by the Company and the Trustee, attached hereto as Appendix II, the Trustee shall have the following powers and authority in the administration of the Trust:

(a) To purchase or subscribe for any securities, including but not limited to securities of the Company, or other property and to retain in trust such securities or other property.

(b) To sell for cash or on credit at public or private sale, exchange, convey, transfer or dispose of, to grant options, convert, securities or other property held at any time and to collect and receive any and all money and other property due the Trust and to give a full discharge therefor.

(c) To settle, compromise or submit to arbitration, any claims, debts or damages, due or owing to or from the Trust, to commence or defend suits or legal proceedings and to represent the Trust in all suits or legal proceedings.

(d) To exercise any conversion privilege and/or subscription right available in connection with any securities or other property at any time held; to oppose or to consent to the reorganization, consolidation, merger, or readjustment of the finances of any corporation, company or association or to the sale, mortgage, pledge or lease of the property of any corporation, company or association any of the securities of which may at any time be held and to do any act with reference thereto, including the exercise of options, the making of agreements or subscriptions, which may be deemed necessary or advisable in connection therewith, and to hold and retain any securities or other property so acquired.

(e) To exercise, personally or by general or by limited power of attorney, any right, including the right to vote, appurtenant to any securities or other property held at any time.

(f) To borrow money from any lender in such amounts and upon such terms and conditions as shall be deemed advisable or proper to carry out the purposes of the Trust and to pledge any securities or other property for the repayment of any such loan.

(g) To hold part or all of the Trust uninvested.

(h) To form corporations and to create trusts and appoint ancillary trustees to hold title to any securities or other property, all upon such terms and conditions as may be deemed advisable.

(i) To employ suitable agents and counsel and to pay their reasonable expenses and compensation.

(j) To register any securities held hereunder in the name of the Trustee or in the name of a nominee with or without the addition of words indicating that such securities are held in a fiduciary capacity.

(k) To make, execute and deliver, as Trustee, any and all conveyances, contracts, waivers, releases or other instruments in writing necessary or proper for the accomplishment of any of the foregoing powers.

(l) To invest and reinvest all or any specified portion of the Trust through the medium of a mutual fund which has been or may hereafter be established and maintained by the Trustee.

(m) To determine how all receipts and disbursements shall be credited, charged or apportioned as between income and principal, and the decision of the Trustee shall be final and not subject to question by the Company or any Participant or Beneficiary.

(n) To take any and all actions necessary to collect funds under a Letter of Credit as more fully described within this Agreement.

(o) Following a Change in Control, to have the sole and absolute discretion in the management of the Trust assets including the powers set forth in this Section 4.1. In investing the Trust assets, the Trustee shall consider:

(1) the needs of the Plan;

(2) the need for matching of the Trust assets with the liabilities of the Plan; and

(3) the duty of the Trustee to act solely in the best interests of the Participants and their Beneficiaries.

(p) To do all acts, whether or not expressly authorized, which the Trustee may deem necessary or desirable for the protection of the Trust.

ARTICLE V INSURANCE AND ANNUITY CONTRACTS

5.1 Purchase of Contracts. The Trustee, upon written direction of the Company prior to a Change in Control, shall pay from the Trust such sums to such insurance company or companies as the Company may direct for the purpose of procuring participating or nonparticipating insurance and/or annuity contracts for the Plans (hereinafter referred to as "Contracts"). The Company shall prepare, or cause to be prepared in such form as it shall prescribe, the application for any Contract. The Trustee shall receive and hold in the Trust all Contracts so obtained.

5.2 Trustee Powers and Duties Over Contracts. The Trustee shall be the complete and absolute owner of Contracts held in the Trust and, upon written direction of the Company prior to a Change in Control, shall have power, without the consent of any other person, to exercise any and all of the rights, options or privileges that belong to the absolute owner of any Contract held in the Trust or that are granted by the terms of any such Contract or by the terms of this Agreement. Prior to a Change in Control, the Trustee shall have no discretion with respect to the exercise of any of the foregoing powers or to take any other action permitted by any Contract held in the Trust, but shall exercise such powers or take such action only upon the written direction of the Company and the Trustee shall have no duty to exercise any of such powers or to take any such action unless and until it shall have received such direction. After a Change in Control, the Trustee shall exercise, without directions from the Company, any and all of the rights, options or privileges that belong to the absolute owner of any Contract held in the Trust or that are granted by the terms of any such Contract or by the terms of this Agreement. The Trustee, upon the written direction of the Company prior to a Change in Control, shall deliver any Contract held in the Trust to such person or persons as may be specified in the direction.

5.3 Proceeds. The Trustee shall hold in the Trust the proceeds of any sale, assignment or surrender of any Contract held in the Trust and any and all dividends and other payments of any kind received in respect of any Contract held in the Trust.

5.4 Payments of Premiums, Assessments and Dues. Upon the written direction of the Company prior to a Change in Control, the Trustee shall pay from the proper Account premiums, assessments, dues, charges and interest, if any, upon any Contract held in the Trust. The Trustee shall have no duty to make any such payment unless and until it shall have received such direction. After a Change in Control, the Trustee shall, in its discretion, pay from the proper Account premiums, assessments, dues, charges and interest, if any, upon any Contract held in the Trust, without direction from the Company.

5.5 Insurance Company Not Party. Any insurance company that may issue any Contract or Contracts held in the Trust shall not be deemed to be a party to this Agreement for any purpose, or to be responsible in any way for the validity of this Agreement or to have any liability under this Agreement other than as stated in each Contract that it may issue. Any insurance company may deal with the Trustee as sole owner of any Contract issued by it and held in the Trust, without inquiry as to the authority of the Trustee to act, and may accept and rely upon any written notice, instruction, direction, certificate or other communication from the Trustee believed by the insurance company to be genuine and to be signed by an officer of the Trustee and shall incur no liability or responsibility for so doing. Any sums paid out by any insurance company under any of the terms of a Contract issued by the insurance company and held in the Trust either to the Trustee, or, in accordance with the direction of the Trustee, to any other person or persons designated as payees in such Contract shall be a full and complete discharge of the liability to pay such sums, and the insurance company shall have no obligation to look to the disposition of any sums so paid. No insurance company shall be required to look into the terms of this Agreement, to question any action of the Trustee or to see that any action of the Trustee is authorized by the terms of this Agreement.

5.6 Contracts. Anything contained herein to the contrary notwithstanding, neither the Company nor the Trustee shall be liable for the refusal of any insurance company to issue or change any Contract or Contracts or to take any other action requested by the Trustee; nor for the form, genuineness, validity, sufficiency or effect of any Contract or Contracts held in the Trust; nor for the act of any person or persons that may render any such Contract or Contracts null and void; nor for the failure of any insurance company to pay the proceeds and avails of any such Contract or Contracts as and when the same shall become due and payable; nor for any delay in payment resulting from any provision contained in any such Contract or Contracts; nor for the fact that for any reason whatsoever (other than their own negligence or willful misconduct) any Contract or Contracts shall lapse or otherwise become uncollectible.

ARTICLE VI

TRUSTEE RECORDS, COMPENSATION AND EXPENSES OF TRUSTEE

6.1 Trustee Records. The Trustee shall keep accurate and detailed accounts of all investments, receipts, disbursements and other transactions hereunder, and all accounts, books and records relating thereto shall be open to inspection and audit at all reasonable times by any person designated by the Company. Within 90 days after the close of each fiscal year (or such other date as may be agreed upon in writing between the Company and the Trustee), and within 120 days after the effective date of the resignation of the Trustee, the Trustee shall file with the Company a written account setting forth all investments, receipts, disbursements and other transactions effected by the Trustee during the year ending on such date (but not including any part of such year for which such an account has previously been filed) and certified as to the accuracy of the information set forth therein. Such account may incorporate by reference any and all schedules and other statements setting forth investments, receipts, disbursements and other transactions effected during the period for which such account is rendered which the Trustee has furnished to the Company prior to the filing of such account. Each account so filed (and copies of any schedules and statements incorporated therein by reference as aforesaid) shall be open to inspection during business hours by any Participant or Beneficiary and any person designated by such Participant or Beneficiary for a period of 60 days immediately following the date on which the account is filed with the Company. The Company may approve such accounts by an instrument in writing delivered to the Trustee. In the absence of the filing in writing with the Trustee by the Company of exceptions or objections to any such account within 90 days, the Company shall be deemed to have approved such account; and in such case, or upon the written approval of the Company of any such account, the Trustee shall be released, relieved and discharged with respect to all matters and things set forth in such account as though such account had been settled by the decree of a court of competent jurisdiction.

6.2 Taxes. The Company shall pay all taxes of any and all kinds levied or assessed under existing or future laws against the Trust. If requested by the Company, the Trustee shall, at Company expense, contest the validity of such taxes in any manner deemed appropriate by the Company or its counsel, after the Trustee receives an indemnity bond or other security satisfactory to it to pay any expense of such contest.

6.3 Compensation and Expenses. The Trustee shall be paid such reasonable compensation by the Company in accordance with the Trustee's regular schedule of fees for trust services as shall from time to time be in effect unless otherwise agreed to by the Company and the Trustee. The Trustee shall charge on the basis of hours for making the determination under Section 3.7 or under Section 3.8. The Trustee shall be reimbursed by the Company for its reasonable expenses of management and administration of the Trust, including reasonable compensation of fees of counsel and any agent engaged by the Trustee to assist it in such management and administration. Such compensation and all expenses and fees of administration of the Trust shall be withdrawn by the Trustee out of the Trust unless promptly paid by the Company on demand. In the event the Trustee must satisfy its obligations from the Trust, the Company shall immediately on demand from the Trustee, deposit into the Trust a sum equal to the amount paid by the Trust for such fees and expenses. In the event such demand is not met the Trustee may proceed with a collection action against the Company.

6.4 Judicial Settlement. Notwithstanding the foregoing the Trustee or the Company may apply at any time for a judicial settlement of the Trustee's Account.

ARTICLE VII PROTECTION OF THE TRUSTEE

7.1 Reliance. The Trustee shall be fully protected in relying upon a certification of an authorized representative of the Company with respect to any instruction, direction or approval of the Company, and protected also in relying upon the certification until a subsequent certification is filed with the Trustee.

The Trustee shall be fully protected in acting upon any instrument, certificate, or paper believed by it to be genuine and to be signed or presented by the proper person or persons, and the Trustee shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

The Trustee shall not be liable for the proper application of any part of the Trust Fund if distributions are made in accordance with the terms of the Plan or the information otherwise furnished to the Trustee or the Company.

The Trustee shall not be liable hereunder for any loss or diminution of the Trust Fund resulting from any action taken or omitted.

The Company hereby indemnifies the Trustee and holds it harmless from and against all losses, damages, costs, expenses and liabilities ("Liabilities"), including reasonable attorneys fees and other costs of litigation, to which the Trustee may become subject to, arising out of, occasioned by, incurred in connection with or in any way associated with this Trust, except for any act or omission due to its gross negligence or willful misconduct, including, without limiting the generality of the foregoing, any claim or liability brought against the Trustee by the Company.

If one or more Liabilities shall arise, or if the Company fails to indemnify the Trustee as provided herein, or both, then the Trustee may engage counsel of the Trustee's choice, but at Company expense, either to conduct the defense against such Liabilities or to conduct such actions as may be necessary to obtain the indemnity provided for herein, or to take both such actions.

If the Trustee shall be entitled to indemnification by the Company pursuant to this Article and this Trust and the Company shall not provide such indemnification on demand, the Trustee may apply assets of the Trust in full satisfaction of the obligations for indemnity by the Company, and any legal proceeding by the Trustee against the Company for such indemnification shall be on behalf of the Trust.

7.2 Advice of Counsel. The Trustee may consult with legal counsel, including counsel to the Trustee and (except following a Change in Control) counsel to the Company with respect to the construction of this Agreement, its duties hereunder, or any act it proposes to take or omit, and shall not be liable for any action taken or omitted in good faith pursuant to such advice. Expenses of such counsel shall be deemed to be expenses of management and administration of the Trust and shall be paid by the Company and, if not promptly paid by the Company, charged to the Trust.

ARTICLE VIII RESIGNATION AND REMOVAL

8.1 Resignation. The Trustee may resign on 60 days prior written notice to the Company. Promptly after the resignation of the Trustee, the Company (or, if a Change in Control shall previously have occurred, the Company with the approval of more than fifty percent (50%) of the Participants) shall appoint a successor Trustee (the "Successor Trustee"), which shall be a bank or trust company with a market capitalization of at least \$10 billion. Such successor's appointment shall be effective as of the date of resignation of the Trustee. Any Successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder and the appointment of the Successor Trustee shall be by a written instrument delivered to the Trustee executed by the Company and the Successor Trustee.

If the Trustee and the Participants are unable to agree on a successor thirty (30) days after such notice, the Trustee shall be entitled, at the expense of the Company, to petition a United States District Court or the court of a state having jurisdiction to appoint a successor.

8.2 Removal. The Company (or if a Change in Control shall previously have occurred, the Company with the approval of more than fifty percent (50%) of the Participants) may remove the Trustee at any time by giving 90 days written notice to the Trustee. Upon removal the Company (or if a Change in Control shall previously have occurred, the Company with the approval of more than fifty percent (50%) of the Participants) shall appoint a Successor Trustee, which shall be a bank or trust company with a market capitalization of at least \$10 billion. Such removal shall be effective as expressed in the notice. Such Successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. The appointment of the Successor Trustee shall be by a written instrument delivered to the Trustee executed by the Company and the Successor Trustee.

ARTICLE IX
CLAIMS OF COMPANY CREDITORS
CERTAIN TRANSACTIONS AND AMENDMENTS

9.1 Insolvency. As used in this Article IX, the Company shall be deemed to be “Insolvent” if (1) the Company is unable to pay its debts as they come due, or (2) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code (or any successor federal statute). In the event the Company shall be deemed Insolvent, the assets of the Trust shall be subject to claims of general creditors of the Company (hereinafter referred to as “Bankruptcy Creditors”), as hereinafter provided. Participants and Beneficiaries will be included among the Bankruptcy Creditors to the extent their benefits are unpaid and to the extent provided for by the United States Bankruptcy Code.

9.2 Determination of Insolvency. If at any time a person claiming to be a creditor of the Company or the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall independently determine whether the Company is Insolvent and, pending such determination, the Trustee shall discontinue payments of benefits under this Agreement, shall hold the Trust Fund for the benefit of the Company’s Bankruptcy Creditors, and shall resume payments of benefits under this Agreement in accordance with Article II hereof only after the Trustee has determined that the Company is not Insolvent (or is no longer Insolvent, if the Trustee initially determined the Company to be Insolvent) or upon receipt of an order of a court of competent jurisdiction requiring such payments. The Chief Executive Officer of the Company shall be obligated to give the Trustee prompt written notice in the event that the Company becomes Insolvent with the same consequences as provided in the immediately preceding sentence. In determining whether the Company is Insolvent, the Trustee may rely conclusively upon, and shall be protected in relying upon, court records showing that the Company is Insolvent, a current report or statement from a nationally recognized credit reporting agency showing that the Company is Insolvent or any other evidence provided to the Trustee that provides the Trustee with a reasonable basis for making a determination concerning the Company’s solvency. For purposes of this Agreement, knowledge and information concerning the Company which is not in the possession of employees of the Trustee’s Trust Department shall not be imputed to the Trustee (except to the extent that such information can reasonably be imputed to the Trustee under normal bank procedures). The Trustee shall have no duty or obligation to ascertain whether the Company is Insolvent unless and until it receives a writing alleging that the Company is Insolvent as described in the first or second sentence of this Section.

If the Trustee determines that the Company is Insolvent as provided above or has knowledge that the Company is Insolvent, the Trustee shall discontinue payments to Participants and Beneficiaries and shall hold the Trust Fund for the benefit of the Company’s Bankruptcy Creditors and disburse the Trust Fund to satisfy such claims as a court of competent jurisdiction shall direct. The Trustee shall as soon as practicable after making the determination of the Company’s Insolvency invest all of the assets of the Trust Fund, with the exception of any insurance policies that may be held in force, in short-term federal government securities or in a mutual fund invested in such securities.

Provided that there are sufficient assets, if the Trustee discontinues payment of benefits pursuant to the first paragraph of this Section and subsequently resumes such payments, the payment to a Participant or Beneficiary following such discontinuance shall include an aggregate amount equal to the difference between the payments which would have been made to such Participant or Beneficiary under this Agreement but for this Section and the aggregate payments actually made to such Participant or Beneficiary by the Company during any such period of discontinuance.

9.3 Company Obligations. If at any time an amount is paid from the Trust Fund to Bankruptcy Creditors of the Company, the Company shall upon demand by the Trustee deposit into the Trust Fund a sum equal to the amount paid by the Trust Fund to such Bankruptcy Creditors, to the extent such amount has not been paid by the Company directly to Participants and Beneficiaries.

9.4 Certain Transactions. The Company shall not engage in any transaction (or series of transactions) with a Related Person (as defined below) or any affiliate or associate (as such terms are defined in Rule 12b-2 under the Securities Exchange Act of 1934) of such Related Person unless prior to such transaction, the Related Person (or, if there is more than one Related Person, the Related Person which is the ultimate parent of the Related Persons, as determined by the Trustee) either (i) guarantees the obligations of the Company pursuant to this Agreement, or (ii) demonstrates to the satisfaction of the Trustee that the proposed transaction will not result immediately after the transaction in a diminution of the Company's net worth. If there shall be a transaction with a Related Person or an affiliate or associate of such Related Person, the Company shall notify the Trustee in writing within ten days following such transaction. The Trustee shall thereupon determine if such transaction violates this Section. If the Trustee determines that the transaction does violate this Section, the Trustee shall demand rescission. If rescission is not made within 20 days following such demand, the Trustee shall take such action as it deems prudent or advisable to recover payment. For purposes of this Section a Related Person shall mean any person other than any employee benefit plan of the Company or its affiliates who directly or indirectly (i) is or becomes the beneficial owner as defined in Rule 13d-3 and 13d-5 under the Securities Exchange Act of 1934 of 10% or more of the total voting power represented by the Company's then outstanding voting securities, or (ii) engaged in a proxy contest as a result of which one or more of such person's nominees were elected to the Board of Directors of the Company. Voting securities shall mean any securities of the Company having the right under ordinary circumstances to vote at an election of the Board of Directors.

9.5 Amendment. This Agreement may be amended any time and to any extent by a written instrument executed by the Trustee and the Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Plan, make the Trust revocable after it has become irrevocable or retroactively change or deprive Participants or Beneficiaries of rights already accrued under the Plan.

ARTICLE X
MISCELLANEOUS

10.1 Governing Law. This Agreement and the Trust hereby created shall be construed under and regulated by the laws of the State of North Carolina.

10.2 Titles and Headings. The titles to Articles and the Section headings in this Agreement are placed herein for convenience of reference only and in case of any conflict the text of this Agreement, rather than such titles and headings, shall control.

10.3 Affiliates. As used in this Agreement, the term “affiliate” as applied to the Company or to the Trustee means any person or entity that directly, or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company or the Trustee, as the case may be.

10.4 Assignment. This Agreement may not be assigned by either party without the prior written consent of the other, and any purported assignment without such prior written consent shall be null and void. This Agreement shall be binding upon the successors and permitted assigns of each party hereto.

10.5 Entire Agreement. This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof and supersedes any and all prior agreements, arrangements and understandings. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and legal representatives.

10.6 Severability. In the event any provision of this Agreement shall be determined by a court to be invalid or unenforceable the remainder of this Agreement shall not be affected thereby.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company and Trustee have caused this Agreement to be executed by their duly authorized officers and their respective seals to be hereunto affixed as of the date set forth above.

Attest:

/s/ Sandy L. Jones _____

SONOCO PRODUCTS COMPANY

By: /s/ Ritchie L. Bond _____ [Seal]

Attest:

/s/ Tracy C. Hartsell _____

WACHOVIA BANK, National Association

By: /s/ D. Michael Hill _____ [Seal]

APPENDIX I

The following plans constitute the Plan as defined in this Trust and are covered under this Agreement:

1. Omnibus Benefit Restoration Plan of Sonoco Products Company
2. Deferred Compensation Plan for Key Employees of Sonoco Products Company
3. Sonoco Products Company 2008 Long-Term Incentive Plan

INVESTMENT GUIDELINES

1. During a Threatened Change in Control Period the Trustee shall invest the funds contributed in accordance with Section 2.2 (b) in any of the following:
 - a) Direct obligations of the United States of America, or any agency thereof, or obligations guaranteed by the United States of America, provided that such obligations mature within 90 days from the date of acquisition thereof;
 - b) Acquisitions of certificates of deposit maturing within 90 days from the date of acquisition, bankers' acceptances, Eurodollar bank deposits, or overnight bank deposits, in each case issued by, created by, or with a bank or trust company organized under the laws of the United States of America or any state thereof having capital and surplus aggregating at least \$100,000,000;
 - c) Acquisitions of commercial paper given a rating of "A2" or better by Standard & Poor's Corporation or "P2" or better by Moody's Investors Service, Inc. and maturing not more than 90 days from the date of creation thereof; or
 - d) Investments in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by financial institutions having capital of at least \$500,000,000 and the portfolios of which are limited to Investments of the character described in the foregoing clauses (a) through (c).
2. Subsequent to a Change in Control, the Trustee shall have discretion to invest the funds in a manner that best satisfies its fiduciary duty to the Participants and Beneficiaries.

**SONOCO PRODUCTS COMPANY
AMENDED AND RESTATED DIRECTORS DEFERRAL
TRUST AGREEMENT**

As of

October 15, 2008

TABLE OF CONTENTS

ARTICLE I		2
1.1	TRUST FUND	2
1.2	IRREVOCABILITY	2
1.3	GRANTOR TRUST	2
1.4	SEPARATE AND APART	2
1.5	BENEFITS NOT TRANSFERABLE	2
1.6	ACCEPTANCE OF TRUST	3
1.7	ADDITIONAL OBLIGATIONS	3
1.8	DEFINITIONS	3
ARTICLE II		4
2.1	INITIAL CONTRIBUTIONS	4
2.2	ADDITIONAL CONTRIBUTIONS	4
2.3	CREDIT CONTRIBUTIONS	4
2.4	SUBSTITUTION OF ASSETS	5
ARTICLE III		5
3.1	BENEFIT ENTITLEMENT	5
3.2	PARTICIPANT INFORMATION	5
3.3	COMPANY RESPONSIBILITY	5
3.4	PAYMENT DUE TO TAXABLE INCOME	5
3.5	SEPARATE ACCOUNTING	6
3.6	COMPANY REIMBURSEMENT	6
3.7	INITIATION OF PAYMENT	6
3.8	FOLLOWING A CHANGE OF CONTROL	7
3.9	RETURN OF ASSETS	8
3.10	EXCESS ASSET DETERMINATION	8
3.11	LETTER OF CREDIT FUNDING ON A CHANGE OF CONTROL OR THREATENED CHANGE OF CONTROL	9
ARTICLE IV		9
4.1	POWERS	9
ARTICLE V		11
5.1	PURCHASE OF CONTRACTS	11
5.2	TRUSTEE POWERS AND DUTIES OVER CONTRACTS	11
5.3	PROCEEDS	12
5.4	PAYMENTS OF PREMIUMS, ASSESSMENTS AND DUES	12
5.5	INSURANCE COMPANY NOT PARTY	12
5.6	CONTRACTS	12
ARTICLE VI		13
6.1	TRUSTEE RECORDS	13
6.2	TAXES	13
6.3	COMPENSATION AND EXPENSES	13
6.4	JUDICIAL SETTLEMENT	14
ARTICLE VII		14
7.1	RELIANCE	14
7.2	ADVICE OF COUNSEL	15

ARTICLE VIII		15
8.1	RESIGNATION	15
8.2	REMOVAL	15
ARTICLE IX		15
9.1	INSOLVENCY	15
9.2	DETERMINATION OF INSOLVENCY	16
9.3	COMPANY OBLIGATIONS	17
9.4	CERTAIN TRANSACTIONS	17
9.5	AMENDMENT	17
ARTICLE X		17
10.1	GOVERNING LAW	17
10.2	TITLES AND HEADINGS	17
10.3	AFFILIATES	17
10.4	ASSIGNMENT	18
10.5	ENTIRE AGREEMENT	18
10.6	SEVERABILITY	18

**SONOCO PRODUCTS COMPANY
AMENDED AND RESTATED
TRUST AGREEMENT
FOR EXECUTIVES**

AMENDED AND RESTATED AGREEMENT made as of October 15, 2008, by and between SONOCO PRODUCTS COMPANY, a South Carolina corporation with an office in Hartsville, South Carolina, or any successor corporation (hereinafter referred to as the “Company”) and WACHOVIA BANK, National Association, a national banking association having an office at One West Fourth Street, NC 6251, 5th Floor, Winston-Salem, North Carolina 27101 (hereinafter referred to as the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company has adopted various plans outlined in Appendix I, and may in the future adopt additional plans that provide for the deferral of directors’ fees or other benefits to past and current members of the Board of Directors of the Company (collectively the “Plan”); and

WHEREAS, the Company has incurred or expects to incur liability under the terms of the Plan to or with respect to the individuals participating in the Plan or to the beneficiaries of the participating individuals (hereinafter referred to as the “Participants” and “Beneficiaries”); and

WHEREAS, the Plan contemplates that the Company will pay the entire cost of benefits from its general assets and the obligations of the Company under the Plan, such benefits are not funded or otherwise secured, and the Company desires to assure payment under the Plan; and

WHEREAS, by trust agreement dated as of October 31, 1988, and amended as of February 7, 2001, the Company established a trust arrangement (hereinafter referred to as the “Trust”), which was intended to be a grantor trust as generally defined within the Internal Revenue Code of 1986 (the “Code”) for the purpose of accumulating assets to assist the Company in fulfilling its obligations under the Plan; to which Trust the Company has made or shall in the future make contributions in the amounts determined by the Company’s Board of Directors in accordance with the terms of the Trust; with the corpus and income of the Trust treated as assets and income of the Company for federal income tax purposes; and

WHEREAS, the Company desires to further amend and restate in its entirety such original trust agreement, as amended; and

WHEREAS, the Company desires that the Trustee hold and administer all funds contributed by the Company, and the Trustee is willing to hold and administer such funds pursuant to the terms of this Agreement; and

WHEREAS, records of separate accounts (hereinafter referred to as “Accounts”) may be created and maintained for each Participant in the Plan to provide a source of payments of the Company’s obligations to Participants under the Plan; and

WHEREAS, the Plan is administered by the Board of Directors of the Company or its designee (hereinafter referred to as the “Committee”); and

WHEREAS, the Company intends that the assets of the Trust shall at all times be subject to the claims of creditors of the Company, as provided below, and that the existence of the Trust shall not cause the Plan to become a funded employee benefit plan for purposes of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and shall not be construed to provide taxable income to any participant of the Plan prior to actual payment of benefits thereunder.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the Company and the Trustee do hereby covenant and agree as follows:

ARTICLE I ESTABLISHMENT OF TRUST

1.1 Trust Fund. The Trustee hereby accepts the assets constituting the initial trust corpus contributed by the Company. The Trustee shall receive any contributions paid in cash or in other acceptable property which shall be transferred to the Trustee by the Company. All such money and other property, all investments and reinvestments made therewith or proceeds thereof and all earnings and profits thereon, less all payments and charges shall constitute the Trust Fund. The Trust Fund shall be held, managed and administered by the Trustee pursuant to the terms of this Agreement. The Trustee shall not have a duty or responsibility with respect to the determination of the amount of contributions to this Trust. The Trustee may maintain one or more separate investment funds in the Trust.

1.2 Irrevocability. The Company and the Trustee agree that the Trust created herein shall be irrevocable after December 31, 1992.

1.3 Grantor Trust. This Trust is intended to be a grantor trust under Section 671 of the Code and shall be construed accordingly. All interest and other income earned on the investment of this Trust shall for such purposes be the property of, and taxable to, the Company. All taxes on or with respect to the Trust shall be payable by the Company from its separate funds and shall not be a charge against the Trust.

1.4 Separate and Apart. The Trust shall be held separate and apart from other funds of the Company and shall be used exclusively for the uses and purposes herein set forth. Neither the Plan nor any Participant or Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Trust prior to the time such assets are payable to the Participant or Beneficiary.

1.5 Benefits Not Transferable. No right or interest to receive a benefit from the Trust may be assigned, sold, anticipated, alienated or otherwise transferred by a Participant or Beneficiary. Any rights created under the Plan and this Trust shall be mere unsecured contractual rights of Participants and Beneficiaries against the Company. Any assets held by the Trust will be subject to the claims of the Company’s general creditors under federal and state law in the event of Insolvency.

1.6 Acceptance of Trust. The Trustee accepts the Trust established under this Agreement on the terms and subject to the provisions set forth herein, and it agrees to discharge and perform fully and faithfully all of the duties and obligations imposed upon it under this Agreement.

1.7 Additional Obligations. The Company has provided or will provide the Trustee with true and correct copies of the Plans, and all amendments thereto, to be attached hereto, as Appendix I. The Company may add plans to this Trust, by amending Appendix I and notifying the Trustee in writing, provided such additional plans are subject to the terms of this Agreement. Provided, however, that following a Change in Control or during a Threatened Change in Control Period, the Company may not add plans to this Agreement, add participants to the Payment Schedule, increase payments under the Payment Schedule, or amend any plan covered by this Trust which would increase the accrued benefits payable under this Trust unless it makes a contribution to the Trust sufficient to pay the benefits arising under such plans or changes, plus reasonably anticipated Trustee's fees relating to such plans. Such funding calculation shall be in the same manner as set forth in Section 2.2(b) below. Benefits under any such plans or changes and additional contributions related to such benefits shall be segregated from other liabilities and assets of the Trust and payable only from such segregated additional assets provided in accordance with this Section.

1.8 Definitions.

(a) "Affiliate" shall mean any corporation, partnership or other entity, the majority interest in which is held by the Company directly or through one or more intermediaries.

(b) The "Board" shall mean the Board of Directors of the Company.

(c) "Company" shall have the meaning assigned to such term in the introductory paragraph.

(d) "Participants" shall mean active and former directors and employees of the Company and/or of its Affiliates eligible for a benefit under the Plan.

(e) "Threatened Change in Control" shall occur when:

(1) a corporation, person or group initiates a tender offer to acquire such number of shares as would result in such corporation, person or group holding twenty-five percent (25%) or more of the voting power of the Company's outstanding common shares; or

(2) the Board notifies the Trustee in writing that it has determined that a Change in Control is imminent.

(f) “Threatened Change in Control Period” shall mean the period beginning on the date a Threatened Change in Control commences and ending on the earliest of:

- (1) The date when a corporation, person or group shall have abandoned the tender offer;
- (2) The date the Board shall have notified the Trustee in writing that a Change in Control is no longer imminent when the Threatened Change in Control Period has commenced by reason of a written notification by the Board; or
- (3) The date a Change in Control (as defined in Section 3.7) occurs.

ARTICLE II CONTRIBUTIONS

2.1 Initial Contributions. The Company shall promptly after the execution and delivery of this Agreement, transfer to the Trustee assets to form the corpus of the Trust as determined by the Company.

2.2 Additional Contributions.

(a) The Company, in its sole discretion, may at any time, or from time to time, make additional contributions of cash or other property to the Trustee to augment the principal to be held, administered and disposed of by the Trustee as provided in this Agreement. Neither the Trustee nor any Participant or Beneficiary shall have the right to compel such discretionary additional deposits.

(b) Upon a Change in Control or Threatened Change in Control (the “Funding Trigger Date”), the Company shall, as soon as possible, but in no event later than ten (10) days following the Change in Control or, if sooner, thirty (30) days following the commencement of the Threatened Change in Control Period, make a contribution to the Trust such that the total assets in the Trust equal 100% of the benefit obligation for the Plans (as of the date of a Change in Control or, if earlier, the beginning of the Threatened Change in Control Period), plus reasonably anticipated Trustee’s fees.

The Trustee shall invest such contributed funds in accordance with the investment guidelines attached hereto.

2.3 Credit Contributions. Company contributions to the Trust may be in the form of an irrevocable letter of credit or irrevocable letters of credit (“Credit”). Such Credit shall be in a form reasonably acceptable to the Trustee.

2.4 Substitution of Assets. At any time prior to a Change in Control or Threatened Change in Control, the Company shall have the right at any time and from time to time, in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust. This right is exercisable by the Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity. Following a Change in Control or Threatened Change in Control, substitution of assets must be acceptable to the Trustee and not detrimental to the interests of the Participants and Beneficiaries.

ARTICLE III PAYMENTS FROM THE TRUST FUND

3.1 Benefit Entitlement. At the time a Participant or Beneficiary is entitled to payment under the Plan, such Participant or Beneficiary shall be entitled to receive from the Trust an amount in cash equal to (i) the amount to which he is entitled under the Plan at such time, less (ii) any payments previously made to him by the Company with respect to such amount under the terms of the Plan. Unless otherwise provided herein, the Trustee shall pay such amount to the Participant or Beneficiary as directed by the Company or as the Participant or Beneficiary may otherwise be eligible and application is made in conformity with this Article.

3.2 Participant Information. The Company shall deliver to the Trustee a schedule of benefits (the "Payment Schedule"), to include state and federal tax withholding guidelines, due under the Plan on an annual basis. Immediately after a Change in Control, the Company shall deliver to the Trustee an updated schedule of benefits due under the Plan. Upon payment to a Participant or Beneficiary, the Trustee shall make payment of all withholding taxes to the appropriate taxing authority and shall furnish each Participant or Beneficiary or person receiving benefits with respect to the Participant or Beneficiary with the appropriate tax information form evidencing such payment and the amount thereof.

3.3 Company Responsibility. Notwithstanding the provisions of this Article III, the Company shall remain obligated to pay benefits under the Plan or Plans. To the extent the amount in a Participant's or Beneficiary's Account or Accounts is not sufficient to pay any and all benefits under the applicable Plan when due, the Company shall pay such benefits directly. In the event of such a funding shortfall, the Trustee shall make payments under the Plan as such payments come due until the Participant's Account or Beneficiary's Account, if applicable, has been reduced to zero.

3.4 Payment Due To Taxable Income. In the event the Internal Revenue Service issues a deficiency notice to any individual entitled to benefits under the terms of the Plan covered by this Trust stating that such individual is subject to any tax by reason of any interest in the Trust in a calendar year prior to the calendar year of his receipt of such benefits, then the Trustee upon presentation of the deficiency notice and written direction from the Participant or Beneficiary shall distribute to such individual the amount which has been determined to be taxable income to the individual.

3.5 Separate Accounting. The Payment Schedule may be maintained to reflect the interest of each Participant or Beneficiary in the Trust. The Company may identify at the time any contribution is made to the Trust how such contribution shall be credited to the Account of any Participant or Beneficiary shown in the Payment Schedule. Prior to a Change in Control, the Company (or its agents) may adjust such accounts to reflect investment experience, expenses, distributions and subsequent contributions. Following a Change in Control, the Trustee may perform the duties reflected in the preceding sentence. After all obligations with respect to a Participant or Beneficiary have been fully satisfied, any remaining amounts allocated to his Account shall be reallocated among other Participants and Beneficiaries Accounts in accordance with directions from the Company.

The Company shall indemnify and hold harmless the Trustee for any liability or expenses, including without limitation reasonable attorney's fees, incurred by the Trustee with respect to maintaining the subaccounts for Participants' and Beneficiaries' Accounts, any reporting thereon to Participants or Beneficiaries, certifying benefit or payment information, determining the status of Accounts and benefits hereunder and otherwise carrying out its obligations in maintaining the subaccounts under this Agreement, other than those resulting from the Trustee's gross negligence or willful misconduct.

3.6 Company Reimbursement. The Company may make payment of benefits directly to a Participant or Beneficiary as they become due under the terms of the Plan. The Company shall notify the Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to a Participant or Beneficiary. Before a Threatened Change in Control or Change in Control, the Company may direct the Trustee in writing to reimburse the Company from the Trust assets, and debit the account of each Participant or Beneficiary, for amounts paid directly to the Participant or Beneficiaries by the Company. The Trustee shall reimburse the Company for such payments promptly after receipt by the Trustee of satisfactory evidence that the Company has made the direct payments. No such reimbursement shall be allowed upon or during a Threatened Change in Control or after a Change in Control that would result in Trust assets equaling less than the funding levels outlined in Section 2.2 (b).

3.7 Initiation of Payment. Prior to a Change in Control, the Trustee shall commence or continue payments from the Plan to a Participant or Beneficiary upon the occurrence of one or more of the following events:

(i) an instruction from the Company in a form or manner reasonably acceptable to the Trustee; or

(ii) other evidence presented by a Participant or Beneficiary of eligibility to commence or continue receiving benefits in accordance with the Plan, in a form or manner reasonably acceptable to the Trustee, and with such evidence as the Trustee deems necessary to prove eligibility for benefits.

Upon a demand of the Participant or Beneficiary, the Trustee shall immediately notify the Company of the demand and the intended action of the Trustee as to payment. The Company shall have a period of fifteen business days from such notification to object to such intended action. Barring

objection, the Trustee shall take its intended action at the close of this 15 day period. If the Company files an objection, the Trustee shall resolve the issue using such means as are appropriate, including, but not limited to requiring additional evidence from either or both the Company and the Participant or Beneficiary and hiring any outside advisors it deems necessary. If the Company files an objection to a demand for payment, payment will be made if the Trustee is satisfied with the Participant's or Beneficiary's eligibility for benefits. The cost of this process shall be borne by the Company. However, in the event the Company refuses to pay to the Trustee the cost of the process, the Trustee may charge the Trust and demand reimbursement from the Company. If such demand is not met, the Trustee may proceed with a collection action against the Company.

3.8 Following a Change in Control.

(a) A "Change in Control" shall be deemed to have occurred if (i) any person or group of persons within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 is or becomes the beneficial owner, directly or indirectly, of 25% or more of the common stock of the Company, (ii) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the Board of Directors of the Company, cease for any reason to constitute at least a majority of the Board of Directors of the Company, or (iii) the stockholders of the Company, shall approve a merger, consolidation or dissolution of the Company or a sale, lease, or exchange of all or substantially all its assets.

(b) Following a Change in Control, the Trustee shall, without direction from the Company, to the extent designated funds are available from the Accounts of Participants or Beneficiaries, make payments to Participants and Beneficiaries in such manner and in such amounts as the Trustee shall determine they are entitled to be paid under the Plans based on the most recent Payment Schedule and the terms of the appropriate Plan, provided that such payment obligations shall be fixed as of the date of the Change in Control and shall not include any obligations or liabilities that are not listed on the most recent Payment Schedule or that accrue after the Change in Control, except as provided in Section 1.7 herein. A Participant or Beneficiary who believes he is eligible or entitled to benefits under the Plan may apply directly to the Trustee for payment of such benefits. Such application shall advise the Trustee of the information and circumstances which entitles such Participant or Beneficiary to payments of such benefit.

The Trustee shall make its own independent determination as to the Participant's or Beneficiary's entitlement to benefits, even though the Trustee may be informed from another source (including the Company) that payments are not due under the Plan or that a distribution called for by the Payment Schedule and Plan should not be made. If the Trustee so desires, it may, in its sole discretion, make such additional inquiries and take such additional measures as it deems necessary in order to enable it to determine whether benefits are due and payable, including, but not limited to, interviewing appropriate persons, requesting affidavits, soliciting oral or written testimony under oath, or holding a hearing or other proceeding. The Trustee shall make its determination whether benefits are payable as promptly as possible.

The Trustee may engage its own counsel or other experts to assist it in making its determination. The cost of such counsel or other expert assistance, and any other costs reasonably incurred by the Trustee in making its determination, shall be borne by the Company. Trustee expenses in making such determination shall be extraordinary expenses for which compensation in addition to normal fees shall be due and payable. If the Company fails to pay any such fees and expense when due, the Trustee may use the assets of the Trust to pay the fees and expense and demand reimbursement from the Company. If such demand is not met the Trustee may proceed with a collection action on behalf of the Trust against the Company.

Following a Change in Control and during a Threatened Change in Control, the Trustee shall owe its fiduciary duties to the Participants and Beneficiaries and shall exercise its powers hereunder for the sole benefit of such Participants and Beneficiaries.

Within thirty (30) days after a Change in Control, the Trustee shall notify all Participants and Beneficiaries who are entitled to receive benefits under the Plans, in writing, of the Trustee's availability to aid them in pursuing any claims they may have for benefits under the terms of those Plans under which they are covered. The Trustee shall provide such notice by using such method or methods of delivery likely to result in full distribution. Materials sent through the mail shall be sent by first class mail to the address of the Participant or Beneficiary listed on the Payment Schedule. In addition, the Trustee may, at its option, provide such notification by placing an advertisement in one newspaper of general circulation in each of the ten locations in which the largest number of employees of the Company and its Affiliates are located as communicated by the Company to the Trustee prior to a Change in Control.

3.9 Return of Assets.

(a) Prior to termination of the Trust, except (i) following a Change in Control or (ii) during a Threatened Change in Control Period, the Trustee shall, upon the Company's written request, deliver all or any portion of the trust assets to the Company, and allow the cancellation of any Credits previously contributed to the Trust, leaving a minimum corpus of \$100.

(b) Following a Change in Control, if the assets of the Trust Fund exceed the value (as determined under generally accepted accounting principles) of the amount which would be payable to all Participants and Beneficiaries in the Plan if all such persons were to become immediately entitled to receive all benefits reflected on the Payment Schedule (the amount of such excess being referred to as the "Excess Assets"), the Trustee shall, upon the Company's written request, deliver all or any portion of such Excess Assets to the Company.

3.10 Excess Asset Determination. The Trustee shall determine in its sole discretion the amount of any Excess Assets and whether any Excess Assets shall be delivered to the Company in accordance with Section 3.8(b) above. The Company shall provide to the Trustee such information as the Trustee shall reasonably request, and the Trustee shall be fully protected in acting on such information.

3.11 Letter of Credit Funding on a Change in Control or Threatened Change in Control.

(a) In the event of a Change in Control or Threatened Change in Control, the Company may fund part or all of its obligation under Section 2.2 through contribution of Credits and the Trustee may draw on a Credit as it shall determine in its sole discretion.

(b) If after a Change in Control or Threatened Change in Control, the Trustee receives written notice from the Bank which issued a Credit, referencing the Credit by number, signed by an officer of such Bank, and stating that such Credit is due to expire and has not been extended, then the Trustee shall draw on such Credit to the full extent thereof at any time during the ten business days prior to the expiration of such Credit unless: (1) prior to taking such action, the Trustee has received a copy of a replacement letter of credit executed by the bank issuing a replacement letter of credit in at least the amount of the Credit which is due to expire, or (2) the Trustee has received a contribution from Company equal to the amount of the Credit which is due to expire.

(c) Any direction to Wachovia pursuant to this Section shall be addressed as follows:

Wachovia Bank, National Association
Attn: Executive Benefits Group/Sonoco Products Company NC6251
One West Fourth Street
Winston-Salem, NC 27101

All directions shall plainly reference the Plan and the Trust and provide all necessary information for the Trustee to act.

(d) The Trustee shall draw on any Credit only if and to the extent specifically directed or provided for in the foregoing provisions of this Agreement. In the event that the Trustee shall resign or be removed, and a successor trustee shall be appointed hereunder, the rights and obligations of the Trustee under each Credit shall automatically become the rights and obligations of the successor trustee, and the Trustee shall have no further rights, duties, obligations or liabilities with respect to any Credit.

**ARTICLE IV
TRUSTEE POWERS AND AUTHORITY**

4.1 Powers. Subject to investment guidelines agreed to in writing from time to time by the Company and the Trustee, attached hereto as Appendix II, the Trustee shall have the following powers and authority in the administration of the Trust:

(a) To purchase or subscribe for any securities, including but not limited to securities of the Company, or other property and to retain in trust such securities or other property.

(b) To sell for cash or on credit at public or private sale, exchange, convey, transfer or dispose of, to grant options, convert, securities or other property held at any time and to collect and receive any and all money and other property due the Trust and to give a full discharge therefor.

(c) To settle, compromise or submit to arbitration, any claims, debts or damages, due or owing to or from the Trust, to commence or defend suits or legal proceedings and to represent the Trust in all suits or legal proceedings.

(d) To exercise any conversion privilege and/or subscription right available in connection with any securities or other property at any time held; to oppose or to consent to the reorganization, consolidation, merger, or readjustment of the finances of any corporation, company or association or to the sale, mortgage, pledge or lease of the property of any corporation, company or association any of the securities of which may at any time be held and to do any act with reference thereto, including the exercise of options, the making of agreements or subscriptions, which may be deemed necessary or advisable in connection therewith, and to hold and retain any securities or other property so acquired.

(e) To exercise, personally or by general or by limited power of attorney, any right, including the right to vote, appurtenant to any securities or other property held at any time.

(f) To borrow money from any lender in such amounts and upon such terms and conditions as shall be deemed advisable or proper to carry out the purposes of the Trust and to pledge any securities or other property for the repayment of any such loan.

(g) To hold part or all of the Trust uninvested.

(h) To form corporations and to create trusts and appoint ancillary trustees to hold title to any securities or other property, all upon such terms and conditions as may be deemed advisable.

(i) To employ suitable agents and counsel and to pay their reasonable expenses and compensation.

(j) To register any securities held hereunder in the name of the Trustee or in the name of a nominee with or without the addition of words indicating that such securities are held in a fiduciary capacity.

(k) To make, execute and deliver, as Trustee, any and all conveyances, contracts, waivers, releases or other instruments in writing necessary or proper for the accomplishment of any of the foregoing powers.

(l) To invest and reinvest all or any specified portion of the Trust through the medium of a mutual fund which has been or may hereafter be established and maintained by the Trustee.

(m) To determine how all receipts and disbursements shall be credited, charged or apportioned as between income and principal, and the decision of the Trustee shall be final and not subject to question by the Company or any Participant or Beneficiary.

(n) To take any and all actions necessary to collect funds under a Letter of Credit as more fully described within this Agreement.

(o) Following a Change in Control, to have the sole and absolute discretion in the management of the Trust assets including the powers set forth in this Section 4.1. In investing the Trust assets, the Trustee shall consider:

(1) the needs of the Plan;

(2) the need for matching of the Trust assets with the liabilities of the Plan; and

(3) the duty of the Trustee to act solely in the best interests of the Participants and their Beneficiaries.

(p) To do all acts, whether or not expressly authorized, which the Trustee may deem necessary or desirable for the protection of the Trust.

ARTICLE V

INSURANCE AND ANNUITY CONTRACTS

5.1 Purchase of Contracts. The Trustee, upon written direction of the Company prior to a Change in Control, shall pay from the Trust such sums to such insurance company or companies as the Company may direct for the purpose of procuring participating or nonparticipating insurance and/or annuity contracts for the Plans (hereinafter referred to as "Contracts"). The Company shall prepare, or cause to be prepared in such form as it shall prescribe, the application for any Contract. The Trustee shall receive and hold in the Trust all Contracts so obtained.

5.2 Trustee Powers and Duties Over Contracts. The Trustee shall be the complete and absolute owner of Contracts held in the Trust and, upon written direction of the Company prior to a Change in Control, shall have power, without the consent of any other person, to exercise any and all of the rights, options or privileges that belong to the absolute owner of any Contract held in the Trust or that are granted by the terms of any such Contract or by the terms of this Agreement. Prior to a Change in Control, the Trustee shall have no discretion with respect to the exercise of any of the foregoing powers or to take any other action permitted by any Contract held in the Trust, but shall exercise such powers or take such action only upon the written direction of the Company and the Trustee shall have no duty to exercise any of such powers or to take any such action unless and until it shall have received such direction. After a Change in Control, the Trustee shall exercise,

without directions from the Company, any and all of the rights, options or privileges that belong to the absolute owner of any Contract held in the Trust or that are granted by the terms of any such Contract or by the terms of this Agreement. The Trustee, upon the written direction of the Company prior to a Change in Control, shall deliver any Contract held in the Trust to such person or persons as may be specified in the direction.

5.3 Proceeds. The Trustee shall hold in the Trust the proceeds of any sale, assignment or surrender of any Contract held in the Trust and any and all dividends and other payments of any kind received in respect of any Contract held in the Trust.

5.4 Payments of Premiums, Assessments and Dues. Upon the written direction of the Company prior to a Change in Control, the Trustee shall pay from the proper Account premiums, assessments, dues, charges and interest, if any, upon any Contract held in the Trust. The Trustee shall have no duty to make any such payment unless and until it shall have received such direction. After a Change in Control, the Trustee shall, in its discretion, pay from the proper Account premiums, assessments, dues, charges and interest, if any, upon any Contract held in the Trust, without direction from the Company.

5.5 Insurance Company Not Party. Any insurance company that may issue any Contract or Contracts held in the Trust shall not be deemed to be a party to this Agreement for any purpose, or to be responsible in any way for the validity of this Agreement or to have any liability under this Agreement other than as stated in each Contract that it may issue. Any insurance company may deal with the Trustee as sole owner of any Contract issued by it and held in the Trust, without inquiry as to the authority of the Trustee to act, and may accept and rely upon any written notice, instruction, direction, certificate or other communication from the Trustee believed by the insurance company to be genuine and to be signed by an officer of the Trustee and shall incur no liability or responsibility for so doing. Any sums paid out by any insurance company under any of the terms of a Contract issued by the insurance company and held in the Trust either to the Trustee, or, in accordance with the direction of the Trustee, to any other person or persons designated as payees in such Contract shall be a full and complete discharge of the liability to pay such sums, and the insurance company shall have no obligation to look to the disposition of any sums so paid. No insurance company shall be required to look into the terms of this Agreement, to question any action of the Trustee or to see that any action of the Trustee is authorized by the terms of this Agreement.

5.6 Contracts. Anything contained herein to the contrary notwithstanding, neither the Company nor the Trustee shall be liable for the refusal of any insurance company to issue or change any Contract or Contracts or to take any other action requested by the Trustee; nor for the form, genuineness, validity, sufficiency or effect of any Contract or Contracts held in the Trust; nor for the act of any person or persons that may render any such Contract or Contracts null and void; nor for the failure of any insurance company to pay the proceeds and avails of any such Contract or Contracts as and when the same shall become due and payable; nor for any delay in payment resulting from any provision contained in any such Contract or Contracts; nor for the fact that for any reason whatsoever (other than their own negligence or willful misconduct) any Contract or Contracts shall lapse or otherwise become uncollectible.

ARTICLE VI
TRUSTEE RECORDS, COMPENSATION AND EXPENSES OF TRUSTEE

6.1 Trustee Records. The Trustee shall keep accurate and detailed accounts of all investments, receipts, disbursements and other transactions hereunder, and all accounts, books and records relating thereto shall be open to inspection and audit at all reasonable times by any person designated by the Company. Within 90 days after the close of each fiscal year (or such other date as may be agreed upon in writing between the Company and the Trustee), and within 120 days after the effective date of the resignation of the Trustee, the Trustee shall file with the Company a written account setting forth all investments, receipts, disbursements and other transactions effected by the Trustee during the year ending on such date (but not including any part of such year for which such an account has previously been filed) and certified as to the accuracy of the information set forth therein. Such account may incorporate by reference any and all schedules and other statements setting forth investments, receipts, disbursements and other transactions effected during the period for which such account is rendered which the Trustee has furnished to the Company prior to the filing of such account. Each account so filed (and copies of any schedules and statements incorporated therein by reference as aforesaid) shall be open to inspection during business hours by any Participant or Beneficiary and any person designated by such Participant or Beneficiary for a period of 60 days immediately following the date on which the account is filed with the Company. The Company may approve such accounts by an instrument in writing delivered to the Trustee. In the absence of the filing in writing with the Trustee by the Company of exceptions or objections to any such account within 90 days, the Company shall be deemed to have approved such account; and in such case, or upon the written approval of the Company of any such account, the Trustee shall be released, relieved and discharged with respect to all matters and things set forth in such account as though such account had been settled by the decree of a court of competent jurisdiction.

6.2 Taxes. The Company shall pay all taxes of any and all kinds levied or assessed under existing or future laws against the Trust. If requested by the Company, the Trustee shall, at Company expense, contest the validity of such taxes in any manner deemed appropriate by the Company or its counsel, after the Trustee receives an indemnity bond or other security satisfactory to it to pay any expense of such contest.

6.3 Compensation and Expenses. The Trustee shall be paid such reasonable compensation by the Company in accordance with the Trustee's regular schedule of fees for trust services as shall from time to time be in effect unless otherwise agreed to by the Company and the Trustee. The Trustee shall charge on the basis of hours for making the determination under Section 3.7 or under Section 3.8. The Trustee shall be reimbursed by the Company for its reasonable expenses of management and administration of the Trust, including reasonable compensation of fees of counsel and any agent engaged by the Trustee to assist it in such management and administration. Such compensation and all expenses and fees of administration of the Trust shall be withdrawn by the Trustee out of the Trust unless promptly paid by the Company on demand. In the event the Trustee must satisfy its obligations from the Trust, the Company shall immediately on demand from the Trustee, deposit into the Trust a sum equal to the amount paid by the Trust for such fees and expenses. In the event such demand is not met the Trustee may proceed with a collection action against the Company.

6.4 Judicial Settlement. Notwithstanding the foregoing the Trustee or the Company may apply at any time for a judicial settlement of the Trustee's Account.

ARTICLE VII PROTECTION OF THE TRUSTEE

7.1 Reliance. The Trustee shall be fully protected in relying upon a certification of an authorized representative of the Company with respect to any instruction, direction or approval of the Company, and protected also in relying upon the certification until a subsequent certification is filed with the Trustee.

The Trustee shall be fully protected in acting upon any instrument, certificate, or paper believed by it to be genuine and to be signed or presented by the proper person or persons, and the Trustee shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

The Trustee shall not be liable for the proper application of any part of the Trust Fund if distributions are made in accordance with the terms of the Plan or the information otherwise furnished to the Trustee or the Company.

The Trustee shall not be liable hereunder for any loss or diminution of the Trust Fund resulting from any action taken or omitted.

The Company hereby indemnifies the Trustee and holds it harmless from and against all losses, damages, costs, expenses and liabilities ("Liabilities"), including reasonable attorneys fees and other costs of litigation, to which the Trustee may become subject to, arising out of, occasioned by, incurred in connection with or in any way associated with this Trust, except for any act or omission due to its gross negligence or willful misconduct, including, without limiting the generality of the foregoing, any claim or liability brought against the Trustee by the Company.

If one or more Liabilities shall arise, or if the Company fails to indemnify the Trustee as provided herein, or both, then the Trustee may engage counsel of the Trustee's choice, but at Company expense, either to conduct the defense against such Liabilities or to conduct such actions as may be necessary to obtain the indemnity provided for herein, or to take both such actions.

If the Trustee shall be entitled to indemnification by the Company pursuant to this Article and this Trust and the Company shall not provide such indemnification on demand, the Trustee may apply assets of the Trust in full satisfaction of the obligations for indemnity by the Company, and any legal proceeding by the Trustee against the Company for such indemnification shall be on behalf of the Trust.

7.2 Advice of Counsel. The Trustee may consult with legal counsel, including counsel to the Trustee and (except following a Change in Control) counsel to the Company with respect to the construction of this Agreement, its duties hereunder, or any act it proposes to take or omit, and shall not be liable for any action taken or omitted in good faith pursuant to such advice. Expenses of such counsel shall be deemed to be expenses of management and administration of the Trust and shall be paid by the Company and, if not promptly paid by the Company, charged to the Trust.

ARTICLE VIII RESIGNATION AND REMOVAL

8.1 Resignation. The Trustee may resign on 60 days prior written notice to the Company. Promptly after the resignation of the Trustee, the Company (or, if a Change in Control shall previously have occurred, the Company with the approval of more than fifty percent (50%) of the Participants) shall appoint a successor Trustee (the "Successor Trustee"), which shall be a bank or trust company with a market capitalization of at least \$10 billion. Such successor's appointment shall be effective as of the date of resignation of the Trustee. Any Successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder and the appointment of the Successor Trustee shall be by a written instrument delivered to the Trustee executed by the Company and the Successor Trustee.

If the Trustee and the Participants are unable to agree on a successor thirty (30) days after such notice, the Trustee shall be entitled, at the expense of the Company, to petition a United States District Court or the court of a state having jurisdiction to appoint a successor.

8.2 Removal. The Company (or if a Change in Control shall previously have occurred, the Company with the approval of more than fifty percent (50%) of the Participants) may remove the Trustee at any time by giving 90 days written notice to the Trustee. Upon removal the Company (or if a Change in Control shall previously have occurred, the Company with the approval of more than fifty percent (50%) of the Participants) shall appoint a Successor Trustee, which shall be a bank or trust company with a market capitalization of at least \$10 billion. Such removal shall be effective as expressed in the notice. Such Successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. The appointment of the Successor Trustee shall be by a written instrument delivered to the Trustee executed by the Company and the Successor Trustee.

ARTICLE IX CLAIMS OF COMPANY CREDITORS CERTAIN TRANSACTIONS AND AMENDMENTS

9.1 Insolvency. As used in this Article IX, the Company shall be deemed to be "Insolvent" if (1) the Company is unable to pay its debts as they come due, or (2) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code (or any successor federal statute). In the event the Company shall be deemed Insolvent, the assets of the Trust shall be subject to claims of general creditors of the Company (hereinafter referred to as "Bankruptcy Creditors"), as hereinafter provided. Participants and Beneficiaries will be included among the Bankruptcy Creditors to the extent their benefits are unpaid and to the extent provided for by the United States Bankruptcy Code.

9.2 Determination of Insolvency. If at any time a person claiming to be a creditor of the Company or the Company alleges in writing to the Trustee that the Company has become Insolvent, the Trustee shall independently determine whether the Company is Insolvent and, pending such determination, the Trustee shall discontinue payments of benefits under this Agreement, shall hold the Trust Fund for the benefit of the Company's Bankruptcy Creditors, and shall resume payments of benefits under this Agreement in accordance with Article II hereof only after the Trustee has determined that the Company is not Insolvent (or is no longer Insolvent, if the Trustee initially determined the Company to be Insolvent) or upon receipt of an order of a court of competent jurisdiction requiring such payments. The Chief Executive Officer of the Company shall be obligated to give the Trustee prompt written notice in the event that the Company becomes Insolvent with the same consequences as provided in the immediately preceding sentence. In determining whether the Company is Insolvent, the Trustee may rely conclusively upon, and shall be protected in relying upon, court records showing that the Company is Insolvent, a current report or statement from a nationally recognized credit reporting agency showing that the Company is Insolvent or any other evidence provided to the Trustee that provides the Trustee with a reasonable basis for making a determination concerning the Company's solvency. For purposes of this Agreement, knowledge and information concerning the Company which is not in the possession of employees of the Trustee's Trust Department shall not be imputed to the Trustee (except to the extent that such information can reasonably be imputed to the Trustee under normal bank procedures). The Trustee shall have no duty or obligation to ascertain whether the Company is Insolvent unless and until it receives a writing alleging that the Company is Insolvent as described in the first or second sentence of this Section.

If the Trustee determines that the Company is Insolvent as provided above or has knowledge that the Company is Insolvent, the Trustee shall discontinue payments to Participants and Beneficiaries and shall hold the Trust Fund for the benefit of the Company's Bankruptcy Creditors and disburse the Trust Fund to satisfy such claims as a court of competent jurisdiction shall direct. The Trustee shall as soon as practicable after making the determination of the Company's Insolvency invest all of the assets of the Trust Fund, with the exception of any insurance policies that may be held in force, in short-term federal government securities or in a mutual fund invested in such securities.

Provided that there are sufficient assets, if the Trustee discontinues payment of benefits pursuant to the first paragraph of this Section and subsequently resumes such payments, the payment to a Participant or Beneficiary following such discontinuance shall include an aggregate amount equal to the difference between the payments which would have been made to such Participant or Beneficiary under this Agreement but for this Section and the aggregate payments actually made to such Participant or Beneficiary by the Company during any such period of discontinuance.

9.3 Company Obligations. If at any time an amount is paid from the Trust Fund to Bankruptcy Creditors of the Company, the Company shall upon demand by the Trustee deposit into the Trust Fund a sum equal to the amount paid by the Trust Fund to such Bankruptcy Creditors, to the extent such amount has not been paid by the Company directly to Participants and Beneficiaries.

9.4 Certain Transactions. The Company shall not engage in any transaction (or series of transactions) with a Related Person (as defined below) or any affiliate or associate (as such terms are defined in Rule 12b-2 under the Securities Exchange Act of 1934) of such Related Person unless prior to such transaction, the Related Person (or, if there is more than one Related Person, the Related Person which is the ultimate parent of the Related Persons, as determined by the Trustee) either (i) guarantees the obligations of the Company pursuant to this Agreement, or (ii) demonstrates to the satisfaction of the Trustee that the proposed transaction will not result immediately after the transaction in a diminution of the Company's net worth. If there shall be a transaction with a Related Person or an affiliate or associate of such Related Person, the Company shall notify the Trustee in writing within ten days following such transaction. The Trustee shall thereupon determine if such transaction violates this Section. If the Trustee determines that the transaction does violate this Section, the Trustee shall demand rescission. If rescission is not made within 20 days following such demand, the Trustee shall take such action as it deems prudent or advisable to recover payment. For purposes of this Section a Related Person shall mean any person other than any employee benefit plan of the Company or its affiliates who directly or indirectly (i) is or becomes the beneficial owner as defined in Rule 13d-3 and 13d-5 under the Securities Exchange Act of 1934 of 10% or more of the total voting power represented by the Company's then outstanding voting securities, or (ii) engaged in a proxy contest as a result of which one or more of such person's nominees were elected to the Board of Directors of the Company. Voting securities shall mean any securities of the Company having the right under ordinary circumstances to vote at an election of the Board of Directors.

9.5 Amendment. This Agreement may be amended any time and to any extent by a written instrument executed by the Trustee and the Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Plan, make the Trust revocable after it has become irrevocable or retroactively change or deprive Participants or Beneficiaries of rights already accrued under the Plan.

ARTICLE X MISCELLANEOUS

10.1 Governing Law. This Agreement and the Trust hereby created shall be construed under and regulated by the laws of the State of North Carolina.

10.2 Titles and Headings. The titles to Articles and the Section headings in this Agreement are placed herein for convenience of reference only and in case of any conflict the text of this Agreement, rather than such titles and headings, shall control.

10.3 Affiliates. As used in this Agreement, the term "affiliate" as applied to the Company or to the Trustee means any person or entity that directly, or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company or the Trustee, as the case may be.

10.4 Assignment. This Agreement may not be assigned by either party without the prior written consent of the other, and any purported assignment without such prior written consent shall be null and void. This Agreement shall be binding upon the successors and permitted assigns of each party hereto.

10.5 Entire Agreement. This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof and supersedes any and all prior agreements, arrangements and understandings. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and legal representatives.

10.6 Severability. In the event any provision of this Agreement shall be determined by a court to be invalid or unenforceable the remainder of this Agreement shall not be affected thereby.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company and Trustee have caused this Agreement to be executed by their duly authorized officers and their respective seals to be hereunto affixed as of the date set forth above.

Attest:

/s/ Sandy L. Jones

SONOCO PRODUCTS COMPANY

By: _____ [Seal]
/s/ Ritchie L. Bond

Attest:

/s/ Tracy C. Hartsell

WACHOVIA BANK, National Association

By: _____ [Seal]
/s/ D. Michael Hill

APPENDIX I

The following plans constitute the Plan as defined in this Trust and are covered under this Agreement:

1. Deferred Compensation Plan for Outside Directors of Sonoco Products Company
2. Sonoco Products Company 2008 Long Term Incentive Plan

INVESTMENT GUIDELINES

1. During a Threatened Change in Control Period the Trustee shall invest the funds contributed in accordance with Section 2.2 (b) in any of the following:
 - a) Direct obligations of the United States of America, or any agency thereof, or obligations guaranteed by the United States of America, provided that such obligations mature within 90 days from the date of acquisition thereof;
 - b) Acquisitions of certificates of deposit maturing within 90 days from the date of acquisition, bankers' acceptances, Eurodollar bank deposits, or overnight bank deposits, in each case issued by, created by, or with a bank or trust company organized under the laws of the United States of America or any state thereof having capital and surplus aggregating at least \$100,000,000;
 - c) Acquisitions of commercial paper given a rating of "A2" or better by Standard & Poor's Corporation or "P2" or better by Moody's Investors Service, Inc. and maturing not more than 90 days from the date of creation thereof; or
 - d) Investments in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by financial institutions having capital of at least \$500,000,000 and the portfolios of which are limited to Investments of the character described in the foregoing clauses (a) through (c).
2. Subsequent to a Change in Control, the Trustee shall have discretion to invest the funds in a manner that best satisfies its fiduciary duty to the Participants and Beneficiaries.

October 29, 2008

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Commissioners:

We are aware that our report dated October 29, 2008 on our review of interim financial information of Sonoco Products Company for the three- and nine-month periods ended September 28, 2008 and September 30, 2007 and included in the Company's quarterly report on Form 10-Q for the quarter ended September 28, 2008 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. 333-100799; File No. 333-100798; and File No. 333-152531) and Form S-3 (File No. 333-136244).

Yours very truly,

/s/PricewaterhouseCoopers LLP

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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: October 29, 2008

By: /s/ Harris E. DeLoach, Jr.

Harris E. DeLoach, Jr.

Chief Executive Officer

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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: October 29, 2008

By: /s/ Charles J. Hupfer

Charles J. Hupfer

Senior Vice President and Chief Financial Officer

**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 September 28, 2008, 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.

October 29, 2008

/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.