

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2011

or

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

For the transition period from _____ to _____

Commission File No. 0-516

SONOCO PRODUCTS COMPANY

Incorporated under the laws
of South Carolina

1 N. Second St.
Hartsville, SC 29550
Telephone: 843/383-7000

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
No par value common stock

Name of exchange on which registered
New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ 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 ☒

The aggregate market value of voting common stock held by nonaffiliates of the registrant (based on the New York Stock Exchange closing price) on July 3, 2011, which was the last business day of the registrant's most recently completed second fiscal quarter, was \$3,466,515,908. Registrant does not (and did not at July 3, 2011) have any non-voting common stock outstanding.

As of February 16, 2012, there were 100,544,330 shares of no par value common stock outstanding.

Documents Incorporated by Reference

Portions of the Proxy Statement for the annual meeting of shareholders to be held on April 18, 2012, which statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates, are incorporated by reference in Part III.

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Sonoco Products Company

Forward-looking statements

Statements included in this Annual Report on Form 10-K 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,” “strategy,” “opportunity,” “target,” “anticipate,” “objective,” “goal,” “guidance,” “outlook,” “forecasts,” “future,” “will,” “would,” or the negative thereof, 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; realization of synergies resulting from acquisitions; 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; sales growth; continued payments of dividends; stock repurchases; producing improvements in earnings; financial results for future periods; goodwill impairment charges; and creation of long-term value for shareholders. 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;
- ability to manage the mix of business to take advantage of growing markets while reducing cyclical effects of some of the Company’s existing businesses on operating results;
- international, national and local economic and market conditions;
- availability of credit to us, our customers and/or suppliers in needed amounts and/or on reasonable terms;
- fluctuations in obligations and earnings of pension and postretirement benefit plans;
- pricing pressures, demand for products, and ability to maintain market share;
- 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;
- ability to win new business and/or identify and successfully close suitable acquisitions at the levels needed to meet growth targets;
- rate of growth in foreign markets;
- foreign currency, interest rate and commodity price risk, and the effectiveness of related hedges;
- actions of government agencies and changes in laws and regulations affecting the Company;
- liability for and anticipated costs of environmental remediation actions;
- accuracy of assumptions underlying projections related to goodwill impairment testing, and accuracy of management’s assessment of goodwill impairment;
- 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 Annual Report on Form 10-K might not occur.

References to our Web Site Address

References to our website address and domain names throughout this Annual Report on Form 10-K are for informational purposes only, or to fulfill specific disclosure requirements of the Securities and Exchange Commission’s rules or the New York Stock Exchange Listing Standards. These references are not intended to, and do not, incorporate the contents of our websites by reference into this Annual Report on Form 10-K.

Part I

Item 1. Business

(A) General development of business –

The Company is a South Carolina corporation founded in Hartsville, South Carolina, in 1899 as the Southern Novelty Company. The name was subsequently changed to Sonoco Products Company (the “Company” or “Sonoco”). Sonoco is a manufacturer of industrial and consumer packaging products and a provider of packaging services, with 349 locations in 34 countries.

Information about the Company’s acquisitions, dispositions, joint ventures and restructuring activities is provided in Notes 3 and 4 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

(B) Financial information about segments –

The Company changed its business segments in the fourth quarter of 2011 as the result of recent changes in internal management reporting and in order to better reflect its mix of business following the November 2011 acquisition of Tegrant Holding Corporation. The Company now reports its financial results in four reportable segments. These consist of the same three reportable segments reported previously, each with relatively minor changes, and the addition of a new Protective Packaging segment consisting of Tegrant and the Company’s legacy protective packaging business. Financial information about the Company’s segments for 2010 and 2009 has been restated to conform to the current presentation.

Additional information about the Company’s reportable segments is provided in Note 16 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

(C) Narrative description of business –

Products and Services – The following discussion outlines the principal products produced and services provided by the Company.

Consumer Packaging

The Consumer Packaging segment accounted for approximately 44%, 44% and 46% of the Company’s consolidated net sales in 2011, 2010 and 2009, respectively. The operations in this segment consist of 79 plants throughout the world. The products, services and markets of the Consumer Packaging segment are as follows:

Rigid Packaging – Paper

Products and Services

Round and shaped composite paperboard cans, single-wrap paperboard packages, fiber cartridges

Markets

Food: Powdered beverages and infant formulas, coffee, cereal, snacks, nuts, cookies and crackers, confectionery, refrigerated dough, frozen concentrates, spices/seasonings, nutritional supplements, pet foods

Nonfood: Adhesives, caulks, cleansers, household chemicals, lawn and garden, automotive, pet products

Rigid Packaging – Blow Molded Plastics

Products and Services

Monolayer and multilayer bottles and jars

Markets

Food: Noncarbonated, high-barrier beverages/ready-to-drink products, coffee, powdered beverages, condiments

Nonfood: Health and beauty, household chemicals, automotive, adhesives and specialty products

Rigid Packaging – Thermoformed Plastic

Products and Services

Monolayer, coated and barrier and non-barrier laminated tubs, cups, spools, consumer and institutional trays

Markets

Processed, frozen, chilled and ready-to-eat foods, sauces and dips, pet foods, snacks and nuts, fresh-cut produce, desserts, food services

Molded and Extruded Plastics

Products and Services

Product design, tool design and fabrication; manufacturing in both injection molding and extrusion technologies

Markets

Food service, medical, healthcare, textiles, wire and cable, fiber optics, filtration, plumbing, automotive

Ends and Closures

Products and Services

Aluminum, steel and peelable membrane easy-open closures for composite, metal and plastic containers

Markets

Powdered beverages and infant formulas, coffee, cereal, snacks, nuts, cookies and crackers, confectionery, refrigerated dough, frozen concentrates, spices/seasonings, nutritional supplements, pet foods, vegetables, fruit, seafood, poultry, soup and pasta, dairy

Printed Flexible Packaging

Products and Services

Flexible packaging made from thin-gauge, value-added rotogravure, flexographic and combination printed film, including performance laminations, rotogravure cylinder engraving, global brand artwork management

Markets

Confectionery and gum, hardbaked goods, coffee, processed foods, beverages, snack foods, pet foods, home and personal care

Sonoco’s rigid packaging – paper-based products – is the Company’s second largest revenue-producing group of products and services, representing

approximately 19%, 21% and 23% of consolidated net sales in 2011, 2010 and 2009, respectively.

Paper and Industrial Converted Products

The Paper and Industrial Converted Products segment accounted for approximately 42%, 42% and 39% of the Company's consolidated net sales in 2011, 2010 and 2009, respectively. This segment serves its markets through 189 plants on five continents. Sonoco's paper operations provide the primary raw material for the Company's fiber-based packaging. Sonoco uses approximately 50% of the paper it manufactures, and the remainder is sold to third parties. This vertical integration strategy is supported by 21 paper mills with 31 paper machines and 50 recycling facilities throughout the world. In 2011, Sonoco had the capacity to manufacture approximately 1.8 million tons of recycled paperboard. The products, services and markets of the Paper and Industrial Converted Products segment are as follows:

Tubes and Cores

Products and Services

Paperboard tubes, cores, roll packaging, molded plugs, pallets, pallet components, concrete forms, rotary die boards

Markets

Construction, film, flowable products, metal, paper mill, shipping and storage, tape and label, textiles, converters

Paper

Products and Services

Recycled paperboard, chipboard, tubeboard, lightweight corestock, boxboard, linerboard, corrugating medium, specialty grades, recovered paper

Markets

Converted paperboard products, spiral winders, beverage insulators

Sonoco Recycling, Inc.

Products and Services

Collection, processing and recycling of old corrugated containers, paper, plastic, metal, glass, other recyclable materials

Markets

Wire and Cable Reels

Products and Services

Steel, nailed wooden, plywood, recycled and polyfiber reels

Markets

Wire and cable manufacturers

Sonoco's tubes and cores products and services are the Company's largest revenue-producing group of products and services, representing approximately 25%, 27% and 28% of consolidated net sales in 2011, 2010 and 2009, respectively.

Packaging Services

The Packaging Services segment accounted for approximately 10%, 11% and 12% of the Company's consolidated net sales in 2011, 2010 and 2009, respectively. The products, services and markets of the Packaging Services segment are as follows:

Service Centers

Products and Services

Packaging supply chain management, including custom packing, fulfillment, primary package filling, scalable service centers

Markets

Personal care, baby care, food, electronics, hosiery, office supplies, toys

Point-of-Purchase (P-O-P)

Products and Services

Designing, manufacturing, assembling, packing and distributing temporary, semipermanent and permanent P-O-P displays, as well as contract packaging, co-packing and fulfillment services

Markets

Automotive, beverages, confectionery, electronics, cosmetics, food, fragrances, home and garden, liquor, medical, office supply, over-the-counter drugs, personal care, sporting goods, tobacco

Paperboard Specialties

Products and Services

Custom-printed Stancap® glass covers, Rixie™ coasters, other paper amenities

Markets

Hotels and resorts, food and beverage, healthcare facilities, catering services, transportation, advertising

Protective Packaging

The Protective Packaging segment accounted for approximately 4%, 3% and 3% of the Company's consolidated net sales in 2011, 2010 and 2009, respectively. The products, services and markets of the Protective Packaging segment are as follows:

Protective Packaging

Products and Services

Proprietary protective packaging (Sonopost® technology, Sonobase® carriers, Sonopop® systems), contract package testing

Markets

Household appliances, heating and air conditioning, office furnishings, automotive, fitness equipment, lawn and garden, promotional and palletized distribution

Protexic™ Brands

Products and Services

Fabricated foam, corrugated paperboard, molded EPS, molded EPP, antistatic fabricated foam solutions, nesting and stacking trays, molded foam dunnage, totes and tote inserts, energy-absorbing components for automobiles, flotation components, insulation components

Markets

High technology, consumer electronics, automotive, appliances and medical devices

Thermosafe® Brands*Products and Services*

Insulated shippers, durable transport chests, PolarPack® gel packs, U-tek® phase change materials, lab/pharma/diagnostic specimen transport, refrigerant materials, ShipSafe® edge and corner protection products, temperature assurance solutions

Markets

Temperature-sensitive pharmaceuticals and food

Alloyd Brands™*Products and Services*

High-visibility packaging, printed products and blister packaging machines

Markets

Retail and medical markets

Product Distribution – Each of the Company’s operating units has its own sales staff, and maintains direct sales relationships with its customers. For those customers that buy from more than one business unit, the Company often assigns a single representative or team of specialists to handle that customer’s needs. Some of the units have service staff at the manufacturing facility that interacts directly with customers. The Paper and Industrial Converted Products segment also has a customer service center located in Hartsville, South Carolina, which is the main contact point between its North American business units and its customers. Divisional sales personnel also provide sales management, marketing and product development assistance as needed. Typically, product distribution is directly from the manufacturing plant to the customer, but in some cases, product is warehoused in a mutually advantageous location to be shipped to the customer as needed.

Raw Materials – The principal raw materials used by the Company are recovered paper, paperboard, steel, aluminum and plastic resins. Raw materials are purchased from a number of outside sources. The Company considers the supply and availability of raw materials to be adequate to meet its needs.

Patents, Trademarks and Related Contracts – Most inventions and product and process innovations are generated by Sonoco’s development and engineering staff, and are important to the Company’s internal growth. Patents have been granted on many inventions created by Sonoco staff in the United States and other countries. These patents are managed globally by a Sonoco intellectual capital management team through the Company’s subsidiary, Sonoco Development, Inc. (SDI). SDI globally manages patents, trade secrets, confidentiality agreements and license agreements. Some patents have been licensed to other manufacturers. Sonoco also licenses a few patents from outside companies and universities. U.S. patents expire after 17 or 20 years, depending on the patent issue date. New patents replace many of the abandoned or expired patents. A second intellectual capital subsidiary of Sonoco, SPC Resources, Inc., globally manages Sonoco’s trademarks, service marks, copyrights and Internet domain names. Most of Sonoco’s products are marketed worldwide under trademarks such as Sonoco®, Sonotube®, Safe-top®, Sealed-safe®, Duro®, Durox®, Protexic™, Thermosafe®, and Alloyd Brands™. Sonoco’s registered Web domain names such as *www.sonoco.com* and *www.sonotube.com* provide information about Sonoco, its people and products. Trademarks and domain names are licensed to outside companies where appropriate.

Seasonality – The Company’s operations are not seasonal to any significant degree, although the Consumer Packaging and Packaging Services segments normally report slightly higher sales and operating profits in the second half of the year, when compared with the first half.

Working Capital Practices – The Company is not required to carry any significant amounts of inventory to meet customer requirements or to assure itself continuous allotment of goods, nor does it provide extended terms to customers.

Dependence on Customers – On an aggregate basis during 2011, the five largest customers in the Paper and Industrial Converted Products segment, the Consumer Packaging segment and the Protective Packaging segment accounted for approximately 7%, 32% and 39%, respectively, of each segment’s net sales. The dependence on a few customers in the Packaging Services segment is more significant, as the five largest customers in this segment accounted for approximately 61% of that segment’s sales.

Sales to the Company’s largest customer represented approximately 9% of consolidated revenues in 2011. This concentration of sales volume resulted in a corresponding concentration of credit, representing approximately 8% of the Company’s consolidated trade accounts receivable at December 31, 2011. The Company’s next largest customer comprised approximately 5% of the Company’s consolidated revenues for the year ended December 31, 2011.

Backlog – Most customer orders are manufactured with a lead time of three weeks or less. Therefore, the amount of backlog orders at December 31, 2011, was not material. The Company expects all backlog orders at December 31, 2011, to be shipped during 2012.

Competition – The Company sells its products in highly competitive markets, which include paper, textile, film, food, chemical, packaging, construction, and wire and cable. All of these markets are influenced by the overall rate of economic activity and their behavior is principally driven by supply and demand. Because we operate in highly competitive markets, we regularly bid for new and continuing business. Losses and/or awards of business from our largest customers, customer changes to alternative forms of packaging, and the repricing of business, can have a significant effect on our operating results. The Company manufactures and sells many of its products globally. The Company, having operated internationally since 1923, considers its ability to serve its customers worldwide in a timely and consistent manner a competitive advantage. The Company also believes that its technological leadership, reputation for quality, and vertical integration are competitive advantages. Expansion of the Company’s product lines and global presence is driven by the rapidly changing needs of its major customers, who demand high-quality, state-of-the-art, environmentally compatible packaging, wherever they choose to do business. It is important to be a low-cost producer in order to compete effectively. The Company is constantly focused on productivity improvements and other cost-reduction initiatives utilizing the latest in technology.

Research and Development – Company-sponsored research and development expenses totaled approximately \$18.8 million in 2011, \$17.8 million in 2010 and \$14.5 million in 2009.

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Customer-sponsored research and development expenses were not material in any of these periods. Significant projects in Sonoco's Consumer Packaging segment include a broad range of cost-reduction projects, high-value flexible packaging enhancements, rigid plastic containers technology and next-generation composite packaging. During 2011, the Paper and Industrial Converted Products segment continued to invest in efforts to design and develop new products for the construction industry and for the film and tape industries. In addition, efforts were focused on enhancing performance characteristics of the Company's tubes and cores in the textile, film and paper packaging areas, as well as on projects aimed at enhancing productivity.

Compliance with Environmental Laws – Information regarding compliance with environmental laws is provided in Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Risk Management," and in Note 14 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Number of Employees – Sonoco had approximately 19,600 employees worldwide as of December 31, 2011.

(D) Financial information about geographic areas –

Financial information about geographic areas is provided in Note 16 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, and in the information about market risk in Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Risk Management" of this Annual Report on Form 10-K.

(E) Available information –

The Company electronically files with the Securities and Exchange Commission (SEC) its annual reports on Form 10-K, its quarterly reports on Form 10-Q, its periodic reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the "1934 Act"), and proxy materials pursuant to Section 14 of the 1934 Act. The SEC maintains a site on the Internet, www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Sonoco also makes its filings available, free of charge, through its website, www.sonoco.com, as soon as reasonably practical after the electronic filing of such material with the SEC.

Executive Officers of the Registrant –

<i>Name</i>	<i>Age</i>	<i>Position and Business Experience for the Past Five Years</i>
Executive Committee		
Harris E. DeLoach, Jr.	67	Chairman of the Board & Chief Executive Officer since 2010. Previously Chairman of the Board, President & Chief Executive Officer 2005-2010; President & Chief Executive Officer 2000-2005; Chief Operating Officer April-July 2000; Sr. Executive Vice President, Global Industrial Products/Paper/Molded Plastics 1999-2000; Executive Vice President, High Density Film, Industrial Container, Fibre Partitions, Protective Packaging, Sonoco Crellin and Baker Reels 1996-1999. Joined Sonoco in 1985.
M. Jack Sanders	58	President & Chief Operating Officer since 2010. Previously Executive Vice President, Consumer January-December 2010; Executive Vice President, Industrial 2008-2010; Sr. Vice President, Global Industrial Products 2006-2008; Vice President, Global Industrial Products January-October 2006; Vice President, Industrial Products, N.A. 2001-2006; Division Vice President & General Manager, Protective Packaging 1998-2001. Joined Sonoco in 1987.
Jim C. Bowen	61	(Retiring effective March 2012.) Sr. Vice President, Primary Materials Groups, N.A., since 2009. Previously Sr. Vice President, Sonoco Recycling and Internal Supply 2008-2009; Sr. Vice President 2002-2008; Sr. Vice President, Global Paper Operations 2000-2002. Joined Sonoco in 1972.
Vicki B. Arthur	54	Vice President, Protective Packaging, N.A. & Integration Leader since February 2012. Previously Vice President Global Corporate Accounts 2008-2012; Division Vice President, Global Corporate Accounts 2007-2008; Division Vice President & General Manager-Kraft 2005-2007; Staff Vice President & Treasurer 2002-2005. Joined Sonoco in 1984.
R. Howard Coker	49	Vice President, Global Rigid Paper & Closures since January 2011. Previously Vice President & General Manager, Rigid Paper & Closures, N.A. 2009-2011; Division Vice President & General Manager, Rigid Paper & Closures 2008-2009; Division Vice President & General Manager, Sonoco Phoenix 2006-2008; Director of Sales 2002-2005. Joined Sonoco in 1985.
John M. Colyer, Jr	51	Vice President, Global Paper & Industrial Converted Products since February 2012. Previously Vice President, Global Industrial Converting 2010-2012; Vice President North American Converted Products 2009-2010; Vice President, Industrial Converted Products N.A. 2008-2009; Division Vice President & General Manager, Industrial Products, N.A. 2006-2008; Division Vice President, Manufacturing, Industrial Products 2004-2006. Joined Sonoco in 1983.

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<i>Name</i>	<i>Age</i>	<i>Position and Business Experience for the Past Five Years</i>
Rodger D. Fuller	50	Vice President, Global Rigid Plastics & Corporate Customers since October 2011. Previously Vice President, Global Rigid Paper & Plastics January-October 2011; Vice President, Global Rigid Paper & Closures 2008-2011; Vice President, Rigid Paper & Plastics N.A. 2005-2008; Division Vice President & General Manager, Consumer Products N.A. 2000-2005. Joined Sonoco in 1985.
Ronald G. Leach	54	Vice President, Global Protective Packaging since November 2011. Previously President & Chief Executive Officer, Tegrant Corporation 2007-2011; President, SCA Packaging N.A. 2003-2007; President and Chief Executive Officer, Alloyd Company, Inc., 2002-2003; Vice President of Operations, Alloyd Company, Inc. 2000-2002. Joined Sonoco in November 2011.
Allan H. McLeland	45	Vice President, Human Resources since January 2011. Previously Staff Vice President, Human Resources, Industrial 2010-2011; Director of Human Resources, Industrial 2009-2010; Director, Talent Management 2006-2009; Director, Organizational Development & Staffing 2002-2006. Joined Sonoco in 1993.
Marty F. Pignone	55	Vice President, Global Operating Excellence since October 2011. Previously Vice President, Global Manufacturing, Industrial 2008-2011; Vice President, Paper N.A. 2005-2008. Joined Sonoco in 1997.
Barry L. Saunders	52	Vice President & Chief Financial Officer since May 2011. Previously Vice President & Corporate Controller & Chief Accounting Officer 2008-2011; Staff Vice President & Corporate Controller & Chief Accounting Officer 2002-2008. Joined Sonoco in 1989.
Rob C. Tiede	53	Vice President Global Flexibles & Packaging Services since 2009. Previously Division Vice President & General Manager, Flexible Packaging 2007-2009; President Sonoco-CorrFlex 2004-2007. Joined Sonoco in 2004.
Other Corporate Officers		
Ritchie L. Bond	55	Vice President, Treasurer & Corporate Secretary since February 2011. Previously Staff Vice President, Treasurer & Corporate Secretary 2009-2011; Staff Vice President & Treasurer 2005-2009. Joined Sonoco in 2005.
Bernard W. Campbell	62	Vice President & Chief Information Officer since 1996. Previously Staff Vice President, Information Services. Joined Sonoco in 1988.
James A. Harrell III	50	Vice President, Industrial Carriers N.A. since 2010. Previously Vice President & General Manager, Industrial Converted Products 2009-2010; Division Vice President & General Manager, Paper, N.A. 2008-2009; Staff Vice President, Global Operating Excellence, Industrial Products 2007-2008; Division Vice President, Industrial Products/ Paper, Europe 2002-2007. Joined Sonoco in 1985.
Kevin P. Mahoney	56	Sr. Vice President, Corporate Planning since February 2011. Previously Vice President, Corporate Planning 2000-2011. Joined Sonoco in 1987.
Robert L. Puechl	56	Vice President, Global Flexible Packaging since January 2011. Previously Vice President, Global Rigid Plastics 2010-2011; Division Vice President & General Manager, Molded Plastics 2008-2010; Division Vice President & General Manager, Molded Plastics & Caulk 2002-2008. Joined Sonoco in 1986.
Roger P. Schrum	56	Vice President, Investor Relations & Corporate Affairs since 2009. Previously Staff Vice President, Investor Relations & Corporate Affairs 2005-2009. Joined Sonoco in 2005.
Marcy J. Thompson	50	Vice President, Rigid Paper and Closures, N.A. since March 2011. Previously Division Vice President and General Manager, Sonoco Recycling, Inc. 2009-2011; Division Vice President and General Manager, Industrial Products Division, N.A. 2008-2009; Division Vice President, Sales and Marketing, Industrial, N.A. 2006-2009. Joined Sonoco in 2006.

Item 1A. Risk factors

Risk factors relating to Sonoco's business

The Company is subject to environmental regulations and liabilities that could weaken operating results.

Federal, state, provincial, foreign and local environmental requirements, including the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), and particularly those relating to air and water quality, are significant factors in the Company's business and generally increase its costs of operations. The Company may be found to have environmental liability for the costs of remediating soil or water that is, or was, contaminated by the Company or a third party at various sites that are now, or were previously, owned, used or operated by the Company. Legal proceedings may result in the imposition of fines or penalties, as well as mandated remediation programs that require substantial, and in some instances, unplanned capital expenditures.

The Company has incurred in the past, and may incur in the future, fines, penalties and legal costs relating to environmental matters, and costs relating to the damage of natural resources, lost property values and toxic tort claims. The Company has made expenditures to comply with environmental regulations and expects to make additional expenditures in the future. As of December 31, 2011, approximately \$72.6 million was reserved for environmental liabilities. Such reserves are established when it is considered probable that the Company has some liability. In part because nearly all of the Company's potential environmental liabilities are joint and severally shared with others, the Company's maximum potential liability cannot be reasonably estimated. However, the Company's actual liability in such cases may be substantially higher than the reserved amount. Additional charges could be incurred due to changes in law, or the discovery of new information, and those charges could have a material adverse effect on operating results.

Changes to laws and regulations dealing with environmental issues, including climate change, are made or proposed with some frequency and some of the proposals, if adopted, might, directly or indirectly, result in a material reduction in the operating results of one or more of the Company's operating units.

General economic conditions in the United States may change, having a negative impact on the Company's earnings.

Domestic sales accounted for approximately 63% of the Company's consolidated revenues in 2011. Even with the Company's diversification across various markets and customers, due to the nature of the Company's products and services, general economic downturns can have an adverse impact on the Company's reported results.

Conditions in foreign countries where the Company operates may reduce earnings.

The Company has operations throughout North and South America, Europe, Australia and Asia, with facilities in 34 countries. In 2011, approximately 37% of consolidated sales came from operations and sales outside of the United States. Accordingly, economic conditions, political situations, and changing laws and regulations in those countries may adversely affect revenues and income.

Raw materials price increases may reduce net income.

Most of the raw materials the Company uses are purchased from third parties. Principal examples are recovered paper, steel, aluminum and resin. Prices for these raw materials are subject to substantial fluctuations that are beyond the Company's control and can adversely affect profitability. Many of the Company's long-term contracts with customers permit limited price adjustments to reflect increased raw material costs. Although both contractual and non-contractual prices may be increased in an effort to offset increases in raw materials costs, such adjustments may not occur quickly enough, or be sufficient to prevent a materially adverse effect on net income and cash flow.

The Company may encounter difficulties integrating acquisitions, restructuring operations or closing or disposing of facilities.

The Company has made numerous acquisitions in recent years, and may actively seek new acquisitions that management believes will provide meaningful opportunities in the markets it serves. Acquired businesses may not achieve the expected levels of revenue, profit or productivity, or otherwise perform as expected.

Acquisitions also involve special risks, including, without limitation, the potential assumption of unanticipated liabilities and contingencies, and difficulties in integrating acquired businesses. While management believes that acquisitions will improve the Company's competitiveness and profitability, no assurance can be given that acquisitions will be successful or accretive to earnings. If actual performance in an acquisition falls significantly short of the projected results, or the assessment of the relevant facts and circumstances changes, it is possible that a noncash impairment charge of any related goodwill would be required.

The Company has closed higher-cost facilities, sold non-core assets and otherwise restructured operations in an effort to improve cost competitiveness and profitability. Some of these activities are ongoing, and there is no guarantee that any such activities will achieve the Company's goals and not divert the attention of management or disrupt the ordinary operations of the Company. Moreover, production capacity, or the actual amount of products produced, may be reduced as a result of these activities.

Energy price increases may reduce net income.

Some of the Company's manufacturing operations require the use of substantial amounts of electricity and natural gas, which may be subject to significant price increases as the result of changes in overall supply and demand. Energy usage is forecasted and monitored, and the Company may, from time to time, use commodity futures or swaps in an attempt to reduce the impact of energy price increases. The Company cannot guarantee success in these efforts, and could suffer adverse effects to net income and cash flow should the Company be unable to pass higher energy costs through to its customers.

Changes in pension plan assets or liabilities may reduce net income and shareholders' equity.

The Company has an aggregate projected benefit obligation for its defined benefit plans of approximately \$1.6 billion. The calculation of this obligation is sensitive to the underlying discount rate assumption.

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Reductions in the long-term yield of high-quality debt instruments would result in a higher projected benefit obligation and higher net periodic benefit cost. A higher projected benefit obligation may result in a change in funded status that significantly reduces shareholders' equity. The Company has total assets of approximately \$1.2 billion funding a portion of the projected benefit obligation. Decreases in fair value of these assets may result in higher net periodic benefit costs and changes in the funded status that significantly reduce shareholders' equity.

[The Company may not be able to develop new products acceptable to the market.](#)

For many of the Company's businesses, organic growth depends meaningfully on new product development. If new products acceptable to the Company's customers are not developed in a timely fashion, its growth potential may be hindered.

[The Company may not be able to locate suitable acquisition candidates.](#)

If significant acquisition candidates that meet the Company's specific criteria are not located, the Company's potential for growth may be restricted.

[The Company, or its customers, may not be able to obtain necessary credit or, if so, on reasonable terms.](#)

The Company operates a \$350 million commercial paper program, supported by a five-year bank credit facility of an equal amount committed by a syndicate of eight banks until October 2015. In the event that disruptions in global credit markets were 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. The Company believes that the lenders have the ability to meet their obligations under the facility. However, if these obligations are not met, the Company may be forced to seek more costly or cumbersome forms of credit. Should such credit be unavailable for an extended time, it would significantly affect the Company's ability to operate its business and execute its plans. In addition, the Company's customers may experience liquidity problems as a result of the current economic environment that could negatively affect the Company's ability to collect receivables and maintain business relationships.

[Foreign exchange rate fluctuations may reduce the Company's earnings.](#)

As a result of operating globally, the Company is exposed to changes in foreign exchange rates. Generally, each of the Company's foreign operations both produces and sells in its respective local currency, limiting the Company's exposure to foreign currency transactions. The Company monitors its exposures and, from time to time, may use forward currency contracts to hedge certain forecasted currency transactions or foreign currency denominated assets and liabilities. In addition to potential transaction losses, the Company's reported results of operations and financial position could be negatively affected by exchange rates when the activities and balances of its foreign operations are translated into U.S. dollars for financial reporting purposes.

[Item 1B. Unresolved staff comments](#)

There are no unresolved written comments from the SEC staff regarding the Company's periodic or current 1934 Act reports.

[Item 2. Properties](#)

The Company's corporate offices are owned and operated in Hartsville, South Carolina. There are 105 owned and 84 leased facilities used by operations in the Paper and Industrial Converted Products segment, 33 owned and 46 leased facilities used by operations in the Consumer Packaging segment, four owned and 18 leased facilities used by operations in the Packaging Services segment, and 12 owned and 32 leased facilities used by the Protective Packaging segment. Europe, the most significant foreign geographic region in which the Company operates, has 52 manufacturing locations.

[Item 3. Legal proceedings](#)

The Company has been named as a potentially responsible party (PRP) at several environmentally contaminated sites not owned by the Company. All of the sites are also the responsibility of other parties. The Company's liability, if any, is shared with such other parties, but the Company's share has not been finally determined in most cases. In some cases, the Company has cost-sharing agreements with other PRPs with respect to a particular site. Such agreements relate to the sharing of legal defense costs or cleanup costs, or both. The Company has assumed, for purposes of estimating amounts to be accrued, that the other parties to such cost-sharing agreements will perform as agreed. It appears that final resolution of some of the sites is years away, and actual costs to be incurred for these environmental matters in future periods is likely to vary from current estimates because of the inherent uncertainties in evaluating environmental exposures. Accordingly, the ultimate cost to the Company with respect to such sites cannot be determined. As of December 31, 2011 and 2010, the Company had accrued \$72.6 million and \$62.0 million, respectively, related to environmental contingencies. The Company periodically re-evaluates the assumptions used in determining the appropriate reserves for environmental matters as additional information becomes available and, when warranted, makes appropriate adjustments.

[Fox River](#)

The Company believes the environmental issues regarding the Fox River, which are discussed below in some detail, currently represent the Company's greatest loss exposure for alleged environmental liability. The Company also believes that all of its exposure to such liability for the Fox River is contained within its wholly owned subsidiary, U.S. Paper Mills Corp. (U.S. Mills). Accordingly, regardless of the amount of liability that U.S. Mills may ultimately bear, the Company believes its maximum additional pretax loss for Fox River issues will essentially be limited to the equity position of U.S. Mills, which was approximately \$87 million at December 31, 2011.

The extent of U.S. Mills' potential liability remains subject to many uncertainties. The Company periodically re-evaluates U.S. Mills' potential liability and the appropriate reserves based on information available to it. U.S. Mills' eventual liability, which may be paid out over several years, will depend on a number of factors. In general, the most significant factors include: (1) the total remediation costs for the sites

for which U.S. Mills is found to have liability and the share of such costs U.S. Mills is required to bear; (2) the total natural resource damages for such sites and the share of such costs U.S. Mills is required to bear; and (3) U.S. Mills' costs to defend itself in this matter.

U.S. Mills was officially notified by governmental entities in 2003 that it, together with a number of other companies, had been identified as a PRP for environmental claims under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) and other statutes, arising out of the presence of polychlorinated biphenyls (PCBs) in sediments in the lower Fox River and in the bay of Green Bay in Wisconsin. U.S. Mills was named as a PRP because scrap paper purchased by U.S. Mills as a raw material for its paper making processes more than 30 years ago allegedly included carbonless copy paper that contained PCBs, some of which were included in wastewater from U.S. Mills' manufacturing processes that was discharged into the Fox River. The Company acquired the stock of U.S. Mills in 2001, and the alleged contamination predates the acquisition. Although Sonoco was also notified that it was a PRP, its only involvement is as a subsequent shareholder of U.S. Mills. As such, the Company has responded that it has no separate responsibility apart from U.S. Mills.

The governmental entities making such claims against U.S. Mills and the other PRPs have been coordinating their actions, including the assertion of claims against the PRPs. Additionally, certain claimants have commenced a related natural resource damage lawsuit against U.S. Mills and the other PRPs.

A review of the circumstances leading to U.S. Mills' being named a PRP and the current status of the remediation effort and related lawsuits is set forth below.

In July 2003, the U.S. Environmental Protection Agency (EPA) and Wisconsin Department of Natural Resources (WDNR) issued their final cleanup plan (known as a Record of Decision, or ROD) for a portion of the Fox River. The ROD addressed the lower part of the Fox River and portions of Green Bay, where the EPA and WDNR (the Governments) estimate the bulk of the sediments that need to be remediated are located. In two portions of the lower part of the Fox River covered by the ROD—Operable Units (OUs) 3 and 4—the Governments selected large-scale dredging as the cleanup approach. OU 3 is the section of the Fox River running downstream from Little Rapids to the De Pere dam, and OU 4 runs from the De Pere dam downstream to the mouth of the Fox River at Green Bay. U.S. Mills' De Pere plant is just below the De Pere dam and, prior to 1972, discharged wastewater into the river downstream of the dam in OU 4. In the ROD, the Governments estimated that approximately 6.5 million cubic yards of sediment would be removed from OUs 3 and 4 at an estimated cost of approximately \$284 million (\$26.5 million for OU 3 and \$257.5 million for OU 4). The Governments also identified "capping" the riverbed with appropriate materials as a "contingent remedy" to be evaluated during the remedial design process. For Green Bay (OU 5), the Governments selected monitored natural attenuation as the cleanup approach at an estimated cost of approximately \$40 million. The Governments also indicated that some limited dredging near the mouth of the river might be required, which would ultimately be determined during the design stage of the project. Earlier, in January 2003, the Governments had issued their ROD for the upper portions of the Fox River—OUs 1 and 2. Combining the then current cost estimates from both RODs, it appeared that the Governments expected the selected remedies for all five OUs to cost approximately \$400 million, exclusive of contingencies. In March 2004, NCR Corporation (NCR) and Georgia-Pacific Corporation (G-P) entered into an Administrative Order on Consent (AOC) with the Governments to perform engineering design work for the cleanup of OUs 2 – 5.

In the course of the ongoing design work, additional sampling and data analysis identified elevated levels of PCBs in certain areas of OU 4 near the U.S. Mills' De Pere plant (the OU 4 hotspot). In November 2005, the Governments notified U.S. Mills and NCR that they would be required to design and undertake a removal action that would involve dredging, dewatering and disposing of the PCB-contaminated sediments from the OU 4 hotspot. In furtherance of this notification, on April 12, 2006, the United States and the State of Wisconsin sued NCR and U.S. Mills in the U.S. District Court for the Eastern District of Wisconsin in Milwaukee (Civil Action No. 06-C-0484). NCR and U.S. Mills agreed to a Consent Decree with the United States and the State of Wisconsin pursuant to which the site is to be cleaned up on an expedited basis and NCR and U.S. Mills started removing contaminated sediment in May 2007. Although the defendants specifically did not admit liability for the allegations of the complaint, they are bound by the terms of the Consent Decree.

NCR and U.S. Mills reached agreement between themselves that each would fund 50% of the costs of remediation of the OU 4 hotspot, which from 2006, when project implementation began, through the end of 2011 has totalled slightly more than \$25 million. U.S. Mills' environmental reserve at December 31, 2011, includes \$3.2 million for its share of the estimated remaining costs under the funding agreement for remediation of the OU 4 hotspot. 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. Under the terms of the agreement, the parties reserved their rights to make claims against each other, as well as third parties, to reallocate the remediation costs of the Site. Accordingly, the Company's ultimate share of the liability for remediation of the Site could be greater or less than 50% of the total cost.

At the time of the Company's acquisition of U.S. Mills in 2001, U.S. Mills and the Company estimated U.S. Mills' liability for the Fox River cleanup at a nominal amount based on government reports and conversations with the Governments about the anticipated limited extent of U.S. Mills' responsibility, the belief, based on U.S. Mills' prior assertions, that no significant amount of PCB-contaminated raw materials had been used at the U.S. Mills plants, and the belief that any PCB contamination in the Fox River, other than a de minimis amount, was not caused by U.S. Mills. It appeared at that time that U.S. Mills and the Governments would be able to resolve the matter and dismiss U.S. Mills as a PRP for a nominal payment. Accordingly, no significant reserve was established at the time. However, the Governments subsequently declined to enter into such a settlement. Nonetheless, U.S. Mills continued to believe that its liability exposure was very small based on its continuing beliefs that no significant amount of PCB-contaminated raw materials had been used at the U.S. Mills plants and that any significant amount of PCB

contamination in the section of the Fox River located adjacent to its plant was not caused by U.S. Mills.

In May/June 2005, U.S. Mills first learned of elevated levels of PCBs in the Fox River adjacent to its De Pere plant (the OU 4 hotspot). U.S. Mills, while still not believing its De Pere plant was the source of this contamination, entered into the consent decree to remediate the OU 4 hotspot as discussed above.

In June 2006, U.S. Mills first received the results of tests it initiated on the U.S. Mills property that suggested that the De Pere plant may have processed as part of its furnish more than the de minimis amounts of PCB-contaminated paper reflected in the records available to the Company. This information seemed to contradict the Company's previous understanding of the history of the De Pere plant. Based on these most recent findings, it is possible that U.S. Mills might be responsible for a larger portion of the remediation than previously anticipated. The total estimated cost set forth in the ROD for remediation of OU 4 was approximately \$257.5 million and the estimated cost of monitoring OU 5 was approximately \$40 million (a 2007 amendment to the ROD estimated the cost of OUs 2 – 5 at \$390 million). There are two alleged PRPs located in OU 4 (of which the smaller is the plant owned by U.S. Mills). It is possible that U.S. Mills and the owners of the other plant, together with NCR, the original generator of the carbonless copy paper, could be required to bear a majority of the remediation costs of OU 4, and share with other PRPs the cost of monitoring OU 5. U.S. Mills has discussed possible remediation scenarios with other PRPs who have indicated that they expect U.S. Mills to bear an unspecified but meaningful share of the costs of OU 4 and OU 5.

In February 2007, the EPA and WDNR issued a general notice of potential liability under CERCLA and a request to participate in remedial action implementation negotiations relating to OUs 2 – 5 to eight PRPs, including U.S. Mills. The notice requested that the PRPs indicate their willingness to participate in negotiations concerning performance of the remaining elements of the remedial action for OUs 2 – 5 and the resolution of the government entities' claims for unreimbursed costs and natural resource damages. On April 9, 2007, U.S. Mills, in conjunction with other PRPs, presented to the EPA and the WDNR 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 November 13, 2007, the 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 jointly to take various actions to cleanup OUs 2 – 5. The order covers planning and design work as well as dredging and disposing of contaminated sediments and the capping of dredged and less contaminated areas of the river bottom. The order also provides for a \$32.5 thousand 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. Even though 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 order, although its financial contribution will likely be determined by the lawsuit commenced in June 2008 and discussed below.

On June 12, 2008, NCR and Appleton Papers, Inc. (API), 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 cleanup 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 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. On December 16, 2009, the court issued an order which concluded that, under the equities of the case, NCR and API were not entitled to any contribution from U.S. Mills and other defendants, thereby granting the defendants' motions for summary judgment and denying the plaintiffs' motions for summary judgment. Although an order has been issued by the court, no appealable final judgment has been entered yet; nevertheless, NCR has reported that it intends to appeal the ruling, presumably after entry of the final judgment. Subsequent to the December 2009 ruling, U.S. Mills and other defendants made motions to have the court rule that, on the same basis as the December 2009 ruling, NCR would be responsible for any costs that U.S. Mills and the other defendants might incur, past, present and future. These motions have been granted by the court, but are also subject to being appealed. U.S. Mills plans to continue to defend the suit vigorously.

On October 14, 2010, the United States and the State of Wisconsin filed suit against NCR, API, U.S. Mills and nine other defendants in the United States District Court for the Eastern District of Wisconsin (No. 10-CV-00910-WCG) pursuant to Sections 106 and 107 of CERCLA. The plaintiffs seek to recover unreimbursed costs incurred for activities undertaken in response to the release and threatened release of hazardous substances from facilities at or near the Lower Fox River and Green Bay as well as damages for injury to, loss of, and destruction of natural resources resulting from such releases. The plaintiffs also seek a ruling that the defendants are liable for future response costs of the plaintiffs and requiring the defendants to comply with the unilateral Administrative Order for Remedial Action discussed above. The Company does not believe that the remedies sought in the suit materially expand the Company's potential liability beyond what has been previously disclosed in this report or in the Company's prior filings. U.S. Mills plans to defend the suit vigorously.

As of December 31, 2011, U.S. Mills' environmental reserve for potential liabilities associated with the remediation of OUs 2 – 5 (not including amounts accrued for remediation of the OU 4 hotspot) totaled \$53.6 million. Because of the continuing uncertainties in the estimated costs of remediation and continuing uncertainties surrounding U.S. Mills' allocable share, including a potentially favorable resolution, it is impossible to state with any reasonable degree of certainty that any estimate is a better estimate than the amount recorded. However, because the discharges of hazardous materials into the environment occurred before the 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 pretax exposure to its consolidated financial position is limited to the equity position of U.S. Mills, which was approximately \$87 million at December 31, 2011.

The actual costs associated with cleanup of the Fox River site are dependent upon many factors, and it is reasonably possible that total remediation costs could be higher than the current estimates of project costs, which range from \$390 million to more than \$600 million for OUs 2 – 5. Some, or all, of any costs incurred by U.S. Mills may be subject to recoupment from other parties, but no amounts have been recognized in the financial statements of the Company for any such potential recoveries. Given the ongoing remedial design work being conducted, and the initial stages of remediation, it is possible there could be some additional changes to some elements of the reserve within the next year or thereafter, although that is difficult to predict.

Similarly, U.S. Mills does not have a basis for estimating the possible cost of any natural resource damage claims against it. Accordingly, reserves have not been provided for this potential liability. However, for the entire river remediation project, the lowest estimate in the Governments' 2000 report on natural resource damages was \$176 million. Nevertheless, the court has ruled, subject to appeal, that natural resource damages are recoverable by U.S. Mills and other PRPs from NCR.

In addition to its potential liability for OUs 4 and 5, U.S. Mills may have a contingent liability to Menasha Corporation to indemnify it for any amount for which it may be held liable in excess of insurance coverage for any environmental liabilities of a plant on OU 1 that U.S. Mills purchased from Menasha. Due to the uncertainty of Menasha's liability and the extent of the insurance coverage as well as any defenses that may be asserted to any such claim, U.S. Mills has not established a reserve for this contingency.

[Other legal matters](#)

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 is 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, as amended, alleges that the Company issued press releases and made public statements during the class period that were materially false and misleading. 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.

Additional information regarding legal proceedings is provided in Note 14 to the Consolidated Financial Statements of this Annual Report on Form 10-K.

[Item 4. Mine safety disclosures](#)

Not applicable.

Part II

Item 5. Market for registrant's common equity, related stockholder matters and issuer purchases of equity securities

The Company's common stock is traded on the New York Stock Exchange under the stock symbol "SON." As of December 31, 2011, there were approximately 50,000 shareholder accounts. Information required by Item 201(d) of Regulation S-K can be found in Part III, Item 12 of this Annual Report on Form 10-K. The following table indicates the high and low sales prices of the Company's common stock for each full quarterly period within the last two years as reported on the New York Stock Exchange, as well as cash dividends declared per common share:

	<i>High</i>	<i>Low</i>	<i>Cash Dividends</i>
2011			
First Quarter	\$ 36.89	\$ 33.96	\$.28
Second Quarter	\$36.95	\$ 32.71	\$.29
Third Quarter	\$ 36.05	\$ 27.62	\$.29
Fourth Quarter	\$ 33.64	\$ 26.10	\$.29
2010			
First Quarter	\$ 31.86	\$ 26.17	\$.27
Second Quarter	\$ 35.87	\$ 28.83	\$.28
Third Quarter	\$ 34.00	\$29.66	\$.28
Fourth Quarter	\$ 35.04	\$ 31.75	\$.28

The Company made the following purchases of its securities during the fourth quarter of 2011:

Issuer purchases of equity securities

<i>Period</i>	<i>(a) Total Number of Shares Purchased¹</i>	<i>(b) Average Price Paid per Share</i>	<i>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs²</i>	<i>(d) Maximum Number of Shares that May Yet be Purchased under the Plans or Programs²</i>
10/03/11 – 11/06/11	14,912	\$ 31.90	—	5,000,000
11/07/11 – 12/04/11	—	—	—	5,000,000
12/05/11 – 12/31/11	16,141	\$ 32.37	—	5,000,000
Total	31,053	\$ 32.14	—	5,000,000

¹ A total of 31,053 common shares were repurchased in the fourth quarter of 2011 related to shares withheld to satisfy employee tax withholding obligations in association with the exercise of certain share-based compensation awards. These shares were not repurchased as part of a publicly announced plan or program.

² On April 19, 2006, the Company's Board of Directors authorized the repurchase of up to 5,000,000 shares of the Company's common stock. This authorization rescinded all previous existing authorizations and does not have a specific expiration date. From December 2010 through March 2011, a total of 2,000,000 shares were repurchased under this program. On April 20, 2011, the Company's Board of Directors reinstated 2,000,000 shares to its authorization, returning the total number of shares available for future repurchase to 5,000,000 as of that date. No shares were repurchased under this authorization subsequent to this reinstatement; accordingly, a total of 5,000,000 shares remained available for repurchase at December 31, 2011.

The Company did not make any unregistered sales of its securities during 2011.

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Item 6. Selected financial data

The following table sets forth the Company's selected consolidated financial information for the past five years. The information presented below should be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of this Annual Report on Form 10-K and the Company's historical Consolidated Financial Statements and the Notes thereto included in Item 8 of this Annual Report on Form 10-K. The selected statement of income data and balance sheet data are derived from the Company's Consolidated Financial Statements.

	Years ended December 31				
<i>(Dollars and shares in thousands except per share data)</i>	2011	2010	2009	2008	2007
Operating Results					
Net sales	\$ 4,498,932	\$ 4,124,121	\$ 3,597,331	\$ 4,122,385	\$ 4,039,992
Cost of sales and operating expenses	4,139,626	3,761,945	3,317,744	3,772,751	3,695,917
Restructuring/Asset impairment charges	36,826	23,999	26,801	100,061	36,191
Interest expense	41,832	37,413	40,992	53,401	61,440
Interest income	(3,758)	(2,307)	(2,427)	(6,204)	(9,182)
Loss from the early extinguishment of debt	—	48,617	—	—	—
Income before income taxes	284,406	254,454	214,221	202,376	255,626
Provision for income taxes	78,423	64,485	66,818	54,797	55,186
Equity in earnings of affiliates, net of tax	(12,061)	(11,505)	(7,742)	(9,679)	(11,586)
Net income	218,044	201,474	155,145	157,258	212,026
Net (income)/loss attributable to noncontrolling interests	(527)	(421)	(3,663)	7,350	2,130
Net income attributable to Sonoco	\$ 217,517	\$ 201,053	\$ 151,482	\$ 164,608	\$ 214,156
Per common share					
Net income attributable to Sonoco:					
Basic	\$ 2.15	\$ 1.98	\$ 1.50	\$ 1.64	\$ 2.13
Diluted	2.13	1.96	1.50	1.63	2.10
Cash dividends	1.15	1.11	1.08	1.07	1.02
Weighted average common shares outstanding:					
Basic	101,071	101,599	100,780	100,321	100,632
Diluted	102,173	102,543	101,029	100,986	101,875
Actual common shares outstanding at December 31	100,211	100,510	100,149	99,732	99,431
Financial Position					
Net working capital	\$ 476,308	\$ 376,867	\$ 190,934	\$ 231,794	\$ 269,598
Property, plant and equipment, net	1,020,291	944,136	926,829	973,442	1,105,342
Total assets	3,986,170	3,281,014	3,062,580	3,086,466	3,340,243
Long-term debt	1,232,966	603,941	462,743	656,847	804,339
Total debt	1,286,632	620,890	580,796	689,825	849,538
Total equity	1,425,408	1,507,693	1,380,630	1,174,518	1,463,486
Current ratio	1.6	1.5	1.2	1.3	1.4
Total debt to total capital ¹	47.4%	29.2%	29.6%	37.0%	36.7%

¹ Calculated as total debt divided by the sum of total debt and total equity.

Item 7. Management's discussion and analysis of financial condition and results of operations

General overview

Sonoco is a leading manufacturer of consumer and industrial packaging products and provider of packaging services with 349 locations in 34 countries. The Company's operations are organized, managed and reported in four segments, Consumer Packaging, Paper and Industrial Converted Products, Protective Packaging and Packaging Services. Generally, the Company serves two broad end-use markets, consumer and industrial, which, period to period, can exhibit different economic characteristics from each other. Geographically, approximately 63% of sales are generated in the United States, 17% in Europe, 9% in Canada and 11% in other regions.

The Company is a market-share leader in many of its product lines, particularly in tubes, cores and composite containers. Competition in most of the Company's businesses is intense. Demand for the Company's products and services is primarily driven by the overall level of consumer consumption of non-durable goods; however, certain product and service groups are tied more directly to durable goods, such as appliances, and construction. The businesses that supply and/or service consumer product companies tend to be, on a relative basis, more recession resistant than those that service industrial markets.

Strategy and opportunities

Financially, the Company's objective is to deliver average annual double-digit total returns to shareholders over time. To meet that target, the Company focuses on three major areas: driving profitable sales growth, improving margins and leveraging the Company's strong cash flow and financial position. Operationally, the Company's goal is to be the low-cost global leader in customer-preferred packaging solutions within targeted customer market segments.

The Company's financial goals are, over the next three to four years, to grow sales to \$5.5 billion to \$6 billion, improve margins on earnings before interest and taxes to 10% to 10.5% and increase return on net assets employed to 12.5%. The Company's expected growth drivers continue to be organic sales growth, geographic expansion and strategic acquisitions. Sales of existing products and services are targeted to grow by about \$300 million during this period and new product sales are targeted to add an additional \$350 million to revenues. Future acquisitions are targeted to add up to \$500 million more in annual sales. During 2011, sales volume grew about 1%; however, the Company added an expected \$465 million in annualized revenue through acquisitions primarily related to Tegrant.

The Company's plan to improve margins focuses on leveraging fixed costs, improving productivity, maintaining a positive price/cost relationship (raising selling price at least enough to recover inflation in material, energy and freight costs) and improving underperforming operations.

Use of Non-GAAP financial measures

To assess and communicate the financial performance of the Company, Sonoco management uses, both internally and externally, certain financial performance measures that are not in conformance with generally accepted accounting principles ("non-GAAP" financial measures). These non-GAAP financial measures reflect the Company's GAAP operating results adjusted to remove restructuring, asset impairment, acquisition-related costs, debt tender charges and other items, if any, the exclusion of which management believes improves the period-to-period comparability and analysis of the underlying financial performance of the business. The adjusted non-GAAP results are identified using the term "base," for example, "base earnings."

The Company's base financial performance measures are not in accordance with, nor an alternative for, measures conforming to generally accepted accounting principles and may be different from non-GAAP measures used by other companies. The Company uses the non-GAAP "base" performance measures presented herein for internal planning and forecasting purposes, to evaluate its ongoing operations, and to evaluate the ultimate performance of management and each business unit against plan/forecast.

Reconciliations of GAAP to base results are presented on pages 19 and 20 in conjunction with management's discussion and analysis of the Company's results of operations. Whenever reviewing a non-GAAP financial measure, readers are encouraged to review the related reconciliation fully to understand how it differs from the related GAAP measure.

2011 overview

2011 proved to be a challenging year. In addition to an unexpected decline in industrial-related volumes in the fourth quarter, the Company faced escalating raw material, energy, freight and other costs during the year and productivity was well below its historical standards. Despite these significant headwinds, Sonoco achieved record sales while achieving the second highest base earnings before interest and taxes and third highest base earnings in Company history. Furthermore, the Company completed the acquisition of Tegrant Holding Corp. ("Tegrant"), which provides the Company with a new growth platform and establishes it as a leading custom-engineered, multi-material protective packaging provider in North America.

For 2011, net income attributable to Sonoco was \$217.5 million, compared with \$201.1 million for 2010. Earnings in 2011 were negatively impacted by \$16.1 million, after tax, due to the following (all amounts are after tax): restructuring expenses and impairment charges of \$25.5 million, acquisition-related costs of \$6.6 million, and acquisition inventory step-up costs of \$2.0 million, offset by a \$3.1 million gain on insurance proceeds in excess of recognized fire damaged property losses and a gain of \$15.0 million due to reduction in tax expense resulting from valuation allowance adjustments on deferred tax assets. Earnings in 2010 were negatively impacted by a \$31.6 million after-tax charge related to the Company's debt tender completed in November. Under the tender, the Company paid \$293.3 million to retire bonds with a total face value of \$244.1 million. Also impacting 2010 results were a total of \$16.9 million in after-tax asset impairment, restructuring and acquisition charges, partially offset by tax benefits of \$5.5 million related to the clarification of a 2009 tax law change in Mexico and a \$4.7 million tax benefit related to the release of a valuation allowance.

2011 base earnings were \$233.6 million (\$2.29 per diluted share), compared with \$239.4 million (\$2.34 per diluted share) in 2010. This 2% year-over-year decline was the result of a negative mix of business, higher labor and other costs, and a higher effective tax rate, partially

offset by productivity gains and lower pension and management incentive costs. Higher prices were able to offset increases in the cost of materials, energy and freight.

Sales grew to a record \$4.5 billion, up \$375 million, or 9%, year over year. Higher selling prices and acquisitions were key drivers and together accounted for more than 80% of the increase. Volume was up 1% compared to 2010 levels, but was largely offset by negative mix. Higher selling prices were principally driven by higher prices paid for recovered paper, plastic resins and tinplate steel.

Overall gross profit margin decreased to 16.8%, compared with 18.6% in 2010. This decrease was primarily due to negative mix and the impact of inflation in labor and other costs more than offsetting productivity improvements as well as the pass through of higher material, energy and freight costs without margin.

The consolidated effective tax rate was 27.6%, compared with 25.3% in 2010 and the effective tax rate on base earnings was 32.5% in 2011, compared with 30.8% in 2010. Both increases were primarily due to the non-recurring release of reserves for uncertain tax positions in 2010, the unfavorable effect of timing differences on the manufacturing deduction, and income tax credits received in 2010 that were not available in 2011. Partially offsetting the increases was a benefit in 2011 from deferred tax valuation adjustments.

The aggregate unfunded position of the Company's various defined benefit plans increased from \$334 million at December 31, 2010, to \$433 million at the end of 2011 as contributions of \$142 million were offset by higher liabilities due to lower discount rates and 2011 investment returns that were weaker than the actuarial assumptions.

The Company generated \$245 million in cash from operations during 2011, compared with \$375 million generated in 2010. The majority of the year-over-year decline is attributable to higher 2011 pension contributions partially offset by a smaller amount of cash used to fund working capital increases.

Several 2011 and 2010 debt transactions have significantly altered the Company's long-term debt portfolio. In November 2011, the Company issued \$500 million of senior unsecured notes consisting of \$250 million of 4.375% Notes due 2021 and an additional \$250 million of its 5.75% Notes due 2040. These funds were used for the Tegrant acquisition. Additionally, the Company entered into a \$150 million three-year term loan agreement, using a substantial portion of the proceeds to reduce outstanding commercial paper and the remainder for the Tegrant acquisition. In November 2010, the Company issued \$350 million of 5.75% bonds due November 2040. In a concurrent tender offer, the Company retired, at a cost of \$293.3 million, portions of three separate outstanding debt issues, with a principal amount of \$244.1 million. In addition, the Company repaid \$100 million of bonds that matured in November 2010. See Note 8 to the Consolidated Financial Statements for further details.

2012 outlook

Entering 2012, the Company is cautious regarding the future pace and sustainability of global economic improvements. Management is focused on continuing to implement targeted growth projects, particularly in our consumer-related businesses, fully integrating Tegrant while achieving the targeted annualized synergies of up to \$12 million, improving productivity and continuing to drive cost reduction throughout our businesses.

The Company expects sales demand will improve from the levels experienced during the past several months as the economy continues to slowly recover, leading to year-over-year volume growth, excluding Tegrant, of approximately 1%. Projected revenue in 2012 is expected to be higher than 2011 by approximately \$450 million, reflecting increases due to acquisitions, primarily Tegrant, volume and, to a lesser degree, price; partially offset by currency exchange rates. Management expects productivity improvements will provide a greater benefit to earnings in 2012 than in 2011, which, together with a moderately positive price/cost relationship, are expected to offset increases in labor, fixed overhead, pension and other costs, and result in improved profit margins.

Benefit plan expense is expected to increase by approximately \$14 million in 2012, due primarily to higher actuarial loss amortization expense. Total contributions to the Company's domestic and international pension and postretirement plans are expected to be approximately \$73 million.

The consolidated effective tax rate on base earnings is expected to be approximately 33.6% in 2012 as a result of a larger proportion of earnings taxed at higher U.S. rates and the 2011 benefits from tax reserve releases and non-taxable life insurance proceeds not expected to recur.

Acquisitions and joint ventures

The Company completed five acquisitions during 2011 at an aggregate cost of \$566.9 million in cash. The most significant of these was the November 8, 2011 acquisition of privately held Tegrant Holding Corp. ("Tegrant"), a leading provider of highly engineered protective, temperature-assured and retail security packaging solutions. Tegrant, headquartered in DeKalb, Illinois, operates more than 30 manufacturing, design and testing facilities in the United States, Mexico, and Ireland and employs more than 2,000 persons. Tegrant operates three strategic business units. Protexic™ Brands, the largest business unit, is a manufacturer of molded expanded foam serving a number of industries including high technology, consumer electronics, automotive, appliances, and medical devices. Tegrant's Thermosafe® Brands unit is a leading provider of temperature-assured solutions, primarily used in packaging temperature-sensitive pharmaceuticals and food. Tegrant's Alloyd Brands® business unit is a leading manufacturer and designer of high-visibility packaging, printed products, sealing equipment, and tooling for retail and medical markets. The cost of the Tegrant acquisition was \$550.0 million in cash, subject to final adjustment for changes in net working capital levels to the date of the closing. The acquisition was funded with proceeds from the issuance of senior unsecured debentures and a portion of the proceeds from a new three-year term loan. The Tegrant acquisition is expected to generate annualized sales of approximately \$460 million in the Company's newly formed Protective Packaging segment.

Also during 2011, the Company completed the acquisitions of several small tube and core businesses in New Zealand and Australia at a total cost of \$7.2 million in cash, a rigid paperboard containers business in the United Kingdom at a cost of \$4.7 million in cash, and a recycling business in Greenville, South Carolina, at a cost of \$5.0 million in cash. The acquisitions of these businesses are expected to gen-

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erate annual sales of approximately \$24.5 million for the Paper and Industrial Converted Products segment and \$10 million for the Consumer Packaging segment.

The Company completed four acquisitions during 2010 at a recorded cost of \$138.3 million, of which \$137.8 million was paid in cash with the remainder representing contingent consideration expected to be paid in future periods. These acquisitions consisted of Associated Packaging Technologies, Inc. (APT), a supplier of thermoformed containers to the frozen food industry (Consumer Packaging segment), Madem Reels USA, Inc., a manufacturer of nailed wood and plywood reels for the wire and cable industry (Paper and Industrial Converted Products segment), and two small tubes and cores businesses in Canada and Greece (Paper and Industrial Converted Products segment). At the time of the acquisition, APT operated four manufacturing facilities (two in the United States, one in Canada and one in Ireland) and employed more than 400 persons. The all-cash purchase price of APT, including the cost of paying off various obligations, was approximately \$120.0 million. The all-cash purchase price for Madem Reels was \$10.7 million, plus contingent consideration of \$0.5 million which was paid in the first quarter of 2011. The aggregate cost of the Canadian and Greek tube and core businesses was \$7.1 million in cash.

The Company completed one acquisition during 2009 at a recorded cost of \$7.2 million, of which \$5.0 million was paid in cash with the remainder representing contingent consideration expected to be paid in future periods. This acquisition of the plastic spools and reels assets and business of EconoReel Corporation of Logan, Utah, and its controlled subsidiary, Southern Reel, is included in the Paper and Industrial Converted Products segment. Also in 2009, the Company paid an additional \$0.5 million in contingent consideration for its 2008 acquisition of Amtex Packaging, Inc.

The Company has accounted for these acquisitions as purchases and, accordingly, has included their results of operations in the Company's consolidated statements of net income from the respective dates of acquisition.

See Note 3 to the Consolidated Financial Statements for further information about acquisition activities.

Restructuring and asset impairment charges

Due to its geographic footprint (349 locations in 34 countries) and the cost-competitive nature of its businesses, the Company is constantly seeking the most cost-effective means and structure to serve its customers and to respond to fundamental changes in its markets. As such, restructuring costs have been and are expected to be a recurring component of the Company's operating costs. The amount of these costs can vary significantly from year to year depending upon the scope and location of the restructuring activities.

The following table recaps the impact of restructuring and asset impairment charges on the Company's net income for the periods presented (dollars in thousands):

	<i>Year Ended December 31</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
Exit costs:			
2011 Actions	\$ 20,861	\$ —	\$ —
2010 Actions	628	5,528	—
2009 Actions	1,858	6,443	21,380
Earlier Actions	962	2,067	9,771
Asset impairments/(sales):			
Operating assets	12,517	9,961	(4,350)
Total charges	\$ 36,826	\$ 23,999	\$ 26,801
Income tax benefit	(11,506)	(9,295)	(8,458)
Equity method investments, net of tax	17	671	908
Impact of noncontrolling interests, net of tax	200	139	3,787
Total impact of restructuring/asset impairment charges, net of tax	\$ 25,537	\$ 15,514	\$ 23,038

During 2011, the Company announced the closures of a flexible packaging facility in Canada, a thermoformed plastic packaging facility in Canada, a tube and core facility in France, and both a fulfillment service center and a point-of-purchase display manufacturing facility in the United States. The Company also sold two small businesses, a plastics operation in Brazil and a tubes and cores operation in the United States, and realigned its fixed cost structure resulting in the elimination of approximately 160 positions.

During 2010, the Company recorded a pretax asset impairment charge of \$12.6 million pursuant to notification from a large customer that the Company's contract to provide certain packaging would not be renewed in its entirety. The expected loss of business caused the Company to conclude that certain affected assets in its Consumer Packaging segment had been impaired. This loss was partially offset by net gains of \$2.6 million, arising principally from the sale of land and buildings at previously closed sites within Europe.

The Company recognized a gain of \$11.2 million in 2009 upon collection of the final sales proceeds relating to the sale of its paper mill in China. The sale had commenced in 2008 and the book value of the assets was written off against the portion of the sales proceeds that were received in that year. Due to uncertainty of collection, the Company recognized proceeds from the China sale on a cash basis and recorded gains only to the extent that cash collected exceeded the book value of the assets sold. The gain in 2009 was partially offset by approximately \$6.8 million of asset impairment charges associated with other plant closures.

The Company expects to recognize future additional costs totaling approximately \$10.3 million 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 2012. As noted above, the Company regularly evaluates its cost structure, including its manufacturing capacity, and additional restructuring

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actions may be undertaken. Restructuring and asset impairment charges are subject to significant fluctuations from period to period due to the varying levels of restructuring activity and the inherent imprecision in the estimates used to recognize the impairment of assets and the wide variety of costs and taxes associated with severance and termination benefits in the countries in which the Company operates.

See Note 4 to the Consolidated Financial Statements for further information about restructuring activities and asset impairment charges.

Environmental charges

In 2007, U.S. Paper Mills Corp. (U.S. Mills), a wholly owned subsidiary of the Company, recorded charges totaling \$25.2 million in association with environmental remediation liabilities for various sites in the lower Fox River. In 2008, U.S. Mills increased its reserve for Fox River related environmental liabilities by a total of \$40.8 million. Settlements totaling \$40.8 million were reached during 2008 on certain of the insurance policies covering the Fox River contamination, and the recognition of these insurance settlements offset the impact to earnings of the additional charges.

As of December 31, 2011 and 2010, the Company (and its subsidiaries) had accrued \$72.6 million and \$62.0 million, respectively, related to environmental contingencies. The year-over-year increase reflects liabilities assumed with the acquisition of Tegrant. Of the amounts accrued at December 31, 2011 and 2010, a total of \$56.8 million and \$58.7 million relate to U.S. Mills, respectively. The range of possible loss on U.S. Mills' liability for Fox River is uncertain and, while the upper end of the range may exceed the net worth of U.S. Mills, the Company believes the maximum additional exposure to its consolidated financial position is limited to the equity position of U.S. Mills, which was approximately \$87 million at December 31, 2011.

See "Item 3. Legal Proceedings" and Note 14 to the Consolidated Financial Statements for a more detailed discussion of environmental matters affecting the Company.

Reconciliations of GAAP to Non-GAAP financial measures

The following tables reconcile the Company's non-GAAP financial measures to their most directly comparable GAAP financial measures for each of the years presented:

Reconciliation of GAAP to Non-GAAP financial measures

<i>Dollars and shares in thousands, except per share data</i>	<i>For the year ended December 31, 2011</i>				
	<i>GAAP</i>	<i>Restructuring/ Asset Impairment</i>	<i>Acquisition Related Cost</i>	<i>Tax Related Adjustments & Other⁽¹⁾</i>	<i>Base</i>
Income before interest and income taxes	\$ 322,480	\$ 36,826	\$ 12,290	\$ (4,953)	\$ 366,643
Interest expense, net	38,074	—	—	—	38,074
Income before income taxes	\$ 284,406	\$ 36,826	\$ 12,290	\$ (4,953)	\$ 328,569
Provision for income taxes	78,423	11,506	3,667	13,146	106,742
Income before equity in earnings of affiliates	\$ 205,983	\$ 25,320	\$ 8,623	\$ (18,099)	\$ 221,827
Equity in earnings of affiliates, net of tax	12,061	17	—	—	12,078
Net income	\$ 218,044	\$ 25,337	\$ 8,623	\$ (18,099)	\$ 233,905
Less: Net (income)/loss attributable to noncontrolling interests, net of tax	(527)	200	—	—	(327)
Net income attributable to Sonoco	\$ 217,517	\$ 25,537	\$ 8,623	\$ (18,099)	\$ 233,578
Per diluted common share	\$ 2.13	\$ 0.25	\$ 0.09	\$ (0.18)	\$ 2.29

⁽¹⁾ Consists of insurance settlement gains on a facility destroyed by fire in 2010 totaling \$4,953 pretax (\$3,130 after tax) and reductions in tax expense from valuation allowance adjustments on deferred tax assets totaling \$14,969.

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Reconciliation of GAAP to Non-GAAP financial measures

For the year ended December 31, 2010

<i>Dollars and shares in thousands, except per share data</i>	<i>GAAP</i>	<i>Restructuring/ Asset Impairment</i>	<i>Acquisition Related Cost</i>	<i>Tax Related Adjustments & Other⁽¹⁾</i>	<i>Base</i>
Income before interest and income taxes	\$ 338,177	\$ 23,999	\$ 1,909	\$ —	\$ 364,085
Interest expense, net	35,106	—	—	—	35,106
Loss from early extinguishment of debt	(48,617)	—	—	48,617	—
Income before income taxes	\$ 254,454	\$ 23,999	\$ 1,909	\$ 48,617	\$ 328,979
Provision for income taxes	64,485	9,295	558	27,089	101,427
Income before equity in earnings of affiliates	\$ 189,969	\$ 14,704	\$ 1,351	\$ 21,528	\$ 227,552
Equity in earnings of affiliates, net of tax	11,505	671	—	—	12,176
Net income	\$ 201,474	\$ 15,375	\$ 1,351	\$ 21,528	\$ 239,728
Less: Net (income)/loss attributable to noncontrolling interests, net of tax	(421)	138	—	—	(283)
Net income attributable to Sonoco	\$ 201,053	\$ 15,513	\$ 1,351	\$ 21,528	\$ 239,445
Per diluted common share	\$ 1.96	\$ 0.15	\$ 0.01	\$ 0.22	\$ 2.34

⁽¹⁾ Consists of loss from the early extinguishment of debt of \$48,617 pretax (\$31,657 after tax), tax benefits related to a regulatory clarification of a 2009 tax law change in Mexico of \$5,474, and tax benefits related to the release of a valuation allowance on capital loss carryforwards of \$4,655.

Reconciliation of GAAP to Non-GAAP financial measures

For the year ended December 31, 2009

<i>Dollars and shares in thousands, except per share data</i>	<i>GAAP</i>	<i>Restructuring/ Asset Impairment</i>	<i>Mexico Tax Adjustment</i>	<i>Base</i>
Income before interest and income taxes	\$252,786	\$ 26,801	\$ —	\$279,587
Interest expense, net	38,565	—	—	38,565
Income before income taxes	\$ 214,221	\$ 26,801	\$ —	\$ 241,022
Provision for income taxes	66,818	8,458	(5,287)	69,989
Income before equity in earnings of affiliates	\$ 147,403	\$ 18,343	\$ 5,287	\$ 171,033
Equity in earnings of affiliates, net of tax	7,742	908	—	8,650
Net income	\$ 155,145	\$ 19,251	\$ 5,287	\$ 179,683
Less: Net (income)/loss attributable to noncontrolling interests, net of tax	(3,663)	3,787	—	124
Net income attributable to Sonoco	\$ 151,482	\$ 23,038	\$ 5,287	\$ 179,807
Per diluted common share	\$ 1.50	\$ 0.23	\$ 0.05	\$ 1.78

Results of operations – 2011 versus 2010

Consolidated net sales for 2011 were \$4.5 billion, a \$375 million, or 9.1%, increase from 2010.

The components of the sales change were:

(\$ in millions)

Volume/Mix	\$ 16
Selling price	176
Acquisitions	135
Currency exchange rate/Other	48
Total sales increase	\$ 375

Higher selling prices and acquisitions were key drivers and together accounted for more than 80% of the sales increase. Although volume was modestly positive overall, results were mixed across the Company's various businesses. Volume was essentially flat overall as a slight increase in consumer-related businesses was largely offset by other declines. The impact of higher selling prices was more predominant in the Paper and Industrial Converted Products segment, where the gains were principally driven by higher recovered paper prices. Significantly higher prices were also seen in the Consumer Packaging segment due to higher material costs, primarily plastic resins and tinplate steel. In addition, year-over-year sales benefited from acquisitions, primarily the June 2010 acquisition of Associated Packaging Technologies, Inc. (APT) and the November 2011 acquisition of Tegrant. Total domestic sales were \$2.8 billion, up 6% from 2010 levels. International sales were \$1.7 billion, up 15% from 2010.

Costs and expenses

Higher input prices, acquisitions and the impact of exchange rates combined to increase the Company's 2011 total cost of sales from prior year levels. Market prices for recovered paper, the Company's most significant raw material in dollar terms, were higher in 2011 than 2010. Prices paid for resins, metal, energy and freight were also up year over year. Acquisitions accounted for approximately \$120 million of the year-over-year increase in reported cost of sales. Gross profit margins declined year over year due largely to negative mix and the impact of inflation in labor and other costs more than offsetting productivity improvements, which, while positive, were lower than recent years' experience and management's expectations.

In 2011, aggregate pension and postretirement expenses decreased \$15.7 million to \$36.9 million, versus \$52.6 million in 2010. Approximately 75% of these expenses are reflected in cost of sales, with the balance in selling, general and administrative expenses. The lower expense resulted in part from higher total expected returns on assets due to the strong investment performance in 2010 and an \$85 million contribution made on January 13, 2011. Also contributing to the year-over-year decrease was lower amortization expense resulting primarily from a plan amendment that split the U.S. qualified defined benefit plan into two separate plans, one including only active participants and another including only inactive participants. Actuarial losses on the combined plan in 2010 were amortized over the average remaining service life of the active participants. Following the split into two plans at the beginning of 2011, the basis for amortizing actuarial losses for the inactive plan changed to the average remaining life expectancy of the plan participants, a longer period of time than the average remaining service life of the active participants.

Selling, general and administrative expenses as a percentage of sales declined to 8.8% for the year from 9.8% in 2010, and decreased in total by \$7.9 million year over year. This decrease in spending was largely due to lower incentive compensation costs, lower pension expense, and insurance proceeds partially offset by acquisitions and exchange rates.

Research and development costs, all of which were charged to expense, were \$18.8 million and \$17.8 million in 2011 and 2010, respectively. Management expects research and development spending in 2012 to be consistent with 2011 levels, excluding the impact of acquisitions on reported amounts.

Net interest expense totaled \$38.1 million for the year ended December 31, 2011, compared with \$35.1 million in 2010. The increase was due primarily to higher average debt levels. In November 2011, the Company issued \$500 million of senior unsecured notes consisting of \$250 million of 4.375% Notes due 2021 and an additional \$250 million of its 5.75% Notes due 2040. These funds were used for the Tegrant acquisition. Additionally, the Company entered into a \$150 million three-year Term Loan Agreement, using a substantial portion of the proceeds to reduce outstanding commercial paper and the remainder for the Tegrant acquisition. In November 2010, the Company issued \$350 million of new 5.75% thirty-year bonds, and used the majority of the proceeds to tender for and redeem approximately 55% in principal amount of its other outstanding bonds. This debt extinguishment resulted in a pretax charge of \$48.6 million in 2010.

Reportable segments

Beginning with the fourth quarter of 2011, the Company will report its financial results in four reportable segments in order to coincide with recent internal management and reporting changes, to better reflect its changing business mix, and to align with how certain businesses are managed following the recent acquisition of Tegrant. These four segments will consist of the same three reportable segments previously reported, each with relatively minor changes, and the addition of a fourth segment – Protective Packaging – which will consist of Tegrant and the Company's legacy protective packaging business. The Company has restated segment operating results for 2010 in order to conform to the current presentation.

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

(\$ in millions)	2011	2010	% Change
Consumer Packaging	\$191.5	\$196.0	(2.3)%
Paper and Industrial Converted Products	138.2	136.4	1.3%
Packaging Services	21.7	14.2	53.5%
Protective Packaging	15.2	17.5	(13.0)%
Restructuring/asset impairment charges	(36.8)	(24.0)	(53.4)%
Acquisition-related costs	(12.3)	(1.9)	(543.8)%
Property insurance gains	5.0	—	100.0%
Interest expense, net	(38.1)	(35.1)	(8.5)%
Loss from early extinguishment of debt	—	(48.6)	100.0%
Consolidated operating profits	\$284.4	\$254.5	11.8%

Segment results viewed by Company management to evaluate segment performance do not include restructuring charges, asset impairment charges, acquisition-related charges, debt tender charges, net interest expense, income taxes or certain other items, if any, the exclusion of which the Company believes improves comparability and analysis. Accordingly, the term "segment operating profits" is defined as the segment's portion of "Income before income taxes" excluding restructuring charges, asset impairment charges, acquisition-related charges, debt tender charges and net interest expense. General corporate expenses, with the exception of restructuring charges, asset impairment charges, acquisition-related charges, debt tender charges, net interest expense and income taxes, have been allocated as operating costs to each of the Company's reportable segments.

See Note 16 to the Company's Consolidated Financial Statements for more information on reportable segments.

Consumer Packaging

(\$ in millions)	2011	2010	% Change
Trade sales	\$1,977.3	\$1,798.5	9.4%
Segment operating profits	191.5	196.0	(2.3)%
Depreciation, depletion and amortization	80.3	74.7	7.5%
Capital spending	60.8	66.3	(8.3)%

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Sales increased year over year primarily due to higher selling prices, the July 2010 acquisition of APT, and increased volume of flexible packaging and plastics products. Overall segment volumes, excluding the acquisition of APT, were up slightly over 1%. Selling prices were higher throughout the segment, reflecting increases in the cost of most major inputs. Domestic sales were approximately \$1,472 million, up 8.8%, or \$119 million, from 2010, while international sales were approximately \$505 million, up 13.2%, or \$59 million, from 2010.

Segment operating profits decreased as the benefits of higher volume, productivity improvements and lower pension costs were more than offset by negative price/cost and other inflation. Higher materials costs, including paper, metal and resins accounted for the majority of the increase in total costs and fully offset the benefit of higher prices.

Significant capital spending in the Consumer Packaging segment included projects to increase rigid paper and rigid plastic container production capacity in the United States and productivity projects throughout the segment.

Paper and Industrial Converted Products

(\$ in millions)	2011	2010	% Change
Trade sales	\$1,892.2	\$1,744.0	8.5%
Segment operating profits	138.2	136.4	1.3%
Depreciation, depletion and amortization	86.6	84.4	2.6%
Capital spending	86.8	63.9	35.8%

Reported segment sales were up almost entirely due to higher selling prices and exchange rates. Increased volume in reels and paper were offset by lower tubes and cores volume in almost every region of the world on weaker demand. Tubes and cores market share is estimated to have remained relatively flat year over year. Higher selling prices, primarily due to higher average market costs for OCC, accounted for most of the reported revenue increase. Domestic sales increased \$68 million, or 7.1%, to \$1,026 million. International sales increased \$81 million, or 10.3%, to \$867 million, with approximately \$47 million of the increase a result of favorable foreign exchange rates.

While relatively flat overall volume and a negative mix were a drag on operating results, they were more than offset by a positive price/cost relationship and productivity improvements. Lower pension expenses offset nearly all of the inflation seen in other costs. Although positive, productivity improvements were below both historical levels and management's expectations for the year, due largely to volume that was both tepid and unpredictable, making it difficult to drive and maintain production efficiencies from period to period.

Significant capital spending included the modification of several paper machines, primarily in North America and Europe, productivity projects throughout the segment, and the replacement of a portion of the molded plug equipment destroyed by fire in 2010.

Packaging Services

(\$ in millions)	2011	2010	% Change
Trade sales	\$471.5	\$477.2	(1.2)%
Segment operating profits	21.7	14.2	52.8%
Depreciation, depletion and amortization	7.4	8.8	(15.9)%
Capital spending	4.6	8.3	(44.9)%

As a result of bidding activity conducted in the fourth quarter of 2009 by a major customer, the Company lost approximately \$45 million of that customer's annual business beginning in mid 2010. The year-over-year impact of this lost business totaled approximately \$19 million in 2011. Further, another of the segment's customers consolidated its business with another vendor beginning in July 2011. Growth from new business, largely in Poland and Mexico, was able to offset much of the 2011 revenue impact from the lost business. Domestic sales decreased to approximately \$193 million, a 29.6% reduction, while international sales increased 36.9% to approximately \$278 million. The increase in international sales was a result of increased service center volume in Poland and Mexico and, to a lesser extent, the impact of exchange rates.

Segment operating profits were higher as positive price/cost and mix, along with lower pension expense and overhead costs, all contributed to the year-over-year improvement. A customer relocation and the lost business mentioned above worked to reduce overhead costs while the mix of business during these transitions was favorable to segment profitability. In addition, 2011 operating profits benefited from non-recurring incentive payments related to the transition of business to the alternate vendor.

Capital spending included capacity expansion in South America and Poland, some manufacturing consolidation in the United States, as well as numerous productivity and customer development projects in the United States and Europe.

Protective Packaging

(\$ in millions)	2011	2010	% Change
Trade sales	\$158.0	\$104.4	51.3%
Operating profits	15.2	17.5	(13.1)%
Depreciation, depletion and amortization	5.6	1.8	211.1%
Capital spending	3.9	0.9	314.1%

Sales in the Protective Packaging segment increased due to the acquisition of Tegrant as volume was off approximately 8% in the Company's legacy protective packaging business on weak demand, particularly in the appliance market. Domestic sales were approximately \$130 million, up 71.1% from 2010, and international sales were approximately \$28 million, essentially unchanged from 2010.

Operating profits in this segment decreased due primarily to lower volume and negative price/cost in the legacy business. The decrease was partially mitigated by productivity improvements, cost controls, favorable exchange rates and the inclusion of Tegrant's post-acquisition results.

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Capital spending included numerous productivity and customer development projects in the newly acquired Tegrant operations as well as the legacy protective packaging operations.

Financial position, liquidity and capital resources

Cash flow

Cash flow from operations totaled \$245.3 million in 2011 and \$375.1 million in 2010. Higher pension and postretirement plan contributions accounted for approximately \$112.9 million of the year-over-year decrease.

Cash flow used by investing activities was \$729.2 million in 2011, compared with \$283.7 million in 2010. This increase was due to higher year-over-year acquisition spending driven primarily by the \$550 million acquisition of Tegrant in November 2011. Additionally, capital spending increased to \$173.4 million in 2011 from \$145.9 million in 2010. Capital spending is expected to be approximately \$190 million in 2012.

Net cash provided (used) by financing activities totaled \$507.5 million in 2011, compared with \$(116.6) million in 2010. During the fourth quarter of 2011, the Company issued \$500 million of senior unsecured notes consisting of \$250 million of new 4.375% Notes due 2021, and an additional \$250 million of its 5.75% Notes due 2040. These funds were used for the Tegrant acquisition. Additionally, the Company entered into a \$150 million three-year term loan agreement, using a substantial portion of the proceeds to reduce outstanding commercial paper and the remainder for the Tegrant acquisition. Cash dividends increased 2.9% to \$115.0 million in 2011 from \$111.8 million in 2010, and the Company repurchased approximately 1.3 million shares of its common stock at a cost of \$49.4 million during 2011. Net proceeds from the exercise of stock awards totaled \$21.3 million in 2011, compared with \$23.2 million in 2010. Net borrowings increased \$660.9 million in 2011, compared with \$42.4 million in 2010.

Current assets increased year over year by \$155.3 million to \$1,312.8 million at December 31, 2011. The increase resulted primarily from higher levels of trade accounts receivable and inventory due to the acquisition of Tegrant. Current liabilities increased year over year by \$55.8 million to \$836.5 million at December 31, 2011, primarily due to the Tegrant acquisition and an increase in the current portion of long-term debt. These increases were partially offset by lower trade accounts payable (excluding Tegrant) and lower accruals for management incentives. The Company's current ratio was 1.6 at December 31, 2011, and 1.5 at December 31, 2010.

The Company uses a notional pooling arrangement with an international bank to help manage global liquidity requirements. Under this pooling arrangement, the Company and its participating subsidiaries may maintain either a cash deposit or borrowing position through local currency accounts with the bank, so long as the aggregate position of the global pool is a notionally calculated net cash deposit. Because it maintains a security interest in the cash deposits, and has the right to offset the cash deposits against the borrowings, the bank provides the Company and its participating subsidiaries favorable interest terms on both.

Contractual obligations

The following table summarizes contractual obligations at December 31, 2011:

(\$ in millions)	Payments Due In					
	Total	2012	2013-2014	2015-2016	Beyond 2016	Uncertain
Debt obligations	\$ 1,286.6	\$ 53.7	\$ 259.9	\$ 107.4	\$ 865.6	\$ —
Interest payments ¹	1,201.9	64.6	120.5	110.4	906.4	—
Operating leases	114.4	36.9	44.3	21.9	11.3	—
Income tax contingencies ²	27.4	—	—	—	—	27.4
Purchase obligations ³	253.4	73.3	106.9	33.4	39.8	—
Total contractual obligations ⁴	\$ 2,883.7	\$ 228.5	\$ 531.6	\$ 273.1	\$ 1,823.1	\$ 27.4

¹ Includes interest payments on outstanding fixed-rate, long-term debt obligations, as well as financing fees on the backstop line of credit.

² Due to the nature of this obligation, the Company is unable to estimate the timing of the cash outflows.

³ Includes only long-term contractual commitments. (Does not include short-term obligations for the purchase of goods and services used in the ordinary course of business.)

⁴ Excludes potential cash funding requirements of the Company's retirement plans and retiree health and life insurance plans.

Capital resources

The Company's total debt at December 31, 2011 was \$1,286.6 million, a year-over-year increase of \$665.7 million. The increase was due to additional borrowings and the impact of foreign exchange rates.

During the fourth quarter of 2011, the Company issued \$500 million of senior unsecured notes consisting of \$250 million of 4.375% Notes due 2021 and an additional \$250 million of its 5.75% Notes due 2040. Proceeds from the issuance of these notes were used to fund the Tegrant acquisition. Additionally, the Company entered into a \$150 million three-year term loan agreement, using a substantial portion of the proceeds to reduce commercial paper and the remainder for the Tegrant acquisition.

Under Internal Revenue Service rules, U.S. corporations may borrow funds from foreign subsidiaries for up to 30 days without unfavorable tax consequences. At various times throughout 2011 and 2010, including each year end, the Company utilized this rule to access offshore cash in lieu of issuing commercial paper. Amounts outstanding under the rule at December 31, 2011 and 2010 were \$145 million and \$100 million, respectively. These short-term lending arrangements were subsequently settled within the allowable period, resulting in equivalent increases in commercial paper outstanding and cash on hand. Depending on its immediate offshore cash needs, the Company may choose to access such funds again in the future as allowed under the rule.

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The Company's cash balances are held in numerous locations throughout the world, with the vast majority held outside of the United States. The cash held outside the United States is available to meet local liquidity needs, or for capital expenditures, acquisitions, and other offshore growth opportunities. Most of the amounts held outside of the United States could be repatriated but, under current law, would be subject to U.S. federal income taxes, less applicable foreign tax credits. As we enjoy ample domestic liquidity through a combination of operating cash flow generation and access to bank and capital markets borrowings, we consider the majority of our current cash balances to be indefinitely invested outside the United States and, accordingly, do not provide for U.S. federal tax liability on these amounts for financial reporting purposes. Repatriation could result in additional U.S. federal income tax payments in future years. We utilize a variety of tax planning and financing strategies to ensure that our worldwide cash is available in the locations where it is needed. Because we do not expect to repatriate a significant amount of offshore cash, potential taxes on any such repatriation would not be expected to have a material effect on the Company's overall liquidity, financial condition, or results of operations.

The Company currently operates a \$350 million commercial paper program, supported by a committed bank credit facility of the same amount. In October 2010, the Company entered into an amended and restated credit agreement for that facility with a syndicate of eight banks. The bank credit facility is committed through October 2015. If circumstances were to prevent the Company from issuing commercial paper, it has the contractual right to draw funds directly on the underlying bank credit facility. Outstanding commercial paper, a component of the Company's long-term debt, totaled \$27 million at December 31, 2011.

Acquisitions and internal investments are key elements of the Company's growth strategy. The Company believes that cash on hand, cash generated from operations and the available borrowing capacity under its existing credit agreement will enable it to support this strategy. Although the Company currently has no intent to do so, it may obtain additional financing in order to pursue its growth strategy. Although the Company believes that it has excess borrowing capacity beyond its current lines, there can be no assurance that such financing would be available or, if so, at terms that are acceptable to the Company.

The Company's various U.S. and international defined benefit pension and postretirement plans were underfunded at the end of 2011 by approximately \$433 million. During 2011, the Company contributed approximately \$142 million to its benefit plans, including an \$85 million contribution to its U.S. qualified defined benefit pension plan in January 2011 designated for the 2010 plan year. The Company anticipates that benefit plan contributions in 2012 will total approximately \$73 million. Future funding requirements will depend largely on actual investment returns and future actuarial assumptions. Participation in the U.S. qualified defined benefit pension plan is frozen for salaried and non-union hourly U.S. employees hired on or after January 1, 2004. In February 2009, the plan was further amended to freeze service credit earned effective December 31, 2018. This change is expected to moderately reduce the volatility of long-term funding exposure and expenses.

Total equity decreased \$82.3 million during 2011 as net income of \$218.0 million was offset by other comprehensive losses totaling \$167.5 million and dividend payments of \$116.2 million. The primary components of other comprehensive loss were a \$39.1 million translation loss from the impact of a stronger U.S. dollar on the Company's foreign investments and a \$127.8 million net defined benefit plan adjustment reflecting actuarial losses in the Company's various defined benefit plans, which resulted from lower discount rates and lower than expected returns on plan assets. Total equity increased \$127.1 million during 2010, as net income of \$201.5 million and other comprehensive income of \$18.8 million was partially offset by dividend payments of \$112.9 million. Other comprehensive income included an \$8.1 million translation gain from the impact of a weaker U.S. dollar on the Company's foreign investments and a \$13.6 million net defined benefit plan adjustment stemming primarily from 2010 investment performance on the assets in the Company's various defined benefit plans.

The Company's Board of Directors has authorized the repurchase of up to 5 million shares of the Company's common stock. On December 3, 2010 the Company announced it would immediately begin repurchasing 2 million shares of the 5 million shares authorized. During 2010, a total of 0.7 million shares were repurchased under this program at a cost of \$23.2 million. During the first quarter of 2011, an additional 1.3 million shares were repurchased at a cost of \$46.3 million, completing the announced buyback. On April 20, 2011, the Company's Board of Directors reinstated 2 million shares to its authorization. No additional shares have been repurchased since the reinstatement. Accordingly, at December 31, 2011, a total of 5 million shares remain available for repurchase.

Although the ultimate determination of whether to pay dividends is within the sole discretion of the Board of Directors, the Company plans to increase dividends as earnings grow. Dividends per common share were \$1.15 in 2011, \$1.11 in 2010 and \$1.08 in 2009. On February 7, 2012, the Company declared a regular quarterly dividend of \$0.29 per common share payable on March 9, 2012, to shareholders of record on February 17, 2012.

[Off-balance sheet arrangements](#)

The Company had no material off-balance sheet arrangements at December 31, 2011.

[Risk management](#)

As a result of operating globally, the Company is exposed to changes in foreign exchange rates. The exposure is well diversified as the Company's facilities are spread throughout the world, and the Company generally sells in the same countries where it produces. The Company monitors these exposures and may use traditional currency swaps and forward exchange contracts to hedge a portion of forecasted transactions that are denominated in foreign currencies, foreign currency assets and liabilities or net investment in foreign subsidiaries. The Company's foreign operations are exposed to political and cultural risks, but the risks are mitigated by diversification and the relative stability of the countries in which the Company has significant operations. The Company has operations in Venezuela that, beginning January 1, 2010, are being accounted for as hyperinflationary. These operations have net assets of approximately \$3 million and annual net

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sales of approximately \$8 million. Accounting for these operations as hyperinflationary did not have a material effect on the Company's financial statements during any of the periods presented.

The Company is exposed to interest-rate fluctuations as a result of using debt as a source of financing for its operations. The Company may, from time to time, use traditional, unleveraged interest-rate swaps to manage its mix of fixed and variable rate debt and to control its exposure to interest rate movements within selected ranges.

The Company is a purchaser of various raw material inputs such as recovered paper, energy, steel, aluminum and resin. The Company generally does not engage in significant hedging activities, other than for energy and, from time to time, aluminum, because there is usually a high correlation between the primary input costs and the ultimate selling price of its products. Inputs are generally purchased at market or at fixed prices that are established with individual vendors as part of the purchase process for quantities expected to be consumed in the ordinary course of business. On occasion, where the correlation between selling price and input price is less direct, the Company may enter into derivative contracts such as futures or swaps to manage the effect of price fluctuations.

At December 31, 2011, the Company had contracts outstanding to hedge the price on a portion of anticipated commodity and energy purchases as well as to hedge certain foreign exchange risks for various periods through December 2014. These contracts included swaps to cover approximately 9.3 million MMBTUs of natural gas representing approximately 72%, 73%, and 38% of anticipated U.S. and Canadian natural gas usage for 2012, 2013 and 2014, respectively. Additionally, the Company had swap contracts covering 4,419 metric tons of aluminum, representing approximately 33% of anticipated usage for 2012, and 25,500 short tons of OCC representing approximately 4% of anticipated usage for 2012. Both the aluminum and OCC hedges relate to fixed-price customer contracts. At December 31, 2011, the Company had a number of foreign currency contracts in place as both designated and undesignated hedges of either anticipated foreign currency denominated transactions or existing financial assets and liabilities. At December 31, 2011, the total notional amount, in U.S. dollar terms, was \$170 million, of which \$68 million related to the euro, \$50 million to the Canadian dollar, \$20 million to the Mexican peso, and \$10 million to the Turkish lira.

The fair market value of derivatives was a net unfavorable position of \$14.1 million (\$9.1 million after tax) at December 31, 2011, and a net unfavorable position of \$12.1 million (\$7.7 million after tax) at December 31, 2010. Derivatives are marked to fair value using published market prices, if available, or estimated values based on current price quotes and a discounted cash flow model. See Note 9 to the Consolidated Financial Statements for more information on financial instruments.

The Company is subject to various federal, state and local environmental laws and regulations concerning, among other matters, solid waste disposal, wastewater effluent and air emissions. Although the costs of compliance have not been significant due to the nature of the materials and processes used in manufacturing operations, such laws also make generators of hazardous wastes and their legal successors financially responsible for the cleanup of sites contaminated by those wastes. The Company has been named a potentially responsible party at several environmentally contaminated sites. These regulatory actions and a small number of private party lawsuits are believed to represent the Company's largest potential environmental liabilities. The Company has accrued \$72.6 million (including \$56.8 million associated with U.S. Mills) at December 31, 2011, compared with \$62.0 million at December 31, 2010 (including \$58.7 million associated with U.S. Mills), with respect to these sites. See "Environmental Charges," Item 3 – Legal Proceedings, and Note 14 to the Consolidated Financial Statements for more information on environmental matters.

Results of operations – 2010 versus 2009

Operating Revenue

Consolidated net sales for 2010 were \$4.1 billion, a \$527 million, or 14.6%, increase from 2009.

The components of the sales change were:

(\$ in millions)

Volume/Mix	\$ 209
Selling price	142
Acquisitions	77
Sales of corrugating medium	66
Currency exchange rate/Other	33
Total sales increase	\$ 527

Companywide volume increased approximately 6% from 2009 levels. Although most of the overall volume increase came from the Company's industrial-focused businesses, volume was up in nearly all business units. Total domestic sales were \$2.7 billion, up 15% from 2009. International sales were \$1.4 billion, up 14% from 2009 levels. The selling price increases were realized almost exclusively in the Paper and Industrial Converted Products segment in response to higher input costs.

Costs and expenses

Higher volumes and input prices, specifically recovered paper prices, combined to increase the Company's 2010 total cost of sales from prior year levels. Market prices for recovered paper, the Company's most significant raw material in dollar terms, were significantly higher over the course of 2010 compared to 2009 levels. Prices paid for resins, energy and freight were also up year over year. Conversely, the Company's cost for tinplate steel was lower than 2009 levels.

In 2010, aggregate pension and postretirement expenses decreased \$28.8 million to \$52.6 million, versus \$81.4 million in 2009. Approximately 75% of these expenses are reflected in cost of sales, with the balance in selling, general and administrative expenses.

Throughout 2009, and continuing into 2010, the Company engaged in a number of cost management efforts, including: realigning its business and streamlining the management organization to be more efficient; enhancing productivity and controlling variable costs; and reducing structural costs to a level management believed to be more aligned with new market realities, while maintaining the capacity necessary to grow with customers. The Company's efforts to reduce fixed costs, which included rationalizing its manufacturing footprint, reflected lower revised expectations of what normal post-recession

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market demand would look like. The result of this was lower plant overhead in 2010 when compared with 2009, despite the increased business activity that year.

Selling, general and administrative expenses as a percentage of sales decreased to 9.8% for 2010 from 10.7% in 2009, despite increasing in total by \$26.4 million year over year. This increase in spending was due to higher incentive compensation costs along with the impact of the APT acquisition, which were partially offset by lower pension and postretirement costs and the full-year impact of 2009 cost containment efforts.

Research and development costs, all of which were charged to expense, were \$17.8 million and \$14.5 million in 2010 and 2009, respectively.

Net interest expense totaled \$35.1 million for the year ended December 31, 2010, compared with \$38.6 million in 2009. The decrease was due primarily to lower average debt levels and lower average interest rates. In 2010, the Company issued \$350 million of new 5.75% thirty-year bonds, and used the majority of the proceeds to tender for and redeem approximately 55% in principal amount of its other outstanding bonds. This debt extinguishment resulted in a pretax charge of \$48.6 million.

Reportable segments

Segment operating results for 2010 and 2009 have been restated to conform to the current presentation. Consolidated operating profits, also referred to as “Income before income taxes” on the Consolidated Statements of Income, are comprised of the following:

(\$ in millions)	2010	2009	% Change
Consumer Packaging	\$196.0	\$175.0	12.0%
Paper and Industrial Converted Products	136.4	77.3	76.5%
Packaging Services	14.2	12.3	15.4%
Protective Packaging	17.5	15.0	16.7%
Restructuring/asset impairment charges	(24.0)	(26.8)	10.4%
Acquisition-related costs	(1.9)	—	100.0%
Interest expense, net	(35.1)	(38.6)	9.1%
Loss from early extinguishment of debt	(48.6)	—	100.0%
Consolidated operating profits	\$254.5	\$214.2	18.8%

Consumer Packaging

(\$ in millions)	2010	2009	% Change
Trade sales	\$1,798.5	\$1,647.8	9.1%
Segment operating profits	196.0	175.0	12.0%
Depreciation, depletion and amortization	74.7	72.2	3.5%
Capital spending	66.3	35.9	84.5%

Sales increased due to the July 2010 acquisition of APT, increased volume of flexible packaging, molded plastics products and metal ends, and the favorable impact of a weaker dollar against most currencies other than the euro. Overall segment volumes, excluding the acquisition of APT, were up approximately 3%. Increased selling prices of molded plastics products were partially offset by declines in flexible packaging and metal ends. Domestic sales were approximately \$1,353 million, up 9.1%, or \$113 million, from 2009, while international sales were approximately \$446 million, up 9.2%, or \$37 million, from 2009.

Segment operating profits increased primarily due to the impact of the APT acquisition, productivity and purchasing initiatives, lower pension costs and higher volumes. These were partially offset by an unfavorable price/cost relationship, primarily in flexible packaging and molded plastics products, along with higher costs of labor, freight and energy.

Significant capital spending in the Consumer Packaging segment included productivity projects throughout the segment and projects to increase rigid paper and rigid plastic container production capacity in the United States.

Paper and Industrial Converted Products

(\$ in millions)	2010	2009	% Change
Trade sales	\$1,744.0	\$1,423.6	22.5%
Segment operating profits	136.4	77.3	76.5%
Depreciation, depletion and amortization	84.4	88.5	(4.6)%
Capital spending	63.9	57.5	11.2%

Sales were up due to volume improvements, higher selling prices and corrugating medium sales. The volume improvements were seen throughout the segment as businesses continued to recover from the global economic recession. The most significant volume increases occurred in the North American and European tube and core operations, which were also the units most significantly impacted by the recession. Volume improvements were most notable in the first half of the year, as the second half of 2009 had started to show some signs of recovery. Volume in the segment increased by approximately 8%. Higher year-over-year selling prices, primarily due to higher average market costs for OCC, also contributed significantly to the sales increase. In 2010, the Company began selling corrugating medium from a machine that had been producing exclusively for Georgia-Pacific under a cost-plus fixed-management-fee arrangement, accounting for approximately \$66 million of additional sales. Domestic sales increased approximately \$242 million, or 33.8%, to approximately \$958 million. International sales increased approximately \$78 million, or 11.1% to approximately \$786 million, with approximately \$18 million of the increase a result of favorable foreign exchange rates.

The combination of higher volumes, productivity initiatives, the full-year impact of restructuring actions on fixed costs and lower pension costs resulted in a 77% improvement in segment operating profits in 2010. Partially offsetting these favorable factors was an unfavorable price/cost relationship that resulted from the Company’s inability to fully recover an approximate 140% increase in average OCC prices through higher selling prices and higher costs for labor, freight and energy. The Company’s manufacturing plant in Bastrop, Louisiana, which primarily produced molded plugs used in tubes and cores for the

paper industry, was destroyed by fire on November 5, 2010. While

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the Company did not rebuild the plant, the majority of the production capability has been replaced.

Significant capital spending included the modification of several paper machines, primarily in North America and Europe, and productivity projects throughout the segment.

Packaging Services

(\$ in millions)	2010	2009	% Change
Trade sales	\$477.2	\$434.6	9.8%
Segment operating profits	14.2	12.3	15.4%
Depreciation, depletion and amortization	8.8	11.0	(20.0)%
Capital spending	8.3	5.1	63.8%

As a result of bidding activity conducted in the fourth quarter of 2009 by a major customer of the Packaging Services segment, the Company lost approximately \$45 million of that customer's annual business beginning in mid 2010. The year-over-year impact of the lost business with this customer, all of which occurred during the second half of 2010, totaled approximately \$26 million, with an additional year-over-year loss of approximately \$19 million in the first half of 2011. Domestic sales decreased to approximately \$274 million, a 6.6% reduction, while international sales increased 43.8% to approximately \$203 million. The increase in international sales was a result of increased service center volume in Poland and Mexico, as the impact of foreign currency translation was not significant in 2010.

Segment operating profits improved as productivity initiatives and increased volume more than offset an unfavorable shift in the mix of business and lower selling prices. The margins on the new business were lower than those on the lost point-of-purchase and fulfillment business.

Capital spending included capacity expansion in South America, some manufacturing consolidation in the United States, as well as numerous productivity and customer development projects in the United States and Europe.

Protective Packaging

(\$ in millions)	2010	2009	% Change
Trade sales	\$104.4	\$91.3	14.3%
Operating profits	17.5	15.0	16.7%
Depreciation, depletion and amortization	1.8	1.9	(5.3)%
Capital spending	0.9	0.5	72.4%

Sales in the Protective Packaging segment increased due to improved volumes and higher selling prices. The selling price increases were put in place as a response to increased input costs. Domestic sales were approximately \$76 million, up 13.3% from 2009, and international sales were approximately \$28 million, an increase of 17.2%.

Operating profits in this segment increased due primarily to higher volume, improved productivity and lower pension costs. The increase was dampened by an unfavorable selling price/material cost variance as selling price increases were unable to recover higher raw material costs.

Capital spending included investing in productivity and customer development projects in the United States, primarily for molded and extruded plastics.

Critical accounting policies and estimates

Management's discussion and analysis of the Company's financial condition and results of operations are based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The Company evaluates these estimates and assumptions on an ongoing basis, including but not limited to those related to inventories, bad debts, derivatives, income taxes, intangible assets, restructuring, pension and other postretirement benefits, environmental liabilities, and contingencies and litigation. Estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis of the carrying value of certain assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates. The impact of and any associated risks related to estimates, assumptions and accounting policies are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as in the Notes to the Consolidated Financial Statements, if applicable, where such estimates, assumptions and accounting policies affect the Company's reported and expected financial results.

The Company believes the accounting policies discussed in the Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K are critical to understanding the results of its operations. The following discussion represents those policies that involve the more significant judgments and estimates used in the preparation of the Company's Consolidated Financial Statements.

Impairment of long-lived, intangible and other assets

Assumptions and estimates used in the evaluation of potential impairment can result in adjustments affecting the carrying values of long-lived, intangible and other assets and the recognition of impairment expense in the Company's Consolidated Financial Statements. The Company evaluates its long-lived assets (property, plant and equipment), definite-lived intangible assets and other assets (including notes receivable and equity investments) for impairment whenever indicators of impairment exist, or when it commits to sell the asset. If the sum of the undiscounted expected future cash flows from a long-lived asset or definite-lived intangible asset group is less than the carrying value of that asset group, an asset impairment charge is recognized. Key assumptions and estimates used in the cash flow model generally include price levels, sales growth, profit margins and asset life. The amount of an impairment charge, if any, is calculated as the excess of

the asset's carrying value over its fair value, generally represented by the discounted future cash flows from that asset or, in the case of assets the Company evaluates for sale, as estimated proceeds less costs to sell. The Company takes into consideration historical data and experience together with all other relevant information available when estimating the fair values of its assets. However, fair values that could be realized in actual transactions may differ from the estimates used to evaluate impairment. In addition, changes in the assumptions and estimates may result in a different conclusion regarding impairment.

Impairment of goodwill

In accordance with ASC 350, the Company evaluates its goodwill for impairment annually and whenever events happen or circumstances change that would make it more likely than not that impairment may have occurred. If the carrying value of a reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment charge is recognized for the excess. The Company's reporting units are one level below its operating segments, as determined in accordance with ASC 350.

The Company completed its most recent annual goodwill impairment testing during the third quarter of 2011. As described in Note 7, the Company elected early adoption of ASU 2011-08 for its annual goodwill impairment testing. Under prior guidance, a two-step process was followed to test for goodwill impairment, the first step being to determine and compare the estimated current fair value of each reporting unit to its carrying value. If the estimated fair value was less than the carrying value, then step two was performed to determine the amount, if any, of the goodwill impairment. The revised guidance in ASU 2011-08 allows a company to first make a qualitative determination regarding the likelihood of impairment before performing these two steps. If impairment is not determined to be more likely than not, then the two-step test does not need to be conducted.

For 2011 testing purposes, the Company performed an assessment of each reporting unit by considering certain qualitative and quantitative factors. Qualitative factors included the macroeconomic environment, Company stock price and market capitalization movement, business strategy adjustments, and significant customer wins and losses. Quantitative factors included the amount the fair value of each reporting unit exceeded its carrying value in the 2010 analysis, current year operating performance as compared to 2010 projections, implied fair values based on comparable trading and transaction multiples, and, in certain cases, results of an updated discounted cash flow analysis. As a result of its qualitative and quantitative assessments, the Company concluded that there was no impairment of goodwill for any of its reporting units.

When the Company estimates the fair value of a reporting unit it does so using a discounted cash flow model based on projections of future years' operating results and associated cash flows, together with comparable trading and transaction multiples. The Company's model discounts future cash flows, forecasted over a ten-year period, with an estimated residual growth rate. The Company's projections incorporate management's best estimates of the expected future results, which include expectations related to new business awards, and, where applicable, improved operating margins. Future cash flows are discounted to present value using a discount rate management believes is commensurate with the risks inherent in the cash flows.

The Company's assessments, whether qualitative or quantitative, incorporate management's expectations for the future, including forecasted growth rates and/or margin improvements. Therefore, should there be changes in the relevant facts and circumstances and/or expectations, management's assessment regarding goodwill impairment may change as well.

Although no reporting units failed the qualitative or quantitative assessments noted above, in management's opinion the reporting units with significant goodwill having the greatest risk of future impairment if actual results are not as expected are Blow Molded Plastics (Matrix) and Flexible Packaging. Total goodwill associated with these reporting units was approximately \$129 million and \$93 million, respectively, at December 31, 2011.

The reporting unit with the most significant growth expectations relative to its size is Rigid Paper Containers – Europe. Total goodwill associated with this reporting unit was approximately \$9 million at December 31, 2011.

The Blow Molded Plastics unit manufactures products primarily for use in nonfood applications. This unit was acquired in May 2007 to be a growth platform for the Company and to expand the Company's operations into the health and beauty market. Since that time, the Company has continued to invest significantly in the business, and projections for this reporting unit reflect management's expectations for revenue growth as well as improvements in operating margins. Sales growth is expected to be driven by new business from key nonfood customers and expansion into more food-based applications. Should the sales growth and margin improvements not materialize, goodwill impairment charges may be incurred. Based on the valuation work performed for the current year test, the estimated fair value of Blow Molded Plastics exceeded its carrying value by approximately 11%.

In 2010, the Company was advised by one of its Flexible Packaging customers that its contract to provide certain packaging would not be renewed in its entirety. According to the customer, the business was to be phased out over a two-year period beginning in 2011. As a result, the Company recorded a noncash asset impairment charge of approximately \$12.6 million on certain long-lived assets within the affected operations during the third quarter of 2010. Although the transition has begun, it has not occurred as quickly as originally anticipated. However, the expected loss of business was reflected in the Company's qualitative evaluation of the likelihood of goodwill impairment. The Company expects these lost sales will be replaced by new business in approximately the same time frame over which they are lost and that operating margins will benefit from improved manufacturing productivity and overhead cost management. However, should the sales growth not materialize, and/or the operating margins not improve to the extent expected, goodwill impairment charges may be incurred. In its evaluation of goodwill impairment, management estimated that the fair value of the Flexible Packaging unit exceeded its carrying value by approximately 19%.

Rigid Paper Containers – Europe manufactures round and shaped composite paperboard cans, single-wrap paperboard packages and fiber cartridges. Results in this unit declined substantially during the global recession, reflecting both a decline in volume and profit margins due to competitive conditions. Based on recent activity with certain key customers, management expects a significant recovery in sales to

pre-recession levels over the next two to three years based on expanded volumes with such customers and that profit margins will recover, at least partially, on improving price/cost, productivity gains and fixed cost leverage. In addition, as a result of the 2011 acquisition of a paperboard container manufacturer in the United Kingdom, the unit is expected to generate additional sales and synergy savings. However, should the projected improvements fall short of management's expectations, a goodwill impairment charge may be incurred. In its evaluation of goodwill impairment, management estimated that the fair value of Rigid Paper Containers – Europe exceeded its carrying value by approximately 71%.

During the time subsequent to the annual evaluation and at December 31, 2011, the Company considered whether any events and/or changes in circumstances had resulted in the likelihood that the goodwill of any of its reporting units may have been impaired. It is management's opinion that no such events have occurred.

Holding the other valuation assumptions constant, Blow Molded Plastic's projected operating profits across all future periods would have to decline 9% before the reporting unit's carrying value is deemed to be in excess of its fair value. The corresponding percentages for Flexible Packaging and Rigid Paper Containers – Europe are 12% and 35%, respectively. The future operating performance of these units is dependent upon a number of variables which cannot be predicted with certainty.

Income taxes

The Company follows ASC 740, Accounting for Income Taxes, which requires a reduction of the carrying amounts of deferred tax assets by recording a valuation allowance if, based on the available evidence, it is more likely than not such assets will not be realized. Deferred tax assets generally represent expenses recognized for financial reporting purposes, which will result in tax deductions over varying future periods. The valuation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in our financial statements or tax returns and future profitability. Our accounting for deferred tax consequences represents our best estimate of those future events. Changes in our current estimates, due to unanticipated events or otherwise, could have a material impact on our financial condition and results of operations.

For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. For those positions not meeting the more-likely-than-not standard, no tax benefit has been recognized in the financial statements. Associated interest has also been recognized, where applicable.

The estimate for the potential outcome of any uncertain tax issue is highly judgmental. The Company believes it has adequately provided for any reasonably foreseeable outcome related to these matters. 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 limitations on potential assessments expire. Additionally, the jurisdictions in which earnings or deductions are realized may differ from current estimates. As a result, the eventual resolution of these matters could have a different impact on the effective rate than currently reflected or expected.

Stock-based compensation plans

The Company utilizes share-based compensation in the form of stock options, stock appreciation rights, restricted stock units and other share-based awards. Certain awards are in the form of contingent stock units where both the ultimate number of units and the vesting period are performance based. The amount and timing of compensation expense associated with these performance-based awards are based on estimates regarding future performance using measures defined in the plans. In 2011, the performance measures consisted of Earnings per Share and Return on Net Assets Employed. Changes in estimates regarding the future achievement of these performance measures may result in significant fluctuations from period to period in the amount of compensation expense reflected in the Company's Consolidated Financial Statements.

The Company uses a binomial option-pricing model to determine the grant date fair value of its stock options and stock appreciation rights. The binomial option-pricing model requires the input of subjective assumptions. Management routinely assesses the assumptions and methodologies used to calculate estimated fair value of share-based compensation. Circumstances may change and additional data may become available over time that results in changes to these assumptions and methodologies, which could materially impact fair value determinations.

Pension and postretirement benefit plans

The Company has significant pension and postretirement benefit costs that are developed from actuarial valuations. The actuarial valuations employ key assumptions having a significant effect on the Company's projected liabilities for pension and other postretirement benefits. The key assumptions used at December 31, 2011 in determining the projected benefit obligation and the accumulated benefit obligation for U.S. retirement and retiree health and life insurance plans include: discount rates of 4.76% and 4.33% for the active and inactive qualified retirement plans, respectively, 4.23% for the non-qualified retirement plans, and 3.76% for the retiree health and life insurance plan; and rates of compensation increases ranging from 4.15% to 6.02%. The key assumptions used to determine 2011 net periodic benefit cost for U.S. retirement and retiree health and life insurance plans include: discount rates of 5.52% and 5.01% for the active and inactive qualified retirement plans, respectively, 4.91% for the non-qualified retirement plans, and 4.37% for the retiree health and life insurance plan; an expected long-term rate of return on plan assets of 8.0% and 7.7% for the active and inactive qualified retirement plans, respectively; and rates of compensation increases ranging from 4.29% to 6.12%.

During 2011, the Company recorded total pension and postretirement benefit expenses of approximately \$36.9 million, compared with \$52.6 million during 2010. The 2011 amount reflects \$85.5 million of expected returns on plan assets at the assumed rate of 7.7% and interest cost of \$72.5 million at a weighted-average discount rate of 5.23%. The 2010 amount reflects \$79.3 million of expected returns on plan assets at an assumed rate of 8.3% and interest cost of \$73.9 million at a

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weighted-average discount rate of 5.78%. During 2011, the Company made contributions to its pension and postretirement plans of \$142.1 million, including an \$85.0 million contribution made in January 2011 to its U.S. qualified defined benefit pension plan designated for the 2010 plan year. During 2010, the Company made contributions to its pension and postretirement plans of \$29.2 million. Contributions vary from year to year depending on various factors, the most significant being asset market values and interest rates. Cumulative net actuarial losses were approximately \$688 million at December 31, 2011, and are primarily the result of poor asset performance in 2008 and lower discount rates. Actuarial losses/gains outside of the 10% corridor defined by U.S. GAAP are amortized over the average remaining service life of the plan's active participants or the average remaining life expectancy of the plan's inactive participants (if all or almost all of the plan's participants are inactive).

Total benefit plan expense in 2012 is expected to be approximately \$14 million higher than in 2011 due primarily to higher amortization expense resulting from the additional actuarial losses recorded in 2011.

The Company adjusts its discount rates at the end of each fiscal year based on yield curves of high-quality debt instruments over durations that match the expected benefit payouts of each plan. The expected rate of return assumption is derived by taking into consideration the targeted plan asset allocation, projected future returns by asset class and active investment management. A third party asset return model was used to develop an expected range of returns on plan investments over a 12 to 15 year period, with the expected rate of return selected from a best estimate range within the total range of projected results. The Company periodically rebalances its plan asset portfolio in order to maintain the targeted allocation levels. The rate of compensation increase assumption is generally based on salary and incentive increases. A key assumption for the U.S. retiree health and life insurance plan is a medical cost trend rate beginning at 8.0% for post-age 65 participants and trending down to an ultimate rate of 5.5% in 2017. The ultimate trend rate of 5.5% represents the Company's best estimate of the long-term average annual medical cost increase over the duration of the plan's liabilities. It provides for real growth in medical costs in excess of the overall inflation level.

Other assumptions and estimates impacting the projected liabilities of these plans include inflation, participant withdrawal and mortality rates and retirement ages. The Company annually re-evaluates assumptions used in projecting the pension and postretirement liabilities and associated expense. These judgments, assumptions and estimates may affect the carrying value of pension and postretirement plan net assets and liabilities and pension and postretirement plan expenses in the Company's Consolidated Financial Statements. The sensitivity to changes in the critical assumptions for the Company's U.S. plans as of December 31, 2011, is as follows:

<i>Assumption (\$ in millions)</i>	<i>Percentage Point Change</i>	<i>Projected Benefit Obligation Higher/(Lower)</i>	<i>Annual Expense Higher/ (Lower)</i>
Discount rate	-25 pts	\$ 39.6	\$ 2.0
Expected return on assets	-25 pts	N/A	\$ 2.2

See Note 12 to the Consolidated Financial Statements for additional information on the Company's pension and postretirement plans.

Recent accounting pronouncements

Information regarding recent accounting pronouncements is provided in Note 2 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Item 7A. Quantitative and qualitative disclosures about market risk

Information regarding market risk is provided in this Annual Report on Form 10-K under the following items and captions: "Conditions in foreign countries where the Company operates may reduce earnings" and "Foreign exchange rate fluctuations may reduce the Company's earnings" in Item 1A-Risk Factors; "Risk Management" in Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations; and in Note 8 to the Consolidated Financial Statements in Item 8 – Financial Statements and Supplementary Data.

Item 8. Financial statements and supplementary data

The Consolidated Financial Statements and Notes to the Consolidated Financial Statements are provided on pages F-1 through F-30 of this report. Selected quarterly financial data is provided in Note 18 to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

To the shareholders and directors of Sonoco Products Company:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Sonoco Products Company and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Tegrant Holding Corp. from its assessment of internal control over financial reporting as of December 31, 2011 because it was acquired by the Company in a purchase business combination during fiscal 2011. We have also excluded Tegrant Holding Corp. from our audit of internal control over financial reporting. Tegrant Holding Corp. is a wholly owned subsidiary whose combined total assets and combined total revenues represented approximately 17% and 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2011.

PRICEWATERHOUSECOOPERS LLP

Charlotte, North Carolina
February 29, 2012

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Consolidated Balance Sheets

Sonoco Products Company

(Dollars and shares in thousands)

At December 31

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 175,523	\$ 158,249
Trade accounts receivable, net of allowances of \$7,125 in 2011 and \$8,614 in 2010	606,035	508,144
Other receivables	43,378	31,917
Inventories		
Finished and in process	158,391	147,062
Materials and supplies	237,431	222,365
Prepaid expenses	65,227	66,782
Deferred income taxes	26,806	22,997
	1,312,791	1,157,516
Property, Plant and Equipment, Net	1,020,291	944,136
Goodwill	1,103,684	839,748
Other Intangible Assets, Net	299,700	130,400
Long-term Deferred Income Taxes	78,869	42,100
Other Assets	170,835	167,114
Total Assets	\$ 3,986,170	\$ 3,281,014
Liabilities and Equity		
Current Liabilities		
Payable to suppliers	\$ 436,732	\$ 436,785
Accrued expenses and other	284,854	240,827
Accrued wages and other compensation	55,680	79,109
Notes payable and current portion of long-term debt	53,666	16,949
Accrued taxes	5,551	6,979
	836,483	780,649
Long-term Debt	1,232,966	603,941
Pension and Other Postretirement Benefits	420,048	323,040
Deferred Income Taxes	16,794	24,583
Other Liabilities	54,471	41,108
Commitments and Contingencies		
Sonoco Shareholders' Equity		
Serial preferred stock, no par value		
Authorized 30,000 shares		
0 shares issued and outstanding as of December 31, 2011 and 2010		
Common shares, no par value		
Authorized 300,000 shares		
100,211 and 100,510 shares issued and outstanding at December 31, 2011 and 2010, respectively	7,175	7,175
Capital in excess of stated value	427,484	441,328
Accumulated other comprehensive loss	(460,299)	(292,867)
Retained earnings	1,437,435	1,336,155
Total Sonoco Shareholders' Equity	1,411,795	1,491,791
Noncontrolling Interests	13,613	15,902
Total Equity	1,425,408	1,507,693
Total Liabilities and Equity	\$ 3,986,170	\$ 3,281,014

The Notes beginning on page F-6 are an integral part of these financial statements.

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Consolidated Statements of Income

Sonoco Products Company

(Dollars and shares in thousands except per share data)
Years ended December 31

	2011	2010	2009
Net sales	\$ 4,498,932	\$ 4,124,121	\$ 3,597,331
Cost of sales	3,742,149	3,356,589	2,931,285
Gross profit	756,783	767,532	666,046
Selling, general and administrative expenses	397,477	405,356	386,459
Restructuring/Asset impairment charges	36,826	23,999	26,801
Income before interest and income taxes	322,480	338,177	252,786
Interest expense	41,832	37,413	40,992
Interest income	3,758	2,307	2,427
Loss from the early extinguishment of debt	—	48,617	—
Income before income taxes	284,406	254,454	214,221
Provision for income taxes	78,423	64,485	66,818
Income before equity in earnings of affiliates	205,983	189,969	147,403
Equity in earnings of affiliates, net of tax	12,061	11,505	7,742
Net income	218,044	201,474	155,145
Net (income) attributable to noncontrolling interests	(527)	(421)	(3,663)
Net income attributable to Sonoco	\$ 217,517	\$ 201,053	\$ 151,482
Weighted average common shares outstanding:			
Basic	101,071	101,599	100,780
Assuming exercise of awards	1,102	944	249
Diluted	102,173	102,543	101,029
Per common share			
Net income attributable to Sonoco:			
Basic	\$ 2.15	\$ 1.98	\$ 1.50
Diluted	\$ 2.13	\$ 1.96	\$ 1.50
Cash dividends	\$ 1.15	\$ 1.11	\$ 1.08

Consolidated Statements of Comprehensive Income

Sonoco Products Company

(Dollars in thousands)
Years ended December 31

	2011	2010	2009
Net income	\$ 218,044	\$ 201,474	\$ 155,145
Other comprehensive income/(loss):			
Foreign currency translation adjustments	(39,051)	8,119	80,780
Changes in defined benefit plans, net of tax	(127,798)	13,621	56,149
Change in derivative financial instruments, net of tax	(672)	(2,906)	8,526
Comprehensive income	50,523	220,308	300,600
Comprehensive (income) attributable to noncontrolling interests	(438)	(1,653)	(4,908)
Comprehensive income attributable to Sonoco	\$ 50,085	\$ 218,655	\$ 295,692

The Notes beginning on page F-6 are an integral part of these financial statements.

Consolidated Statements of Changes in Total Equity

Sonoco Products Company

(Dollars and shares in thousands)	Total Equity	Common Shares		Capital in Excess of Stated Value	Accumulated Other Comprehensive Loss	Retained Earnings	Non- controlling Interests
		Outstanding	Amount				
January 1, 2009	\$ 1,174,518	99,732	\$ 7,175	\$ 404,939	\$ (454,679)	\$ 1,205,540	\$ 11,543
Net income	155,145					151,482	3,663
Other comprehensive income/(loss):							
Translation gain	80,780				79,535		1,245
Defined benefit plan adjustment ¹	56,149				56,149		
Derivative financial instruments ¹	8,526				8,526		
Other comprehensive income	145,455				144,210		1,245
Dividends	(108,979)					(108,979)	
Dividends paid to noncontrolling interests	(2,202)						(2,202)
Issuance of stock awards	9,316	468		9,316			
Shares repurchased	(1,239)	(51)		(1,239)			
Stock-based compensation	8,616			8,616			
December 31, 2009	\$ 1,380,630	100,149	\$ 7,175	\$ 421,632	\$ (310,469)	\$ 1,248,043	\$ 14,249
Net income	201,474					201,053	421
Other comprehensive income/(loss):							
Translation gain	8,119				6,887		1,232
Defined benefit plan adjustment ¹	13,621				13,621		
Derivative financial instruments ¹	(2,906)				(2,906)		
Other comprehensive income	18,834				17,602		1,232
Dividends	(112,941)					(112,941)	
Issuance of stock awards	28,550	1,099		28,550			
Shares repurchased	(24,658)	(738)		(24,658)			
Stock-based compensation	15,804			15,804			
December 31, 2010	\$ 1,507,693	100,510	\$ 7,175	\$ 441,328	\$ (292,867)	\$ 1,336,155	\$ 15,902
Net income	218,044					217,517	527
Other comprehensive income/(loss):							
Translation gain	(39,051)				(38,962)		(89)
Defined benefit plan adjustment ¹	(127,798)				(127,798)		
Derivative financial instruments ¹	(672)				(672)		
Other comprehensive loss	(167,521)				(167,432)		(89)
Dividends	(116,237)					(116,237)	
Issuance of stock awards	26,487	1,100		26,487			
Shares repurchased	(49,442)	(1,399)		(49,442)			
Stock-based compensation	12,102			12,102			
Purchase of noncontrolling interest	(5,718)			(2,991)			(2,727)
December 31, 2011	\$ 1,425,408	100,211	\$ 7,175	\$ 427,484	\$ (460,299)	\$ 1,437,435	\$ 13,613

¹ net of tax

The Notes beginning on page F-6 are an integral part of these financial statements.

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Consolidated Statements of Cash Flows

Sonoco Products Company

(Dollars in thousands)

Years ended December 31

	2011	2010	2009
Cash Flows from Operating Activities			
Net income	\$ 218,044	\$ 201,474	\$ 155,145
Adjustments to reconcile net income to net cash provided by operating activities			
Asset impairment	12,518	9,962	12,197
Loss from early extinguishment of debt	—	48,617	—
Depreciation, depletion and amortization	179,871	169,665	173,587
Share-based compensation expense	12,102	15,804	8,616
Equity in earnings of affiliates	(12,061)	(11,505)	(7,742)
Cash dividends from affiliated companies	11,676	17,123	5,563
Loss (Gain) on disposition of assets	1,907	1,422	(14,731)
Pension and postretirement plan expense	36,853	52,599	81,380
Pension and postretirement plan contributions	(142,097)	(29,194)	(122,195)
Tax effect of share-based compensation exercises	5,965	5,063	1,990
Excess tax benefit of share-based compensation	(4,018)	(4,209)	(1,030)
Net increase in deferred taxes	11,036	12,498	21,689
Change in assets and liabilities, net of effects from acquisitions, dispositions and foreign currency adjustments			
Trade accounts receivable	(52,484)	(66,410)	(16,057)
Inventories	3,423	(57,071)	36,492
Payable to suppliers	(13,798)	43,255	15,438
Prepaid expenses	(2,559)	(1,330)	7,393
Accrued expenses	(12,174)	19,757	22,233
Income taxes payable and other income tax items	7,344	(49,993)	8,811
Fox River environmental reserves	(1,959)	(1,687)	(6,997)
Other assets and liabilities	(14,314)	(704)	9,206
Net cash provided by operating activities	245,275	375,136	390,988
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	(173,372)	(145,910)	(104,150)
Cost of acquisitions, net of cash acquired	(566,908)	(137,835)	(5,504)
Proceeds from the sale of assets	11,121	8,486	19,909
Investment in affiliates and other	—	(8,450)	(1,765)
Net cash used by investing activities	(729,159)	(283,709)	(91,510)
Cash Flows from Financing Activities			
Proceeds from issuance of debt	680,919	365,415	24,103
Principal repayment of debt	(17,054)	(358,927)	(45,256)
Net increase (decrease) in commercial paper borrowings	(3,000)	30,000	(95,000)
Excess cash costs of early extinguishment of debt	—	(49,888)	—
Net change in overdrafts	(8,533)	(71)	(2,568)
Cash dividends – common	(114,958)	(111,756)	(107,887)
Proceeds from early settlement of interest rate swap	—	5,939	—
Excess tax benefit of share-based compensation	4,018	4,209	1,030
Purchase of noncontrolling interest	(5,718)	—	—
Shares acquired	(49,442)	(24,658)	(1,239)
Shares issued	21,253	23,155	7,159
Net cash provided (used) by financing activities	507,485	(116,582)	(219,658)
Effects of Exchange Rate Changes on Cash	(6,327)	(1,841)	3,770
(Decrease) Increase in Cash and Cash Equivalents	17,274	(26,996)	83,590
Cash and cash equivalents at beginning of year	158,249	185,245	101,655
Cash and cash equivalents at end of year	\$ 175,523	\$ 158,249	\$ 185,245
Supplemental Cash Flow Disclosures			
Interest paid, net of amounts capitalized	\$ 34,296	\$ 37,464	\$ 34,731
Income taxes paid, net of refunds	\$ 54,078	\$ 96,918	\$ 34,328

The Notes beginning on page F-6 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

Sonoco Products Company (dollars in thousands except per share data)

1. Summary of significant accounting policies

Basis of presentation

The Consolidated Financial Statements include the accounts of Sonoco Products Company and its majority-owned subsidiaries (the “Company” or “Sonoco”) after elimination of intercompany accounts and transactions.

Investments in affiliated companies in which the Company shares control over the financial and operating decisions, but in which the Company is not the primary beneficiary, are accounted for by the equity method of accounting. Income applicable to these equity investments is reflected in “Equity in earnings of affiliates, net of tax” in the Consolidated Statements of Income. The aggregate carrying value of equity investments is reported in “Other Assets” in the Company’s Consolidated Balance Sheets and totaled \$108,702 and \$107,288 at December 31, 2011 and 2010, respectively.

Affiliated companies in which the Company held a significant investment at December 31, 2011, included:

<i>Entity</i>	<i>Ownership Interest Percentage at December 31, 2011</i>
RTS Packaging JVCO	35.0%
Cascades Conversion, Inc.	50.0%
Cascades Sonoco, Inc.	50.0%
Showa Products Company Ltd.	20.0%
Conitex Sonoco Holding BVI Ltd.	30.0%

Also included in the investment totals above is the Company’s 19.5% ownership in a small Chilean tube and core business accounted for under the cost method.

Estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

The Company records revenue when title and risk of ownership pass to the customer, and when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price to the customer is fixed or determinable and when collectibility is reasonably assured. Certain judgments, such as provisions for estimates of sales returns and allowances, are required in the application of the Company’s revenue policy and, therefore, the results of operations in its Consolidated Financial Statements. Shipping and handling expenses are included in “Cost of sales,” and freight charged to customers is included in “Net sales” in the Company’s Consolidated Statements of Income.

The Company has rebate agreements with certain customers. These rebates are recorded as reductions of sales and are accrued using sales data and rebate percentages specific to each customer agreement. Accrued customer rebates are included in “Accrued expenses and other” in the consolidated balance sheets.

Accounts receivable and allowance for doubtful accounts

The Company’s trade accounts receivable are non-interest bearing and are recorded at the invoiced amounts. The allowance for doubtful accounts represents the Company’s best estimate of the amount of probable credit losses in existing accounts receivable. Provisions are made to the allowance for doubtful accounts at such time that collection of all or part of a trade account receivable is in question. The allowance for doubtful accounts is monitored on a regular basis and adjustments are made as needed to ensure that the account properly reflects the Company’s best estimate of uncollectible trade accounts receivable. Trade accounts receivable balances that are more than 180 days past due are generally 100% provided for in the allowance for doubtful accounts. Account balances are charged off against the allowance for doubtful accounts when the Company determines that the receivable will not be recovered.

One of the Company’s customers accounted for approximately 8% of trade accounts receivable at both December 31, 2011 and 2010. Sales to this customer accounted for approximately 9% of the Company’s net sales in 2011, 10% in 2010 and 12% in 2009, primarily in the Packaging Services and Consumer Packaging segments. The Company’s next largest customer comprised approximately 5% of the Company’s net sales in 2011, 5% in 2010 and 4% in 2009.

Research and development

Research and development costs are charged to expense as incurred and include salaries and other directly related expenses. Research and development costs totaling \$18,839 in 2011, \$17,801 in 2010 and \$14,487 in 2009 are included in “Selling, general and administrative expenses” in the Company’s Consolidated Statements of Income.

Restructuring and asset impairment

Costs associated with exit or disposal activities are recognized when the liability is incurred. If assets become impaired as a result of a restructuring action, the assets are written down to fair value, less estimated costs to sell, if applicable. A number of significant estimates and assumptions are involved in the determination of fair value. The Company considers historical experience and all available information at the time the estimates are made; however, the amounts that are ultimately realized upon the sale of divested assets may differ from the estimated fair values reflected in the Company’s Consolidated Financial Statements.

Cash and cash equivalents

Cash equivalents are composed of highly liquid investments with an original maturity of three months or less. Cash equivalents are recorded at cost, which approximates market.

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Inventories

Inventories are stated at the lower of cost or market. The last-in, first-out (LIFO) method is used for the valuation of certain of the Company's domestic inventories, primarily metal, internally manufactured paper and paper purchased from third parties.

The LIFO method of accounting was used to determine the costs of approximately 18% and 21% of total inventories at December 31, 2011 and 2010, respectively. The remaining inventories are determined on the first-in, first-out (FIFO) method.

If the FIFO method of accounting had been used for all inventories, total inventory would have been higher by \$20,184 and \$17,168 at December 31, 2011 and 2010, respectively.

Property, plant and equipment

Plant assets represent the original cost of land, buildings and equipment, less depreciation, computed under the straight-line method over the estimated useful lives of the assets, and are reviewed for impairment whenever events indicate the carrying value may not be recoverable.

Equipment lives generally range from three to 11 years, and buildings from 15 to 40 years.

Timber resources are stated at cost. Depletion is charged to operations based on the estimated number of units of timber cut during the year.

Goodwill and other intangible assets

The Company evaluates its goodwill for impairment at least annually, and more frequently if indicators of impairment are present. In performing the impairment test, the Company first makes an assessment regarding the likelihood of impairment. If it is not more likely than not that goodwill is impaired for any of its reporting units, no further testing is performed. Otherwise, the Company uses discounted future cash flows to estimate the fair value of each reporting unit it believes may have a goodwill impairment giving consideration to multiples it believes could be obtained in a sale. If the fair value of the reporting unit exceeds the carrying value of the reporting unit's assets, including goodwill, there is no impairment. If not, and the carrying value of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment charge is recognized for the excess. Goodwill is not amortized.

Intangible assets are amortized, usually on a straight-line basis, over their respective useful lives, which generally range from three to 40 years. The Company evaluates its intangible assets for impairment whenever indicators of impairment exist. The Company has no intangibles with indefinite lives.

Income taxes

The Company provides for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting requirements and tax laws. Assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Derivatives

The Company uses derivatives to mitigate the effect of fluctuations in some of its raw material and energy costs, foreign currency fluctuations and interest rate movements. The Company purchases commodities such as recovered paper, metal and energy generally at market or at fixed prices that are established with the vendor as part of the purchase process for quantities expected to be consumed in the ordinary course of business. The Company may enter into commodity futures or swaps to manage the effect of price fluctuations. The Company may use foreign currency forward contracts and other risk management instruments to manage exposure to changes in foreign currency cash flows and the translation of monetary assets and liabilities on the Company's consolidated financial statements. The Company is exposed to interest-rate fluctuations as a result of using debt as a source of financing for its operations. The Company may from time to time use traditional, unleveraged interest rate swaps to adjust its mix of fixed and variable rate debt to manage its exposure to interest rate movements.

The Company records its derivatives as assets or liabilities on the balance sheet at fair value using published market prices or estimated values based on current price and/or rate quotes and discounted estimated cash flows. Changes in the fair value of derivatives are recognized either in net income or in other comprehensive income, depending on the designated purpose of the derivative. It is the Company's policy not to speculate in derivative instruments.

Reportable segments

The Company identifies its reportable segments by evaluating the level of detail reviewed by the chief operating decision maker, gross profit margins, nature of products sold, nature of the production processes, type and class of customer, methods used to distribute product, and nature of the regulatory environment. Of these factors, the Company believes that the most significant are the nature of its products and the type of customers served.

Contingencies

Pursuant to U.S. GAAP for 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.

2. New accounting pronouncements

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment. The amendments in this update revised the steps required to test for goodwill impairment. Under prior guidance, a two-step process was followed, the first step being to determine and compare the estimated current fair value of each reporting unit to its carrying value. If the estimated fair value was less than the carrying value, then step two was performed to determine the amount, if any, of the goodwill impairment. The revised guidance allows a company to first make a qualitative determination regarding the likelihood of impairment before performing these two steps. If impairment is not determined to be "more likely than not," then the two-step test does

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not need to be conducted. This update is effective for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company elected early adoption of the update for its annual goodwill impairment testing conducted during the third quarter of 2011.

During the year ended December 31, 2011, there have been no other newly issued nor newly applicable accounting pronouncements that have, or are expected to have, a significant impact on the Company's financial statements. Further, at December 31, 2011, there were no pronouncements pending adoption that are expected to have a significant impact on the Company's financial statements.

3. Acquisitions

The Company completed five acquisitions during 2011 at an aggregate cost of \$566,908 in cash. These acquisitions were accounted for as business combinations under the acquisition method of accounting, in accordance with the business combinations subtopic of the Accounting Standards Codification. The most significant of these was the November 8, 2011 acquisition of privately held Tegrant Holding Corporation ("Tegrant"), a leading provider of highly engineered protective, temperature-assured and retail security packaging solutions. Tegrant, headquartered in DeKalb, Illinois, operates more than 30 manufacturing, design and testing facilities in the United States, Mexico and Ireland and employs more than 2,000 persons. Tegrant operates three strategic, complementary business units. Protexic™ Brands, the largest business unit, is a manufacturer of molded expanded foam serving a number of industries including high technology, consumer electronics, automotive, appliances and medical devices. Tegrant's Thermosafe® Brands unit is a leading provider of temperature-assured solutions, primarily used in packaging temperature-sensitive pharmaceuticals and food. Tegrant's Alloyd Brands® business unit is a leading manufacturer and designer of high-visibility packaging, printed products, sealing equipment, and tooling for retail and medical markets.

The cost of the Tegrant acquisition was \$550,000 in cash, subject to final adjustment for changes in net working capital levels to the date of the close. The acquisition was funded with proceeds from the issuance of senior unsecured debentures and a new three-year term loan. The Tegrant acquisition is expected to generate annualized sales of approximately \$460,000 in the Company's newly formed Protective Packaging segment.

The allocation of the purchase price of Tegrant to the tangible and intangible assets acquired and liabilities assumed was based on the Company's preliminary estimates of their fair value, based on information currently available. As the acquisition was completed close to the end of the year, management is continuing to finalize its valuation of certain assets and liabilities, including, but not limited to: property, plant and equipment, income taxes and environmental reserves. The Company will complete the valuation of all assets and liabilities within 12 months from the date of acquisition.

Following is a summary of the initial fair value of the assets acquired and liabilities assumed at the acquisition date:

Trade accounts receivable	\$ 61,219
Inventories	38,536
Prepaid expenses	2,467
Property, plant and equipment	99,417
Goodwill	268,861
Other intangible assets	182,930
Payables to suppliers	(31,154)
Accrued expenses and other	(34,740)
Total debt	(3,966)
Deferred income taxes, net	(23,722)
Other long-term liabilities	(9,848)
Total net assets	\$ 550,000

Of the \$182,930 of acquired intangibles, \$155,400 was assigned to customer relationships with an average expected life of 12 years, \$17,600 to trade names with an expected life of 40 years, and \$9,930 to proprietary technology and other intangibles with an average expected life of nine years.

The fair value of the assets acquired was determined by the Company through an independent appraisal. Goodwill recorded in connection with the acquisition totaled \$268,861 and is attributable to Tegrant's workforce and the expected future cash flows of the business. The Company expects approximately \$67,000 of the goodwill to be tax deductible.

The following table presents the estimated unaudited pro forma consolidated results as if the business combination occurred as of January 1, 2010. This pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had been completed as of the beginning of 2010, nor are they necessarily indicative of future consolidated results.

<i>Unaudited</i>	<i>2011</i>	<i>2010</i>
Net sales	\$ 4,871,903	\$ 4,552,021
Net income attributable to Sonoco	\$ 214,764	\$ 197,501
Diluted net income attributable to Sonoco per common share	\$ 2.10	\$ 1.93

The pro forma results for both years include amortization of intangibles and interest expense on debt assumed to finance the purchase. Pro forma results for the year ended December 31, 2011 exclude pretax charges of \$3,165 relating to the fair value adjustment to acquisition-date inventory.

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Also during 2011, the Company completed the acquisitions of several small tube and core businesses in New Zealand and Australia at a total cost of \$7,181 in cash, a rigid paperboard containers business in the United Kingdom at a cost of \$4,698 in cash, and a recycling business in Greenville, South Carolina, at a cost of \$5,029 in cash. The acquisitions of these businesses are expected to generate annual sales of approximately \$24,500 for the Paper and Industrial Converted Products segment and \$10,000 for the Consumer Packaging segment. In conjunction with these acquisitions, the Company recorded net tangible assets of \$6,606, identifiable intangibles of \$4,062 and goodwill of \$6,240, the majority of which is expected to be tax deductible.

The Company completed four acquisitions during 2010 at an aggregate cost of \$137,835 in cash. These acquisitions consisted of Associated Packaging Technologies, Inc. (APT), a supplier of thermoformed containers to the frozen food industry, Madem Reels USA, Inc., a manufacturer of nailed wood and plywood reels for the wire and cable industry, a small tube and core business in Canada, and a small tube and core business in Greece. The all-cash purchase price of APT, including the cost of paying off various obligations, was \$119,968. In conjunction with this acquisition, the Company recorded net tangible assets of \$72,895, identifiable intangibles of \$22,100 and goodwill of \$24,973 (the majority of which is will be tax deductible). The all-cash purchase price for Madem Reels was \$10,714, plus contingent consideration of \$500, which was paid in the first quarter of 2011. In conjunction with this acquisition, the Company recorded net tangible assets of \$8,263 and identifiable intangibles of \$2,451. The aggregate cost of the Canadian and Greek tube and core businesses was \$7,153 in cash. In conjunction with these acquisitions, the Company recorded net tangible assets of \$3,026 and identifiable intangibles of \$4,127.

The Company completed one acquisition during 2009 at an aggregate cost of \$5,004 in cash plus contingent consideration estimated at \$2,208. This acquisition consisted of the injection molded plastics spools and reels assets and business of EconoReel Corporation of Logan, Utah, and additional manufacturing assets of Southern Reel, a subsidiary of EconoReel. In conjunction with this acquisition, the Company recorded identifiable intangibles of \$3,250, goodwill of \$2,504, tangible assets of \$1,458, and a contingent purchase liability of \$2,208. Also in 2009, the Company recorded \$500 of additional goodwill related to the payment of contingent consideration on its 2008 acquisition of Amtex Packaging, Inc.

Acquisition-related costs of \$12,290, \$1,909 and \$0 were incurred in connection with 2011, 2010 and 2009 acquisitions, respectively. These costs, consisting primarily of legal and professional fees, are included in "Selling, general and administrative expenses" in the Company's Consolidated Statements of Income.

The Company has accounted for these acquisitions as purchases and, accordingly, has included their results of operations in the Company's consolidated statements of net income from the respective dates of acquisition. Pro forma results have been provided only for the Tegrant acquisition, as the other acquisitions were not material to the Company's financial statements individually, or in the aggregate, in any single year.

4. Restructuring and asset impairment

The Company has engaged in a number of restructuring actions over the past several years. Actions initiated in 2011, 2010, and 2009 are reported as "2011 Actions," "2010 Actions," and "2009 Actions," respectively. Actions initiated prior to 2009, all of which were substantially complete at December 31, 2011, are reported as "Earlier Actions."

Following are the total restructuring and asset impairment charges, net of adjustments, recognized by the Company during the periods presented:

	<i>Year Ended December 31</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
Restructuring-related charges:			
2011 Actions	\$ 34,785	\$ —	\$ —
2010 Actions	(1,023)	6,650	—
2009 Actions	1,848	4,201	28,629
Earlier Actions	1,216	576	(1,828)
Total restructuring-related charges	\$ 36,826	\$ 11,427	\$ 26,801
Other asset impairments	—	12,572	—
Restructuring/Asset impairment charges	\$ 36,826	\$ 23,999	\$ 26,801
Income tax benefit	(11,506)	(9,295)	(8,458)
Equity method investments, net of tax	17	671	908
Impact of noncontrolling interests, net of tax	200	139	3,787
Total impact of restructuring/asset impairment charges, net of tax	\$ 25,537	\$ 15,514	\$ 23,038

Pretax restructuring and asset impairment charges are included in "Restructuring/Asset impairment charges" in the Consolidated Statements of Income.

The Company expects to recognize future additional costs totaling approximately \$10,275 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 2012. The Company continually evaluates its cost structure, including its manufacturing capacity, and additional restructuring actions may be undertaken.

2011 actions

During 2011, the Company announced the closures in Canada of a flexible packaging facility and a thermoformed plastic packaging facility (parts of the Consumer Packaging segment), a tube and core facility in France (part of the Paper and Industrial Converted Products segment), and a fulfillment service center and a point-of-purchase display facility both in the United States (parts of the Packaging Services segment). The Company also sold two small businesses, a plastics operation in Brazil and a tubes and cores operation in the United States, and realigned its fixed cost structure resulting in the elimination of approximately 160 positions.

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Below is a summary of 2011 Actions and related expenses by type incurred and estimated to be incurred through completion.

	<i>Total Incurred to Date</i>	<i>Estimated Total Cost</i>
<i>2011 Actions</i>		
Severance and Termination Benefits		
Paper and Industrial Converted Products segment	\$ 9,128	\$ 10,553
Consumer Packaging segment	7,014	9,714
Packaging Services segment	845	845
Protective Packaging segment	1,109	1,109
Asset Impairment/Disposal of Assets		
Paper and Industrial Converted Products segment	161	161
Consumer Packaging segment	10,212	10,212
Packaging Services segment	3,486	3,486
Protective Packaging segment	65	65
Other Costs		
Paper and Industrial Converted Products segment	347	2,797
Consumer Packaging segment	1,405	3,530
Packaging Services segment	433	883
Protective Packaging segment	580	580
Total Charges and Adjustments	\$ 34,785	\$ 43,935

The following table sets forth the activity in the 2011 Actions restructuring accrual included in "Accrued expenses and other" on the Company's Consolidated Balance Sheets:

<i>2011 Actions Accrual Activity</i>	<i>Severance and Termination Benefits</i>	<i>Asset Impairment/ Disposal of Assets</i>	<i>Other Costs</i>	<i>Total</i>
Liability, December 31, 2010	\$ —	\$ —	\$ —	\$ —
2011 charges	18,096	13,924	2,765	34,785
Cash receipts/(payments)	(7,352)	5,627	(2,685)	(4,410)
Asset write downs/disposals	—	(19,551)	—	(19,551)
Foreign currency translation	(424)	—	—	(424)
Liability, December 31, 2011	\$ 10,320	\$ —	\$ 80	\$ 10,400

Included in 2011 charges above is a loss of \$6,689 from the sale of a plastics business in Brazil for which the Company received net proceeds of \$3,849. Annual sales of this business were approximately \$27,000. Partially, offsetting the loss was a gain of \$1,053 from the sale of a small tubes and cores business in the United States for which the Company received net proceeds of \$1,150. Goodwill associated with the U.S. business totaled \$97 and was written off as part of the sale. Additional impairment charges totaling \$8,288 were recorded in 2011 related primarily to the difference between fair market value and net book value of a fulfillment service center building held for sale and the write down of thermoformed plastic manufacturing equipment that will not be redeployed to other manufacturing facilities upon the closure of a manufacturing facility in Canada. Other impairment charges stemmed from the announced closure of a flexible packaging facility in Canada and the subsequent decision not to use certain machinery and equipment acquired in the 2010 acquisition of a tube and core business in Greece.

"Other Costs" consist primarily of lease termination costs and costs related to plant closures including the cost of equipment removal, utilities, plant security, property taxes and insurance.

The Company expects to pay the majority of the remaining 2011 Actions restructuring costs by the end of 2012 using cash generated from operations.

2010 actions

During 2010, the Company consolidated two manufacturing operations in the Packaging Services segment into a single facility as well as closed two North American tube and core plants and a North American molded plug manufacturing plant (part of the Paper and Industrial Converted Products segment). In addition, the Company realigned its cost structure resulting in the elimination of approximately 112 positions.

Below is a summary of 2010 Actions and related expenses by type incurred and estimated to be incurred through completion.

	<i>Year Ended December 31,</i>		<i>Total Incurred to Date</i>	<i>Estimated Total Cost</i>
<i>2010 Actions</i>	<i>2011</i>	<i>2010</i>		
Severance and Termination Benefits				
Paper and Industrial Converted Products segment	\$ 128	\$ 2,402	\$ 2,530	\$ 2,530
Consumer Packaging segment	(65)	768	703	703
Packaging Services segment	(1)	1,555	1,554	1,554
Protective Packaging segment	—	55	55	55
Corporate	—	36	36	36
Asset Impairment/Disposal of Assets				
Paper and Industrial Converted Products segment	(1,222)	889	(333)	(333)
Consumer Packaging segment	—	369	369	369

Packaging Services segment	(429)	(136)	(565)	(565)
Other Costs				
Paper and Industrial Converted Products segment	427	360	787	887
Consumer Packaging segment	—	19	19	19
Packaging Services segment	139	333	472	472
Total Charges and Adjustments	\$ (1,023)	\$ 6,650	\$ 5,627	\$ 5,727

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The following table sets forth the activity in the 2010 Actions restructuring accrual included in “Accrued expenses and other” on the Company’s Consolidated Balance Sheets:

<i>2010 Actions Accrual Activity</i>	<i>Severance and Termination Benefits</i>	<i>Asset Impairment/ Disposal of Assets</i>	<i>Other Costs</i>	<i>Total</i>
Liability, December 31, 2009	\$ —	\$ —	\$ —	\$ —
2010 charges	4,813	1,356	712	6,881
Adjustments	3	(234)	—	(231)
Cash receipts/(payments)	(3,523)	560	(654)	(3,617)
Asset write downs/disposals	—	(1,682)	—	(1,682)
Foreign currency translation	(11)	—	1	(10)
Liability, December 31, 2010	\$ 1,282	\$ —	\$ 59	\$ 1,341
2011 charges	185	—	566	751
Adjustments	(123)	(1,651)	—	(1,774)
Cash receipts/(payments)	(1,096)	2,737	(625)	1,016
Asset write downs/disposals	—	(1,086)	—	(1,086)
Liability, December 31, 2011	\$ 248	\$ —	\$ —	\$ 248

“Adjustments” consist primarily of gains on the sale of assets (land and buildings at a former tube and core facility in Canada and machinery and equipment at a point-of-purchase display facility in the United States), which accounts for the net benefit recognized related to 2010 Actions in 2011. “Other Costs” consist primarily of lease termination costs and costs related to plant closures including the cost of equipment removal, utilities, plant security, property taxes and insurance.

The Company expects to pay the majority of the remaining 2010 Actions restructuring costs by the end of 2011 using cash generated from operations.

2009 Actions

During 2009, the Company closed a paper mill in the United States, five tube and core plants – three in the United States, one in Europe and one in Canada, and a wooden reel facility in the United States (all part of the Paper and Industrial Converted Products segment). The Company also closed two rigid paper packaging plants and a molded plastics facility in the United States (part of the Consumer Packaging segment), and a fulfillment service center in Germany (part of the Packaging Services segment). The Company also sold a small Canadian recovered paper brokerage business and realigned its fixed cost structure resulting in the elimination of approximately 225 positions.

Below is a summary of 2009 Actions and related expenses by type incurred and estimated to be incurred through the end of the restructuring initiative.

<i>2009 Actions</i>	<i>Year Ended December 31,</i>			<i>Total Incurred to Date</i>	<i>Estimated Total Cost</i>
	<i>2011</i>	<i>2010</i>	<i>2009</i>		
Severance and Termination Benefits					
Paper and Industrial Converted Products segment	\$ 259	\$ 1,881	\$13,595	\$15,735	\$ 16,060
Consumer Packaging segment	195	310	3,202	3,707	3,732
Packaging Services segment	(2)	50	1,432	1,480	1,480
Protective Packaging segment	—	(3)	11	8	8
Corporate	11	262	665	938	938
Asset Impairment/Disposal of Assets					
Paper and Industrial Converted Products segment	—	(2,262)	6,686	4,424	4,424
Consumer Packaging segment	(10)	20	556	566	566
Packaging Services segment	—	—	7	7	7
Other Costs					
Paper and Industrial Converted Products segment	892	2,954	1,969	5,815	5,815
Consumer Packaging segment	398	809	361	1,568	1,568
Packaging Services segment	105	180	145	430	430
Total Charges and Adjustments	\$1,848	\$ 4,201	\$28,629	\$ 34,678	\$ 35,028

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The following table sets forth the activity in the 2009 Actions restructuring accrual included in “Accrued expenses and other” on the Company’s Consolidated Balance Sheets:

<i>2009 Actions Accrual Activity</i>	<i>Severance and Termination Benefits</i>	<i>Asset Impairment/ Disposal of Assets</i>	<i>Other Costs</i>	<i>Total</i>
Liability, December 31, 2009	\$ 8,825	\$ —	\$ 11	\$ 8,836
2010 charges	1,336	420	3,943	5,699
Adjustments	1,164	(2,662)	—	(1,498)
Cash receipts/(payments)	(6,603)	4,885	(3,954)	(5,672)
Asset write downs/disposals	—	(2,643)	—	(2,643)
Foreign currency translation	(26)	—	—	(26)
Liability, December 31, 2010	\$ 4,696	\$ —	\$ —	\$ 4,696
2011 charges	301	—	1,725	2,026
Adjustments	162	(10)	(330)	(178)
Cash receipts/(payments)	(1,724)	720	(1,395)	(2,399)
Asset write downs/disposals	—	(710)	—	(710)
Foreign currency translation	2	—	—	2
Liability, December 31, 2011	\$ 3,437	\$ —	\$ —	\$ 3,437

“Adjustments” in 2010 consist of the net gain arising from the sale of the land and buildings of a former tube and core manufacturing facility in Europe that had been closed in 2009 and adjustments to the estimated severance charges that had been recognized late in 2009.

“Other Costs” consist primarily of costs related to plant closures including the cost of equipment removal, utilities, plant security, property taxes and insurance.

The Company expects to pay the majority of the remaining 2009 Actions restructuring costs by the end of 2012 using cash generated from operations.

Earlier actions

Earlier Actions are comprised of a number of plant closures and workforce reductions initiated prior to 2009. Charges recognized in 2011 relate primarily to building lease terminations and plant closures and include the cost of equipment removal, utilities, plant security, property taxes and insurance. At December 31, 2011, the remaining restructuring accrual for Earlier Actions was \$354. The accrual, included in “Accrued expenses and other” on the Company’s Consolidated Balance Sheet, relates primarily to building lease terminations. The Company expects to recognize future pretax charges of approximately \$675 associated with Earlier Actions, and expects the majority of both the liability and the future costs to be paid by the end of 2012 using cash generated from operations.

Other asset impairments

In addition to the restructuring charges discussed above, the Company recorded a pretax asset impairment charge of \$12,572 in 2010 as a result of notification from a large customer that the Company’s contract to provide certain packaging would not be renewed in its entirety. The expected loss of business caused the Company to conclude that certain affected assets in its Consumer Packaging segment had been impaired.

5. Cash and cash equivalents

At December 31, 2011 and 2010, outstanding checks totaling \$12,989 and \$21,589, respectively, were included in “Payable to suppliers” on the Company’s Consolidated Balance Sheets. In addition, outstanding payroll checks of \$848 and \$781 as of December 31, 2011 and 2010, respectively, were included in “Accrued wages and other compensation” on the Company’s Consolidated Balance Sheets.

The Company uses a notional pooling arrangement with an international bank to help manage global liquidity requirements. Under this pooling arrangement, the Company and its participating subsidiaries may maintain either cash deposit or borrowing positions through local currency accounts with the bank, so long as the aggregate position of the global pool is a notionally calculated net cash deposit. Because it maintains a security interest in the cash deposits, and has the right to offset the cash deposits against the borrowings, the bank provides the Company and its participating subsidiaries favorable interest terms on both. The Company’s Consolidated Balance Sheets reflect a net cash deposit under this pooling arrangement of \$3,569 and \$8,877 as of December 31, 2011 and 2010, respectively.

6. Property, plant and equipment

Details of the Company’s property, plant and equipment at December 31 are as follows:

	<i>2011</i>	<i>2010</i>
Land	\$ 75,798	\$ 71,663
Timber resources	39,806	39,629
Buildings	453,106	428,807
Machinery and equipment	2,501,945	2,430,514
Construction in progress	102,708	94,291
	3,173,363	3,064,904
Accumulated depreciation and depletion	(2,153,072)	(2,120,768)
Property, plant and equipment, net	\$ 1,020,291	\$ 944,136

Estimated costs for completion of capital additions under construction totaled approximately \$165,000 at December 31, 2011.

Depreciation and depletion expense amounted to \$163,198 in 2011, \$156,529 in 2010 and \$161,180 in 2009.

The Company has certain properties and equipment that are leased under noncancelable operating leases. Future minimum rentals under noncancelable

operating leases with terms of more than one year are as follows: 2012 – \$36,900; 2013 – \$26,600; 2014 – \$17,700; 2015 – \$13,100; 2016 – \$8,800 and thereafter – \$11,300. Total rental expense under operating leases was approximately \$58,200 in 2011, \$49,500 in 2010 and \$50,100 in 2009.

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7. Goodwill and other intangible assets

Goodwill

The changes in the carrying amount of goodwill for the year ended December 31, 2011, are as follows:

	<i>Consumer Packaging Segment</i>	<i>Paper and Industrial Converted Products Segment</i>	<i>Packaging Services Segment</i>	<i>Protective Packaging Segment</i>	<i>Total</i>
Balance as of January 1, 2011	\$ 431,169	\$ 250,309	\$ 158,023	\$ 247	\$ 839,748
Goodwill on acquisitions	330	5,910	—	268,861	275,101
Other	(4,745)	(97)	—	—	(4,842)
Foreign currency translation	(2,692)	(3,646)	—	15	(6,323)
Balance as of December 31, 2011	\$ 424,062	\$ 252,476	\$ 158,023	\$ 269,123	\$ 1,103,684

The Company recorded \$275,101 of goodwill in connection with 2011 acquisitions, primarily the November 8, 2011, acquisition of Tegrant. “Other” consists primarily of amounts previously recorded as “Goodwill” that have been reclassified to “Long-term Deferred Income Taxes” upon finalization of the purchase price allocation related to the July 2010 acquisition of Associated Packaging Technologies, Inc. which resulted from a final review of the facts and circumstances that existed at the time of the acquisition. In addition, “Other” also reflects the disposal of \$97 of goodwill associated with the sale of a small tube and core business in the United States.

The Company completed its most recent annual goodwill impairment testing during the third quarter of 2011. As described in Note 2, the Company elected early adoption of ASU 2011-08 for its annual goodwill impairment testing. Under prior guidance, a two-step process was followed to test for goodwill impairment, the first step being to determine and compare the estimated current fair value of each reporting unit to its carrying value. If the estimated fair value was less than the carrying value, then step two was performed to determine the amount, if any, of the goodwill impairment. The revised guidance in ASU 2011-08 allows a company to first make a qualitative determination regarding the likelihood of impairment before performing these two steps. If impairment is not determined to be more likely than not, then the two-step test does not need to be conducted.

For 2011 testing purposes, the Company performed an assessment of each reporting unit by considering certain qualitative and quantitative factors. Qualitative factors included the macroeconomic environment, Company stock price and market capitalization movement, business strategy changes, and significant customer wins and losses. Quantitative factors included the amount the fair value exceeded its carrying value in the 2010 analysis, current year operating performance as compared to 2010 projections, implied fair values from comparable trading and transaction multiples, and in certain cases, results of an updated discounted cash flow model. As a result of its qualitative and quantitative assessments, the Company concluded that there was no impairment of goodwill for any of its reporting units.

When the Company estimates the fair value of a reporting unit, it does so using a discounted cash flow model based on projections of future years’ operating results and associated cash flows, together with comparable trading and transaction multiples. The Company’s model discounts future cash flows, forecasted over a ten-year period, with an estimated residual growth rate. The Company’s projections incorporate management’s best estimates of the expected future results, which include expectations related to new business, and, where applicable, improved operating margins. Future cash flows are discounted to present value using a discount rate commensurate with the risks inherent in the cash flows.

Because the Company’s assessments, whether qualitative or quantitative, incorporate management’s expectations for the future, including forecasted growth rates and/or margin improvements, if there are changes in the relevant facts and circumstances and/or expectations, management’s assessment regarding goodwill impairment may change as well.

Although no reporting units failed the qualitative or quantitative assessments noted above, in management’s opinion, the reporting units with significant goodwill having the greatest risk of future impairment if actual results in the future are not as expected are Blow Molded Plastics (Matrix) and Flexible Packaging. Total goodwill associated with these reporting units was approximately \$129,000 and \$93,000, respectively, at December 31, 2011.

The reporting unit with the most significant growth expectations relative to its size is Rigid Paper Containers – Europe. Total goodwill associated with this reporting unit was approximately \$9,000 at December 31, 2011.

Other intangible assets

Details at December 31 are as follows:

	<i>2011</i>	<i>2010</i>
Other Intangible Assets, Gross:		
Patents	\$ 2,222	\$ 2,264
Customer lists	338,664	180,673
Trade names	21,175	3,595
Proprietary technology	17,818	8,430
Land use rights	360	354
Supply agreements	—	1,000
Other	4,925	4,384
Other Intangible Assets, Gross	\$385,164	\$ 200,700
Accumulated Amortization	\$ (85,464)	\$ (70,300)
Other Intangible Assets, Net	\$299,700	\$ 130,400

The Company recorded \$186,992 of identifiable intangibles in connection with 2011 acquisitions. Of this total, \$159,412 related to customer lists, \$17,600 to trade names, and \$9,980 to proprietary technology and other intangible assets. The customer lists will be amortized over lives ranging from 10 to 13 years, trade names will be amortized over 40 years, and the other intangible assets will be amortized over lives ranging from three to 10 years.

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Aggregate amortization expense on intangible assets was \$16,673, \$13,136 and \$12,407 for the years ended December 31, 2011, 2010 and 2009, respectively. Amortization expense on intangible assets is expected to approximate \$28,600 in 2012, \$28,300 in 2013, \$27,700 in 2014, \$26,000 in 2015 and \$25,400 in 2016.

8. Debt

Debt at December 31 was as follows:

	2011	2010
Commercial paper, average rate of 0.36% in 2011 and 0.32% in 2010	\$ 27,000	\$ 30,000
Term loan, due November 2014	150,000	—
6.5% debentures due November 2013	119,149	119,937
5.625% debentures due November 2016	75,093	75,057
9.2% debentures due August 2021	4,321	4,321
4.375% debentures due November 2021	248,877	—
5.75% debentures due November 2040	604,856	350,783
Foreign denominated debt, average rate of 5.3% in 2011 and 8.4% in 2010	43,240	27,760
Other notes	14,096	13,032
Total debt	1,286,632	620,890
Less current portion and short-term notes	53,666	16,949
Long-term debt	\$ 1,232,966	\$ 603,941

The Company currently operates a \$350,000 commercial paper program, supported by a committed bank credit facility of the same amount. In October 2010, the Company entered into an amended and restated credit agreement for that facility with a syndicate of eight banks. The bank credit facility is committed through October 2015. If circumstances were to prevent the Company from issuing commercial paper, it has the contractual right to draw funds directly on the underlying bank credit facility. Outstanding commercial paper, a component of the Company's long-term debt, totaled \$27,000 and \$30,000 at December 31, 2011 and 2010, respectively.

Under Internal Revenue Service rules, U.S. corporations may borrow funds from foreign subsidiaries for up to 30 days without unfavorable tax consequences. At various times throughout 2011 and 2010, including each year end, the Company utilized this rule to access offshore cash in lieu of issuing commercial paper. Amounts outstanding under the rule at December 31, 2011 and 2010, were \$145,000 and \$100,000, respectively. These short-term lending arrangements were subsequently settled within the allowable period, resulting in equivalent increases in commercial paper outstanding and cash on hand. Depending on its immediate offshore cash needs, the Company may choose to access such funds again in the future as allowed under the rule.

In the fourth quarter of 2011, the Company issued through public offering a total of \$500,000 of debentures pursuant to an effective shelf registration statement. The issuance comprised \$250,000 of 4.375% debentures due 2021 and \$250,000 of 5.75% debentures due 2040. The new 2040 debentures constituted a further issuance of the 5.75% notes due 2040, which were issued in November 2010. Also in the fourth quarter of 2011, the Company entered into a \$150,000 term loan agreement with a three-year maturity. Proceeds from the new debentures and the term loan were used to fund the Company's November 2011 acquisition of Tegrant.

Proceeds from the issuance of \$350,000 of 5.75% debentures in November 2010 were used largely to purchase the tenders of a portion of the Company's outstanding 6.5%, 5.625% and 9.2% debentures. In conjunction with these purchases, the Company recognized a pretax loss from the early extinguishment of debt in 2010 totaling \$48,617 pretax.

At December 31, 2011, the Company had approximately \$101,000 available under unused short-term lines of credit. These short-term lines of credit are for general Company purposes, with interest at mutually agreed-upon rates.

Certain of the Company's debt agreements impose restrictions with respect to the maintenance of financial ratios and the disposition of assets. The most restrictive covenant currently requires the Company to maintain a minimum level of interest coverage, and a minimum level of net worth, as defined. As of December 31, 2011, the Company had substantial tolerance above the minimum levels required under these covenants.

The principal requirements of debt maturing in the next five years are: 2012 – \$53,666; 2013 – \$137,016; 2014 – \$122,928; 2015 – \$29,896 and 2016 – \$77,482.

9. Financial instruments and derivatives

The following table sets forth the carrying amounts and fair values of the Company's significant financial instruments where the carrying amount differs from the fair value.

	December 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 1,232,966	\$ 1,282,727	\$ 603,941	\$ 624,786

The carrying value of cash and cash equivalents, short-term debt and long-term variable-rate debt approximates fair value. The fair value of long-term debt is based on quoted market prices or is determined by discounting future cash flows using interest rates available to the Company for issues with similar terms and average maturities.

Cash flow hedges

At December 31, 2011 and 2010, the Company had derivative financial instruments outstanding to hedge anticipated transactions and certain asset and liability related cash flows. To the extent considered effective, the changes in fair value of these contracts are recorded in other comprehensive income and reclassified to income or expense in the period in which the hedged item impacts earnings.

Commodity cash flow hedges

The Company has entered into certain derivative contracts to manage the cost of anticipated purchases of natural gas and aluminum. At December 31,

2011, natural gas swaps covering approximately 9.3 million MMBTUs were outstanding. These contracts represent approximately 72%, 73% and 38% of anticipated U.S. and Canadian

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usage for 2012, 2013 and 2014, respectively. Additionally, the Company had swap contracts covering 4,419 metric tons of aluminum representing approximately 33% of anticipated usage for 2012, and 25,500 short tons of old corrugated containers (OCC) representing approximately 4% of anticipated usage for 2012. The fair values of the Company's commodity cash flow hedges were in loss positions totaling \$(13,989) and \$(12,421) at December 31, 2011 and 2010, respectively. The amount of the loss included in accumulated other comprehensive loss at December 31, 2011, expected to be reclassified to the income statement during the next twelve months is \$(10,186).

Foreign currency cash flow hedges

The Company has entered into forward contracts to hedge certain anticipated foreign currency denominated sales and purchases forecasted to occur in 2012. At December 31, 2011, the net position of these contracts was to purchase approximately 45.3 million Canadian dollars, 15.7 billion Colombian pesos, 275.1 million Mexican pesos, 17.6 million Polish zlotys, and 18.5 million Turkish lira and sell approximately 2.9 million Australian dollars, 0.2 million Brazilian reais, 9.9 million euros, 0.4 million British pounds, 1.8 million New Zealand dollars, and 82.4 million Russian rubles. The fair values of the Company's foreign currency cash flow hedges were \$608 and \$229 at December 31, 2011 and 2010, respectively. During 2011, certain foreign currency cash flow hedges related to construction in progress were settled as the capital expenditures were made. Gains totaling \$498 were reclassified from accumulated other comprehensive loss and netted against the carrying value of the assets during the year ended December 31, 2011. The amount of the gain included in accumulated other comprehensive loss at December 31, 2011, expected to be reclassified to the income statement during the next twelve months is \$645.

Other derivatives

The Company routinely enters into forward contracts or swaps to economically hedge the currency exposure of intercompany debt and existing foreign currency denominated receivables and payables. The Company does not apply hedge accounting treatment under ASC 815 for these instruments. As such, changes in fair value are recorded directly to income and expense in the periods that they occur. At December 31, 2011, the net position of these contracts, all of which were short term, was to purchase 5.0 million Canadian dollars and sell 10.6 billion Colombian pesos, 42.5 million euros and 2.8 million British pounds. The fair value of the Company's other derivatives were \$(746) and \$60 at December 31, 2011 and 2010, respectively.

The Company has determined all hedges to be highly effective and as a result only immaterial ineffectiveness has been recorded during the periods presented.

The following table sets forth the location and fair values of the Company's derivative instruments:

Description	Balance Sheet Location	Fair Value at December 31	
		2011	2010
Derivatives designated as hedging instruments:			
Commodity Contracts	Prepaid expenses	\$ —	\$ 429
Commodity Contracts	Other assets	\$ —	\$ 79
Commodity Contracts	Accrued expenses and other	\$ (10,234)	\$ (10,344)
Commodity Contracts	Other liabilities	\$ (3,755)	\$ (2,585)
Foreign Exchange Contracts	Prepaid expenses	\$ 1,097	\$ 554
Foreign Exchange Contracts	Accrued expenses and other	\$ (489)	\$ (325)
Derivatives not designated as hedging instruments:			
Foreign Exchange Contracts	Prepaid expenses	\$ 2	\$ 110
Foreign Exchange Contracts	Accrued expenses and other	\$ (748)	\$ (50)

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The following table sets forth the effect of the Company's derivative instruments on financial performance for the twelve months ended December 31, 2011, excluding the gains on foreign currency cash flow hedges that were reclassified from accumulated other comprehensive loss to the carrying value of the capitalized expenditures:

<i>Description</i>	<i>Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)</i>	<i>Location of Gain or (Loss) Reclassified from Accumulated OCI Into Income (Effective Portion)</i>	<i>Amount of Gain or (Loss) Reclassified from Accumulated OCI Into Income (Effective Portion)</i>	<i>Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)</i>	<i>Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)</i>
Derivatives in Cash Flow Hedging Relationships:					
Foreign Exchange Contracts	\$ 803	Net sales	\$ 1,759	Net sales	\$ —
		Cost of sales	\$ (1,929)	Cost of sales	\$ (82)
Commodity Contracts	\$ (11,761)	Cost of sales	\$ (9,996)	Cost of sales	\$ (57)
Derivatives not designated as hedging instruments:					
Foreign Exchange Contracts		Cost of sales	\$ (23)		
		Selling, general and administrative	\$ (723)		

The following table sets forth the effect of the Company's derivative instruments on financial performance for the twelve months ended December 31, 2010:

<i>Description</i>	<i>Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)</i>	<i>Location of Gain or (Loss) Reclassified from Accumulated OCI Into Income (Effective Portion)</i>	<i>Amount of Gain or (Loss) Reclassified from Accumulated OCI Into Income (Effective Portion)</i>	<i>Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)</i>	<i>Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)</i>
Derivatives in Cash Flow Hedging Relationships:					
Foreign Exchange Contracts	\$ 2,098	Net sales	\$ 3,756	Net sales	\$ (1)
		Cost of sales	\$ (1,165)	Cost of sales	\$ —
Commodity Contracts	\$ (11,552)	Cost of sales	\$ (7,445)	Cost of sales	\$ (255)
Fair value hedge derivatives:					
Interest Rate Swap				Interest expense	\$ (121)
Derivatives not designated as hedging instruments:					
Foreign Exchange Contracts		Cost of sales	\$ 36		
		Selling, general and administrative	\$ 40		

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10. Fair value measurements

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

Description	December 31, 2011	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)
Hedge derivatives, net				
Commodity contracts	\$ (13,989)	\$ —	\$ (13,989)	\$ —
Foreign exchange contracts	608	—	608	—
Non-hedge derivatives, net				
Foreign exchange contracts	(746)	—	(746)	—
Deferred Compensation Plan Assets	2,279	2,279	—	—
Postretirement Benefit Plan Assets:				
Mutual Funds ^(a)	722,811	53,987	668,824	—
Fixed Income Securities ^(b)	197,233	—	197,233	—
Common Stocks	81,519	81,519	—	—
Short-term Investments ^(c)	31,804	13,275	18,529	—
Hedge Fund of Funds ^(d)	67,779	—	67,779	—
Real Estate Funds ^(e)	45,682	—	45,682	—
Cash and Accrued Income	2,582	2,582	—	—
Forward Contracts	348	—	348	—
Total Postretirement Benefit Plan Assets	\$ 1,149,758	\$ 151,363	\$ 998,395	\$ —

Description	December 31,			
	2010	(Level 1)	(Level 2)	(Level 3)*
Hedge derivatives, net				
Commodity contracts	\$ (12,421)	\$ —	\$ (12,421)	\$ —
Foreign exchange contracts	229	—	229	—
Non-hedge derivatives, net				
Foreign exchange contracts	60	—	60	—
Deferred Compensation Plan Assets	2,236	2,236	—	—
Postretirement Benefit Plan Assets:				
Mutual Funds ^(a)	697,371	61,061	636,310	—
Fixed Income Securities ^(b)	140,445	—	140,445	—
Common Stocks	118,844	118,844	—	—
Short-term Investments ^(c)	7,958	4,763	3,195	—
Hedge Fund of Funds ^(d)	59,913	—	59,913	—
Real Estate Funds ^(e)	36,970	—	36,970	—
Cash and Accrued Income	1,388	1,388	—	—
Forward Contracts	535	—	535	—
Total Postretirement Benefit Plan Assets	\$ 1,063,424	\$ 186,056	\$ 877,368	\$ —

* The Company determined that investments previously classified as Level 3 were more appropriately classified as Level 2. Accordingly, they have been reclassified to conform to the current presentation.

(a) Mutual fund investments are comprised predominantly of equity securities of U.S. corporations with large capitalizations and also include funds invested in corporate equities in international and emerging markets.

(b) Fixed income securities include funds that invest primarily in U.S. Treasuries and long-term domestic bonds.

(c) This category includes several money market funds used for managing overall liquidity.

(d) This category includes investments in a number of funds representing a variety of strategies intended to diversify risks and reduce volatility. It includes event-driven credit and equity investments targeted at economic policy decisions, long and short positions in U.S. and international equities, arbitrage investments, and emerging market equity investments.

(e) This category includes investments in real estate funds (including office, industrial, residential and retail) primarily throughout the United States.

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The Company's pension plan assets comprise more than 98% of its total postretirement benefit plan assets. The assets of the Company's various pension plans and retiree health and life insurance plans are largely invested in the same funds and investments and in similar proportions and, as such, are not shown separately, but are combined in the tables above. Postretirement benefit plan assets are netted against postretirement benefit obligations to determine the funded status of each plan. The funded status is recognized in the Company's Consolidated Balance Sheets as shown in Note 12.

As discussed in Note 9, the Company uses derivatives to mitigate the effect of raw material and energy cost fluctuations, foreign currency fluctuations and interest rate movements. Fair value measurements for the Company's derivatives 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.

11. Share-based compensation plans

The Company provides share-based compensation to certain of its employees and non-employee directors in the form of stock options, stock appreciation rights, restricted stock units and other share-based awards. Awards issued prior to 2009 were issued pursuant to the 1991 Key Employee Stock Plan (the "1991 Plan") or the 1996 Non-Employee Directors Stock Plan (the "1996 Plan"). Awards issued after 2008 were issued pursuant to the Sonoco Products Company 2008 Long-Term Incentive Plan (the "2008 Plan"), which became effective upon approval by the shareholders on April 16, 2008. The maximum number of shares of common stock that may be issued under the 2008 Plan was set at 8,500,000 shares, subject to certain adjustments, which includes all awards that were granted, forfeited or expired during 2008 under all previous plans. At December 31, 2011, a total of 3,154,693 shares remain available for future grant under the 2008 Plan. After the effective date of the 2008 Plan, no awards may be granted under any previous plan. The Company issues new shares for stock option and stock appreciation right exercises and stock unit conversions. Although the Company from time to time has repurchased shares to replace its authorized shares issued under its stock compensation plans, there is no specific schedule or policy to do so. The Company's stock-based awards to non-employee directors have not been material.

Accounting for share-based compensation

For stock appreciation rights granted to retiree-eligible employees, the service completion date is assumed to be the grant date; therefore, expense associated with share-based compensation to these employees is recognized at that time.

Total compensation cost for share-based payment arrangements was \$12,102, \$15,804 and \$8,616, for 2011, 2010 and 2009, respectively. The related tax benefit recognized in net income was \$4,421, \$5,936 and \$3,254, for the same years, respectively. Share-based compensation expense is included in "Selling, general and administrative expenses" in the Consolidated Statements of Income.

An "excess" tax benefit is created when the tax deduction for an exercised stock option, exercised stock appreciation right or converted stock unit exceeds the compensation cost that has been recognized in income. The excess tax benefit is not recognized on the income statement, but rather on the balance sheet as "Capital in excess of stated value." The additional net excess tax benefit realized was \$4,018, \$4,209 and \$1,030 for 2011, 2010 and 2009, respectively.

Stock appreciation rights (SARs) and stock options

The Company typically grants stock appreciation rights annually on a discretionary basis to its key employees. Prior to 2006, options were granted at market (had an exercise price equal to the closing market price on the date of grant), had 10-year terms and vested over one year, except for the options granted in 2005, which vested immediately. In 2006, the Company began to grant stock appreciation rights (SARs) instead of stock options. SARs are granted at market, vest over one year, have seven-year terms and can be settled only in stock. Both stock options and SARs are exercisable upon vesting. On February 9, 2011, the Company granted to employees a total of 601,100 stock-settled SARs. Additional grants totaling 6,700 SARs were made at various other dates during 2011. All SARs were granted at the closing market price on the date of grant. As of December 31, 2011, unrecognized compensation cost related to nonvested SARs totaled \$274. This cost will be recognized over the remaining weighted-average vesting period of approximately two months.

The weighted-average fair value of SARs granted was \$8.42, \$6.30 and \$4.21 per share in 2011, 2010 and 2009, respectively. The Company computed the estimated fair values of all SARs using the binomial option-pricing model applying the assumptions set forth in the following table:

	2011	2010	2009
Expected dividend yield	3.1%	3.8%	4.6%
Expected stock price volatility	33.8%	33.3%	29.4%
Risk-free interest rate	2.1%	2.4%	1.9%
Expected life of SARs	4 years	4 years	4 years

The assumptions employed in the calculation of the fair value of SARs were determined as follows:

- Expected dividend yield – the Company's annual dividend divided by the stock price at the time of grant.
- Expected stock price volatility – based on historical volatility of the Company's common stock measured weekly for a time period equal to the expected life.
- Risk-free interest rate – based on U.S. Treasury yields in effect at the time of grant for maturities equal to the expected life.
- Expected life – calculated using the simplified method as prescribed in U.S. GAAP, where the expected life is equal to the sum of the vesting period and the contractual term divided by two.

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The following tables summarize information about stock options and SARs outstanding and exercisable at December 31, 2011. At December 31, 2011, the fair market value of the Company's stock used to calculate intrinsic value was \$32.96 per share.

Range of Exercise Prices	Number Outstanding	Options and SARs Vested and Expected to Vest		
		Weighted- average Remaining Contractual Life	Weighted- average Exercise Price	Aggregate Intrinsic Value
\$21.15 - \$24.75	1,309,565	2.8 years	\$23.08	\$ 12,939
\$25.13 - \$28.93	1,302,579	3.7 years	\$27.67	\$ 6,891
\$29.30 - \$43.83	2,297,311	3.2 years	\$34.37	\$ 1,987
\$21.15 - \$43.83	4,909,455	3.2 years	\$29.58	\$ 21,817

Range of Exercise Prices	Number Exercisable	Options and SARs Exercisable		
		Weighted- average Remaining Contractual Life	Weighted- average Exercise Price	Aggregate Intrinsic Value
\$21.15 - \$24.75	1,309,565	2.8 years	\$23.08	\$ 12,939
\$25.13 - \$28.93	1,302,579	3.7 years	\$27.67	\$ 6,891
\$29.30 - \$43.83	1,692,761	2.2 years	\$33.68	\$ 1,987
\$21.15 - \$43.83	4,304,905	2.8 years	\$28.64	\$ 21,817

The activity related to the Company's stock options and SARs is as follows:

	Nonvested	Vested	Total	Weighted- average Exercise Price
Outstanding, December 31, 2010	685,200	4,683,707	5,368,907	\$ 28.01
Vested	(685,200)	685,200	—	
Granted	607,800	—	607,800	\$ 36.32
Exercised	—	(1,049,626)	(1,049,626)	\$ 25.39
Forfeited/Expired	(3,250)	(14,376)	(17,626)	\$ 32.00
Outstanding, December 31, 2011	604,550	4,304,905	4,909,455	\$ 29.58

The aggregate intrinsic value of options and SARs exercised during the years ended December 31, 2011, 2010 and 2009 was \$10,123, \$11,270 and \$2,269, respectively. Cash received by the Company on option exercises was \$21,253, \$23,155 and \$7,159 for the same years, respectively.

Performance-based stock awards

The Company typically grants performance contingent restricted stock units (PCsUs) annually on a discretionary basis to certain of its executives and other members of its management team. Both the ultimate number of PCsUs awarded and the vesting period are dependent upon the degree to which performance targets are achieved over three-year performance periods. Half of the units available to be earned are tied to an earnings target and half are tied to a return on assets target. If the respective performance target is met, units awarded vest at the end of the three-year performance period. In the event performance targets are not met, a minimum number of units are awarded and vest 50% at the end of four years and 50% at the end of five years. Upon vesting, PCsUs are convertible into common shares on a one-for-one basis.

For the awards granted in 2011 and 2010, the total PCsUs that could ultimately vest ranges from 293,298 to 879,893. The 2011 awards can range from 123,413 to 370,238 units and are tied to the three-year period ending December 31, 2013. The 2010 awards can range from 169,885 to 509,655 units and are tied to the three-year period ending December 31, 2012.

The three-year performance cycle for the 2009 awards was completed on December 31, 2011. Based on performance, 407,933 stock units were awarded, all of which qualified for accelerated vesting on December 31, 2011. The intrinsic value of the awards vesting in 2011 was \$13,445.

The three-year performance cycle for the 2008 awards was completed on December 31, 2010. Based on performance, 97,489 stock units were awarded, the minimum provided for under the award. A total of 56,039 stock units qualified for accelerated vesting and vested on December 31, 2010. An additional 20,725 stock units with an intrinsic value of \$683 vested on December 31, 2011. The remaining units will vest on December 31, 2012.

The three-year performance cycle for the 2007 awards was completed on December 31, 2009. Based on performance, 82,977 stock units were awarded. These awards did not qualify for accelerated vesting. A total of 45,057 stock units vested on December 31, 2010, with the remaining 37,920 units vesting on December 31, 2011. The intrinsic value of the awards vesting in 2011 was \$1,250.

Noncash stock-based compensation associated with PCsUs totaled \$5,354, \$9,660 and \$4,001 for 2011, 2010 and 2009, respectively. As of December 31, 2011, there was approximately \$5,581 of total unrecognized compensation cost related to nonvested PCsUs. This cost is expected to be recognized over a weighted-average period of 20 months.

Restricted stock awards

Since 1994, the Company has from time to time granted awards of restricted stock units to certain of the Company's executives. These awards normally vest over a five-year period with one-third vesting on each of the third, fourth and fifth anniversaries of the grant. An executive must be actively employed by the Company on the vesting date for shares to be issued. However, in the event of the executive's death, disability or retirement prior to full vesting, shares will be issued on a pro rata basis up through the time the executive's employment ceases. Participants can elect to defer receipt. Once vested, these awards do not expire. As of December 31, 2011, a total of 434,620 restricted stock units remained outstanding, 328,442 of which were vested. During 2011, 11,225 restricted stock units vested and 20,537 restricted stock units were granted. Noncash stock-based compensation associated with restricted stock grants totaled \$365, \$680 and \$746 for 2011, 2010 and 2009, respectively. As of December 31, 2011, there was \$1,022 of total unrecognized compensation cost related to nonvested restricted stock units. This cost is expected to be recognized over a weighted-average period of 18 months.

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The activity related to the PCSUs and restricted stock units is as follows:

	<i>Nonvested</i>	<i>Vested</i>	<i>Total</i>	<i>Average Grant Date Fair Value Per Share</i>
Outstanding, December 31, 2010	1,190,647	912,872	2,103,519	\$ 25.69
Granted	143,949	—	143,949	\$ 32.61
Performance adjustments	(271,003)	(3,312)	(274,315)	\$ 21.85
Vested	(477,803)	477,803	—	
Converted	—	(180,765)	(180,765)	\$ 28.84
Dividend equivalents	1,947	30,400	32,347	\$ 32.05
Outstanding, December 31, 2011	587,737	1,236,998	1,824,735	\$ 27.37

Deferred compensation plans

Certain officers and directors of the Company may elect to defer a portion of their compensation in the form of stock units. Units are granted as of the day the cash compensation would have otherwise been paid using the closing price of the Company's common stock on that day. The units immediately vest and earn dividend equivalents. Units are distributed in the form of common stock upon retirement over a period elected by the employee. Cash compensation totaling \$1,139 was deferred as stock units during 2011, resulting in 33,798 units being granted.

Since 2006, non-employee directors have been required to defer a minimum of 50% of their quarterly retainer fees into stock units. Units are granted as of the day the cash compensation would have otherwise been paid using the closing price of the Company's common stock on that day. The units immediately vest and earn dividend equivalents. Distributions begin after retirement from the board over a period elected by the director.

12. Employee benefit plans

Retirement plans and retiree health and life insurance 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 pension plan. At that time, the Company adopted a defined contribution plan, the Sonoco Investment and Retirement Plan (SIRP), which covers its non-union U.S. employees hired on or after January 1, 2004. The Company also sponsors contributory defined benefit pension plans covering the majority of its employees in the United Kingdom, Canada and the Netherlands.

On February 4, 2009, the U.S. qualified defined benefit pension plan was amended to freeze plan benefits for all active participants effective December 31, 2018. Remaining active participants in the U.S. qualified plan will become participants of the SIRP effective January 1, 2019. Active participants of the U.S. qualified plan had a one-time option to transfer into the SIRP effective January 1, 2010. Approximately one third of the active participants chose that option.

The Company also provides postretirement healthcare and life insurance benefits to a limited number of its retirees and their dependents in the United States and Canada, based on certain age and/or service eligibility requirements.

The components of net periodic benefit cost include the following:

	<i>2011</i>	<i>2010</i>	<i>2009</i>
Retirement Plans			
Service cost	\$ 20,796	\$ 19,647	\$ 21,757
Interest cost	70,869	71,678	73,221
Expected return on plan assets	(84,015)	(77,882)	(59,275)
Amortization of net transition obligation	464	445	353
Amortization of prior service cost	335	139	956
Amortization of net actuarial loss	24,911	35,736	41,317
Effect of settlement loss	—	—	935
Effect of curtailment loss	—	—	3,005
Other	92	212	(171)
Net periodic benefit cost	\$ 33,452	\$ 49,975	\$ 82,098
Retiree Health and Life Insurance Plans			
Service cost	\$ 1,016	\$ 1,139	\$ 1,454
Interest cost	1,583	2,169	3,693
Expected return on plan assets	(1,446)	(1,385)	(1,206)
Amortization of prior service credit	(7,882)	(10,182)	(11,155)
Amortization of net actuarial loss	927	1,611	2,319
Net periodic benefit income	\$ (5,802)	\$ (6,648)	\$ (4,895)

The following tables set forth the Plans' obligations and assets at December 31:

	<i>Retirement Plans</i>		<i>Retiree Health and Life Insurance Plans</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Change in Benefit Obligation				
Benefit obligation at January 1	\$ 1,356,574	\$ 1,286,242	\$ 40,517	\$ 49,908
Service cost	20,796	19,647	1,016	1,139
Interest cost	70,869	71,678	1,583	2,169

Plan participant contributions	1,016	1,337	1,514	2,037
Plan amendments	1,629	483	(133)	(4,566)
Actuarial loss/(gain)	173,381	54,994	(3,185)	(5,360)
Benefits paid	(78,760)	(74,940)	(3,205)	(4,838)
Impact of foreign exchange rates	(2,999)	(2,197)	(10)	28
Effect of curtailments	—	(882)	—	—
Other	2,224	212	—	—
Benefit obligation at December 31	\$ 1,544,730	\$ 1,356,574	\$ 38,097	\$ 40,517

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	<i>Retirement Plans</i>		<i>Retiree Health and Life Insurance Plans</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Change in Plan Assets				
Fair value of plan assets at January 1	\$ 1,043,366	\$ 986,908	\$ 20,058	\$ 19,355
Actual return on plan assets	38,916	119,930	1,020	2,389
Company contributions	132,089	16,537	1,440	1,214
Plan participant contributions	1,016	1,337	1,514	2,037
Benefits paid	(78,760)	(74,940)	(3,205)	(4,838)
Impact of foreign exchange rates	(1,947)	(1,074)	—	—
Expenses paid	(5,638)	(5,544)	(111)	(99)
Other	—	212	—	—
Fair value of plan assets at December 31	\$ 1,129,042	\$ 1,043,366	\$ 20,716	\$ 20,058
Funded Status of the Plans	\$ (415,688)	\$ (313,208)	\$ (17,381)	\$ (20,459)

	<i>Retirement Plans</i>		<i>Retiree Health and Life Insurance Plans</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Total Recognized Amounts in the Consolidated Balance Sheets				
Current liabilities	\$ (13,212)	\$ (11,162)	\$ (1,026)	\$ (920)
Noncurrent liabilities	(402,476)	(302,046)	(16,355)	(19,539)
Net liability	\$ (415,688)	\$ (313,208)	\$ (17,381)	\$ (20,459)

Items not yet recognized as a component of net periodic pension cost that are included in Accumulated Other Comprehensive Loss (Income) as of December 31, 2011 and 2010, are as follows:

	<i>Retirement Plans</i>		<i>Retiree Health and Life Insurance Plans</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Net actuarial loss	\$ 680,134	\$ 482,132	\$ 7,980	\$ 11,554
Prior service cost/(credit)	2,418	1,134	(10,898)	(18,647)
Net transition obligation	1,458	1,922	—	—
	\$ 684,010	\$ 485,188	\$ (2,918)	\$ (7,093)

The amounts recognized in Other Comprehensive Loss/(Income) during 2011 and 2010 include the following:

	<i>Retirement Plans</i>		<i>Retiree Health and Life Insurance Plans</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Adjustments arising during the period:				
Net actuarial loss/(gain)	\$222,913	\$ 17,949	\$ (2,647)	\$ (6,263)
Prior service cost/(credit)	1,619	483	(133)	(4,566)
Reversal of amortization:				
Net actuarial loss	(24,911)	(35,736)	(927)	(1,611)
Prior service cost/(credit)	(335)	(139)	7,882	10,182
Net transition obligation	(464)	(445)	—	—
Total recognized in other comprehensive loss/(income)	\$ 198,822	\$ (17,888)	\$ 4,175	\$ (2,258)
Total recognized in net periodic benefit cost and other comprehensive loss/(income)	\$232,274	\$ 32,087	\$ (1,627)	\$ (8,906)

Of the amounts included in Accumulated Other Comprehensive Loss/(Income) as of December 31, 2011, the portions the Company expects to recognize as components of net periodic benefit cost in 2012 are as follows:

	<i>Retirement Plans</i>	<i>Retiree Health and Life Insurance Plans</i>
Net actuarial loss	\$ 36,285	\$ 801

Prior service cost/(credit)	337	(6,490)
Net transition obligation	459	—
	\$ 37,081	\$ (5,689)

The accumulated benefit obligation for all defined benefit plans was \$1,480,657 and \$1,298,865 at December 31, 2011 and 2010, respectively.

The projected benefit obligation (PBO), accumulated benefit obligation (ABO) and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were, \$1,544,730, \$1,480,657 and \$1,129,041, respectively, as of December 31, 2011, and \$1,356,574, \$1,298,865 and \$1,043,366, respectively, as of December 31, 2010.

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The following table sets forth the Company's projected benefit payments for the next ten years:

<i>Year</i>	<i>Retirement Plans</i>	<i>Retiree Health and Life Insurance Plans</i>
2012	\$ 85,325	\$ 3,617
2013	\$ 85,594	\$ 3,753
2014	\$ 85,653	\$ 3,891
2015	\$ 85,074	\$ 4,001
2016	\$ 86,845	\$ 3,927
2017-2021	\$ 455,364	\$ 16,368

Assumptions

The following tables set forth the major actuarial assumptions used in determining the PBO, ABO and net periodic cost:

<i>Weighted-average assumptions used to determine benefit obligations at December 31</i>	<i>U.S. Retirement Plans</i>	<i>U.S. Retiree Health and Life Insurance Plans</i>	<i>Foreign Plans</i>
Discount Rate			
2011	4.45%	3.76%	4.36-5.31%
2010	5.21%	4.37%	4.40-6.00%
Rate of Compensation Increase			
2011	4.63%	4.15%	2.50-3.50%
2010	4.49%	4.29%	2.50-4.50%

<i>Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31</i>	<i>U.S. Retirement Plans</i>	<i>U.S. Retiree Health and Life Insurance Plans</i>	<i>Foreign Plans</i>
Discount Rate			
2011	5.21%	4.37%	4.40-6.00%
2010	5.74%	5.08%	5.00-6.75%
2009	6.48%	6.19%	6.00-7.50%
Expected Long-term Rate of Return			
2011	7.79%	8.00%	3.75-7.40%
2010	8.50%	8.50%	3.75-7.50%
2009	8.50%	8.50%	3.75-7.70%
Rate of Compensation Increase			
2011	4.49%	4.29%	2.50-4.50%
2010	4.59%	4.38%	2.50-4.00%
2009	4.66%	4.46%	2.50-4.00%

The Company adjusts its discount rates at the end of each fiscal year based on yield curves of high-quality debt instruments over durations that match the expected benefit payouts of each plan. The expected long-term rate of return assumption is based on the Company's current and expected future portfolio mix by asset class, and expected nominal returns of these asset classes using an economic "building block" approach. Expectations for inflation and real interest rates are developed and various risk premiums are assigned to each asset class based primarily on historical performance. The expected long-term rate of return also gives consideration to the expected level of outperformance to be achieved on that portion of the Company's investment portfolio under active management. The assumed rate of compensation increase reflects historical experience and management's expectations regarding future salary and incentive increases.

Medical trends

The U.S. Retiree Health and Life Insurance Plan makes up approximately 98% of the Retiree Health liability. Therefore, the following information relates to the U.S. plan only.

<i>Healthcare Cost Trend Rate</i>	<i>Pre-age 65</i>	<i>Post-age 65</i>
2011	8.00%	8.00%
2010	8.00%	8.00%

<i>Ultimate Trend Rate</i>	<i>Pre-age 65</i>	<i>Post-age 65</i>
2011	5.5%	5.5%
2010	5.5%	5.5%

<i>Year at which the Rate Reaches the Ultimate Trend Rate</i>	<i>Pre-age 65</i>	<i>Post-age 65</i>
2011	2017	2017
2010	2016	2016

Increasing the assumed trend rate for healthcare costs by one percentage point would increase the accumulated postretirement benefit obligation (the APBO) and total service and interest cost component approximately \$502 and \$59, respectively. Decreasing the assumed trend rate for healthcare costs by one percentage point would decrease the APBO and total service and interest cost component approximately \$456 and \$52, respectively. Based on amendments to the U.S. plan approved in 1999, which became effective in 2003, cost increases borne by the Company are limited to the Urban CPI, as defined.

Plan changes and amendments

In December 2010, the Company's Board of Directors approved an amendment to the U.S. qualified defined benefit pension plan that resulted in the plan being split into two separate plans effective January 1, 2011. The result of the split was the creation of one plan including only active participants (the "Active Plan") and another larger plan including only inactive participants (the "Inactive Plan"). Actuarial losses associated with the Active Plan will continue to be amortized over the average remaining service life of the active participants (approximately nine years) while the actuarial losses associated with the Inactive Plan will be amortized over the remaining life expectancy of the inactive participants (approximately 23 years). The longer amortization period lowered overall benefit plan expense by approximately \$14,000 in 2011. This benefit was partially offset by lower assumed rates of return. With the split into two plans, the Company has employed a somewhat more conservative asset allocation strategy for the Inactive Plan.

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During 2010, certain retiree medical benefits and life insurance coverage under the Company's U.S. Retiree Medical and Life Insurance Plan were changed, reducing the accumulated postretirement benefit obligation by \$4,566. The resulting prior service credit is being amortized over a period of approximately four years.

During 2009, the Company's U.S. qualified defined benefit pension plan was amended to allow a lump sum payment option upon termination to plan participants who chose to freeze their benefit December 31, 2009, and move to the SIRP. The effect of this and other smaller amendments was a reduction in the projected benefit obligation of \$4,300. Also during 2009, the Company amended its U.S. Retiree Medical and Life Insurance Plan to freeze the Company subsidy for both pre- and post-Medicare retiree medical coverage at 2009 levels effective January 1, 2010, and to eliminate any early retirement reduction factor applied to the Company subsidy for pre-Medicare coverage for current retirees as of December 31, 2009.

In addition, the Company will no longer provide post-Medicare retiree medical coverage to its active employees or post-1981 retirees, except for certain union groups. The impact of these changes was an overall reduction in the accumulated postretirement benefit obligation of \$17,625, which is being amortized over a period of 3.3 years.

During 2005, the Company announced changes in eligibility for retiree medical benefits effective January 1, 2006, for its U.S. plan. These changes included the elimination of a Company subsidy toward the costs of retiree benefits if certain age and service criteria were not met, as well as the elimination of Company-provided prescription drug benefits for Medicare-eligible retirees for those employees who retired after 1981 and for all future retirees. These changes resulted in an overall reduction in the accumulated postretirement benefit obligation of \$38,132 in 2005, which was amortized over a period of 4.6 years. The benefit from the amortization of these prior service credits ended during 2010.

Retirement plan assets

The following table sets forth the weighted-average asset allocations of the Company's retirement plans at December 31, 2011 and 2010, by asset category.

<i>Asset Category</i>		<i>U.S.</i>	<i>U.K.</i>	<i>Canada</i>
Equity securities	2011	49.6%	69.2%	59.6%
	2010	57.0%	73.9%	60.2%
Debt securities	2011	37.4%	30.0%	39.0%
	2010	31.4%	22.6%	38.2%
Alternative	2011	12.6%	0.0%	0.0%
	2010	11.6%	2.6%	0.0%
Cash and short-term investments	2011	0.4%	0.8%	1.4%
	2010	0.0%	0.9%	1.6%
Total	2011	100.0%	100.0%	100.0%
	2010	100.0%	100.0%	100.0%

The Company employs a total-return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a desired level of risk. Alternative assets such as real estate funds, private equity funds and hedge funds are used to enhance expected long-term returns while improving portfolio diversification. Risk tolerance is established through consideration of plan liabilities, plan funded status and corporate financial condition. Investment risk is measured and monitored on an ongoing basis through periodic investment portfolio reviews and periodic asset/liability studies.

At December 31, 2011, total postretirement benefit plan assets were \$1,149,758, of which \$884,831 were assets of the U.S. Defined Benefit Plan.

U.S. defined benefit plans

The equity investments are diversified among U.S. and non-U.S. stocks of small to large capitalizations. Following the December 2010 amendment that split the U.S. qualified defined benefit pension plan into the Active Plan and the Inactive Plan effective January 1, 2011, the Company completed separate asset/liability studies for both plans during 2011 and adopted revised investment guidelines for each. The revised guidelines establish a dynamic de-risking framework that will gradually shift the allocation of assets to long-duration domestic fixed income from equity and other asset categories, as the relative funding ratio of each plan increases over time. The current target allocation (midpoint) for the Inactive Plan investment portfolio is: Equity Securities – 49%, Debt Securities – 40%, Alternative – 11%, and Cash – 0%. The current target allocation (midpoint) for the Active Plan investment portfolio is: Equity Securities – 57%, Debt Securities – 30%, Alternative – 13%, and Cash – 0%.

United Kingdom defined benefit plan

The equity investments are diversified among U.K. and international stocks of small and large capitalizations. The current target allocation (midpoint) for the investment portfolio is: Equity Securities – 72%, Debt Securities – 22%, Alternative – 5% and Cash – 1%.

Canada defined benefit plan

The equity investments are diversified among Canadian and international stocks of primarily large capitalizations and short to intermediate duration corporate and government bonds. The current target allocation (midpoint) for the investment portfolio is: Equity Securities – 60%, Debt Securities – 40%, Alternative – 0% and Cash – 0%.

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Retiree health and life insurance plan assets

The following table sets forth the weighted-average asset allocations of the Company's U.S. retiree health and life insurance plan at December 31, 2011 and 2010, by asset category. As mentioned previously, the U.S. Retiree Health and Life Insurance Plan comprises approximately 98% of the Retiree Health liability. Therefore, the following information relates to the U.S. Plan only.

Asset Category

Equity securities	
2011	46.8%
2010	50.7%
Debt securities	
2011	44.4%
2010	41.1%
Alternative	
2011	7.7%
2010	7.1%
Cash	
2011	1.1%
2010	1.1%
Total	
2011	100.0%
2010	100.0%

Contributions

Based on current actuarial estimates, the Company anticipates that the total contributions to its retirement plans and retiree health and life insurance plans will be approximately \$73,000 in 2012. No assurances can be made, however, about funding requirements beyond 2012, as they will depend largely on actual investment returns and future actuarial assumptions.

Sonoco Savings Plan

The Sonoco Savings Plan is a defined contribution retirement plan provided for the Company's U.S. employees. In accordance with the Internal Revenue Service's "Safe Harbor" matching contributions and vesting provisions, the plan had provided 100% Company matching on the first 3% of pretax contributions, 50% Company matching on the next 2% of pretax contributions and 100% immediate vesting. The plan also provides for participant contributions of 1% to 30% of gross pay. The Company's matching contribution to the Sonoco Savings Plan was temporarily suspended effective June 1, 2009. A modified matching contribution was subsequently reinstated by the Company effective January 1, 2010. Under the modified matching arrangement, the Company will match 50% on the first 4% of a participant's pretax contributions. The Company's expenses related to the plan for 2011, 2010 and 2009 were approximately \$8,670, \$7,950 and \$7,400, respectively.

Sonoco Investment and Retirement Plan

The Sonoco Investment and Retirement Plan (SIRP) is a defined contribution pension plan provided for the Company's salaried and non-union U.S. employees who were hired on or after January 1, 2004, or those former participants in the Company's U.S. qualified defined benefit pension plan who elected to transfer into the SIRP under a one-time option effective January 1, 2010. The Company makes an annual contribution of 4% of all eligible pay plus 4% of eligible pay in excess of the Social Security wage base to eligible participant accounts. Participants are fully vested after five years of service or upon reaching age 55, if earlier. The Company's expenses related to the plan for 2011, 2010 and 2009 were approximately \$9,200, \$9,300 and \$4,250, respectively. Cash contributions to the SIRP totaled \$8,568, \$4,822 and \$4,847 in 2011, 2010 and 2009, respectively.

Other plans

The Company also provides retirement and postretirement benefits to certain other non-U.S. employees through various Company-sponsored and local government sponsored defined contribution arrangements. For the most part, the liabilities related to these arrangements are funded in the period they arise. The Company's expenses for these plans were not material for all years presented.

13. Income taxes

The provision for taxes on income for the years ended December 31 consists of the following:

	2011	2010	2009
Pretax income			
Domestic	\$ 208,588	\$ 183,447	\$ 136,029
Foreign	75,818	71,007	78,192
Total pretax income	\$ 284,406	\$ 254,454	\$ 214,221
Current			
Federal	\$ 27,920	\$ 26,560	\$ 24,656
State	5,910	2,714	3,277
Foreign	34,794	22,713	17,196
Total current	\$ 68,624	\$ 51,987	\$ 45,129
Deferred			
Federal	\$ 34,992	\$ 23,744	\$ 16,663
State	6,249	1,187	1,855
Foreign	(31,442)	(12,433)	3,171
Total deferred	\$ 9,799	\$ 12,498	\$ 21,689

Total taxes	\$ 78,423	\$ 64,485	\$ 66,818
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Deferred tax liabilities/(assets) are comprised of the following at December 31:

	2011	2010
Depreciation	\$ 114,037	\$ 93,321
Intangibles	150,962	83,179
Gross deferred tax liabilities	\$ 264,999	\$ 176,500
Retiree health benefits	\$ (10,871)	\$ (11,869)
Foreign loss carryforwards	(87,689)	(86,628)
U.S. Federal loss carryforwards	(33,995)	—
Capital loss carryforwards	(6,101)	(11,418)
Employee benefits	(183,690)	(121,731)
Accrued liabilities and other	(87,213)	(62,104)
Gross deferred tax assets	\$ (409,559)	\$ (293,750)
Valuation allowance on deferred tax assets	\$ 55,713	\$ 76,860
Total deferred taxes, net	\$ (88,847)	\$ (40,390)

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Federal loss carryforwards of approximately \$97,000 were acquired in the Tegrant acquisition. Foreign subsidiary loss carryforwards of approximately \$347,000 remain at December 31, 2011. Their use is limited to future taxable earnings of the respective foreign subsidiaries. Approximately \$235,000 of these loss carryforwards do not have an expiration date. The remaining loss carryforwards expire at various dates in the future. Approximately \$16,700 of state loss carryforwards and \$4,800 of state credit carryforwards remain at December 31, 2011. The state loss and credit carryforwards expire at various dates in the future.

A reconciliation of the U.S. federal statutory tax rate to the actual consolidated tax expense is as follows:

	2011		2010		2009	
Statutory tax rate	\$ 99,542	35.0%	\$ 89,059	35.0%	\$ 74,977	35.0%
State income taxes, net of federal tax benefit	6,370	2.2	4,308	1.7	1,589	0.7
Valuation allowance	(20,533)	(7.2)	(5,788)	(2.3)	1,526	0.7
Tax examinations including change in reserve for uncertain tax positions	6,313	2.2	(2,878)	(1.1)	331	0.2
Change in estimates related to prior years	(1,006)	(0.4)	1,274	0.5	(931)	(0.4)
Foreign earnings taxed at other than U.S. rates	(9,730)	(3.4)	(17,153)	(6.8)	(5,808)	(2.7)
Effect of tax rate changes enacted during the year	(952)	(0.3)	645	0.3	(1,219)	(0.6)
Other, net	(1,581)	(0.6)	(4,982)	(2.0)	(3,647)	(1.7)
Total taxes	\$ 78,423	27.5%	\$ 64,485	25.3%	\$ 66,818	31.2%

The change in "Tax examinations including change in reserve for uncertain tax positions" is shown net of associated deferred taxes and accrued interest. Included in the change are net increases of approximately \$9,800, \$5,200 and \$4,600 for uncertain items arising in 2011, 2010 and 2009, respectively. Also included are adjustments related to prior year items, primarily decreases related to lapses of statutes of limitations in international, federal and state jurisdictions as well as overall changes in facts and judgment. These adjustments decreased the reserve by a total of approximately \$3,500, \$13,300 and \$4,300 in 2011, 2010 and 2009, respectively.

In many of the countries in which the Company operates, earnings are taxed at rates lower than in the U.S. This benefit is reflected in "Foreign earnings taxed at other than U.S. rates" along with other items, if any, that impacted taxes on foreign earnings in the periods presented. Included in 2009 is a \$5,287 charge related to an unfavorable change in Mexican tax law. This change had retrospective effect back to 1999, and eliminated the benefits of filing consolidated returns in those periods. In 2010, there was a regulatory clarification of the 2009 law change, which resulted in recognition of a benefit of \$5,474, offsetting the prior negative impact.

The benefits included in "Change in estimates related to prior years" for each of the years presented consist primarily of adjustments to deferred tax assets and liabilities arising from the availability of more accurate estimates.

Included in "Valuation Allowance" is a benefit of \$24,282 from the release of a valuation allowance against net operating losses in France. Improved operating results and anticipated benefits from planned restructuring actions provided the Company with sufficient evidence to conclude that it was now more likely than not that the assets could be recovered.

Undistributed earnings of international subsidiaries totaled \$448,176 at December 31, 2011. Deferred taxes have not been provided on the undistributed earnings, as the Company considers these amounts to be indefinitely reinvested to finance international growth and expansion. If such amounts were remitted, loaned to the Company, or the stock in the foreign subsidiaries sold, these earnings could become subject to tax.

Reserve for uncertain tax positions

The following table sets forth the reconciliation of the gross amounts of unrecognized tax benefits at the beginning and ending of the periods indicated:

	2011	2010	2009
Gross Unrecognized Tax Benefits at January 1	\$ 28,100	\$ 45,600	\$ 34,800
Increases in prior years' unrecognized tax benefits	600	4,700	18,300
Decreases in prior years' unrecognized tax benefits	(1,600)	(16,600)	(5,700)
Increases in current year unrecognized tax benefits	11,200	5,800	5,200
Decreases in unrecognized tax benefits from the lapse of statutes of limitations	(4,500)	(7,000)	(5,300)
Settlements	(1,000)	(4,400)	(1,700)
Gross Unrecognized Tax Benefits at December 31	\$ 32,800	\$ 28,100	\$ 45,600

Of the unrecognized tax benefit balances at December 31, 2011 and December 31, 2010, approximately \$24,700 and \$19,300, respectively, would have an impact on the effective tax rate if ultimately recognized.

Interest and/or penalties related to income taxes are reported as part of income tax expense. The Company had approximately \$4,100 and \$3,800 accrued for interest related to uncertain tax positions at December 31, 2011 and December 31, 2010, respectively. Tax expense for the year ended December 31, 2011 includes approximately \$400 of interest expense, which is comprised of an interest benefit of approximately \$1,600 related to the expiration of statutes of limitations and other releases and interest expense of \$2,000 on unrecognized tax benefits. The amounts listed above for accrued interest and interest expense do not reflect the benefit of a federal tax deduction which would be available if the interest were ultimately paid.

The Company and/or its subsidiaries file federal, state and local income tax returns in the United States and various foreign juris-

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dictions. With few exceptions, the Company is no longer subject to U.S. federal, or non-U.S., income tax examinations by tax authorities for years before 2008. With respect to state and local income taxes, the Company is no longer subject to examination prior to 2007, with few exceptions.

The estimate for the potential outcome of any uncertain tax issue is highly judgmental. The Company believes it has adequately provided for any reasonable foreseeable outcome related to these matters. 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 effective tax rate may fluctuate significantly on a quarterly basis.

14. Commitments and contingencies

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 class action by persons who bought Company stock between February 7, 2007 and September 18, 2007. The complaint, as amended, alleges that the Company issued press releases and made public statements during the class period that were materially false and misleading. The complaint seeks an unspecified amount of damages plus interest and attorneys' fees. 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. The Company cannot currently estimate the final outcome of many of the items described or the ultimate amount of potential losses.

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.

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 the EPA as Phase 1. U.S. Mills and NCR reached an agreement between themselves that each would fund 50% of the costs of remediation. The Company has expensed a total of \$17,650 (\$12,500 in 2005 and \$5,150 in 2007) for its estimated share of the total cleanup cost of the Site, and through December 31, 2011, has spent a total of \$14,467. The remaining accrual of \$3,183 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 the Site are dependent upon many factors and it is possible that remediation costs could be higher than the current estimate of project costs. 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 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, although no agreement among the parties occurred.

On November 13, 2007, the 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 jointly to 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 initially was required to 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 was required to begin in 2009 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. However, its financial contribution will likely be determined by the lawsuit commenced in June 2008.

On June 12, 2008, NCR and Appleton Papers, Inc. (API), 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 cleanup 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. On December 16, 2009, the court issued an order which concluded that, under the equities of the case, NCR and API were not entitled to any contribution from U.S. Mills and other defendants, thereby granting the defendants' motions for summary judgment and denying the plaintiffs' motions for summary judgment. Although an order has been issued by the court, no appealable final judgment has been entered yet; nevertheless, NCR has reported that it intends to appeal the ruling, presumably after entry of the final judgment. Subsequent to the December 2009 ruling, U.S. Mills and other defendants made motions to have the court rule that, on the same basis as the December 2009 ruling, NCR would be responsible for any

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costs that U.S. Mills and the other defendants might incur, past, present and future. These motions have been granted by the court, but are also subject to being appealed. The Company believes that this suit will have a minimal, if any, impact on the total amount of the potential remediation costs associated with Operating Units 2 – 5, but it may have a substantial impact on U.S. Mills' share of those costs. U.S. Mills plans to defend the suit vigorously.

On October 14, 2010, the EPA and WDNR filed suit against NCR, API, U.S. Mills and nine other defendants in the United States District Court for the Eastern District of Wisconsin (No. 10-CV-00910- WCG) pursuant to Sections 106 and 107 of CERCLA. The plaintiffs seek to recover unreimbursed costs incurred for activities undertaken in response to the release and threatened release of hazardous substances from facilities at or near the Lower Fox River and Green Bay as well as damages for injury to, loss of, and destruction of natural resources resulting from such releases. The plaintiffs also seek a ruling that the defendants are liable for future response costs of the plaintiffs and requiring the defendants to comply with the unilateral Administrative Order for Remedial Action discussed in prior filings. The Company does not believe that the remedies sought in the suit materially expand the Company's potential liability beyond what has been disclosed in this report or in the Company's prior filings with the SEC. U.S. Mills plans to defend the suit vigorously.

Since 2007, the Company has expensed a total of \$60,825 for potential liabilities associated with the Fox River contamination (not including amounts expensed for remediation at the Site) and through December 31, 2011, has spent a total of \$7,240, primarily on legal fees, leaving a reserve of \$53,585 for potential liabilities associated with the Fox River contamination (not including amounts accrued for remediation at the Site) remaining at December 31, 2011. Because of the continuing uncertainties in the estimated costs of remediation and continuing uncertainties surrounding U.S. Mills' allocable share, including a potentially favorable resolution, it is impossible to state with any reasonable degree of certainty that any estimate is a better estimate than the amount recorded. However, because the discharges of hazardous materials into the environment occurred before the 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 \$87,000 at December 31, 2011.

On November 8, 2011, the Company completed the acquisition of Tegrant Holding Corporation (Tegrant). During its due diligence, the Company identified several potentially environmentally contaminated sites. The total remediation cost of these sites was preliminarily estimated to be \$12,850 at the time of the acquisition and an accrual in this amount was recorded on Tegrant's opening balance sheet. The amount is still subject to change pending finalization of the purchase price allocation.

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 December 31, 2011 and 2010, the Company (and its subsidiaries) had accrued \$72,590 and \$62,026, respectively, related to environmental contingencies. Of these, a total of \$56,768 and \$58,727 relate to U.S. Mills and \$12,846 and \$0 relate to Tegrant at December 31, 2011 and 2010, respectively. These accruals are included in "Accrued expenses and other" on the Company's Consolidated Balance Sheets. U.S. Mills recognized a \$40,825 benefit in 2008 from settlements reached and proceeds received on certain insurance policies covering 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 or reallocation would be successful and no amounts have been recognized in the consolidated financial statements of the Company for such potential recovery or reallocation.

Commitments

As of December 31, 2011, the Company had long-term obligations to purchase electricity and steam, which it uses in its production processes, as well as long-term purchase commitments for certain raw materials, principally old corrugated containers. These purchase commitments require the Company to make total payments of approximately \$253,400, as follows: \$73,300 in 2012; \$71,800 in 2013; \$35,100 in 2014, \$19,100 in 2015 and a total of \$54,100 from 2016 through 2021.

15. Shareholders' equity and 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. On December 3, 2010, the Company announced it would immediately begin repurchasing 2,000,000 shares of the 5,000,000 authorized. During 2010, a total of 695,036 shares were repurchased under this program at a cost of \$23,219. During the first quarter of 2011, an additional 1,304,964 shares were repurchased at a cost of \$46,297, completing the announced buyback. On April 20, 2011, the Company's Board of Directors reinstated 2,000,000 shares to its authorization. No additional shares have been repurchased since the reinstatement. Accordingly, at December 31, 2011, 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 94,295 shares during 2011, 43,084 shares during 2010, and 50,684 shares during 2009, at a cost of \$3,145, \$1,439 and \$1,239, respectively.

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Earnings per share

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

	2011	2010	2009
Numerator:			
Net income attributable to Sonoco	\$ 217,517	\$ 201,053	\$ 151,482
Denominator:			
Weighted average common shares outstanding	101,071,000	101,599,000	100,780,000
Dilutive effect of stock-based compensation	1,102,000	944,000	249,000
Diluted outstanding shares	102,173,000	102,543,000	101,029,000
Per common share:			
Net income attributable to Sonoco:			
Basic	\$ 2.15	\$ 1.98	\$ 1.50
Diluted	\$ 2.13	\$ 1.96	\$ 1.50

The Company paid dividends totaling \$1.15, \$1.11 and \$1.08 per share in 2011, 2010 and 2009, respectively.

Certain stock appreciation rights and options to purchase shares of the Company's common stock are not dilutive because the exercise price is greater than the market price of the stock at the end of the fiscal year or they have not fully vested. Accordingly, the following shares were not included in the computations of diluted income per share amounts:

	2011	2010	2009
Anti-dilutive options/SARs	1,753,451	1,294,075	2,734,616

These options/SARs may become dilutive in future periods if the market price of the Company's common stock appreciates. No adjustments were made to reported net income in the computation of earnings per share.

Noncontrolling interests

In April 2011, the Company acquired the remaining 49% interest in its 51%-owned subsidiary, Sonoco For Plas do Brazil Ltda., for \$5,718 in cash. As a result of the transaction, the Company wrote off the \$2,727 carrying amount of noncontrolling interest and recorded a reduction in Capital in excess of stated value of \$2,991.

16. Segment reporting

The Company modified its reportable segments in the fourth quarter of 2011 as the result of changes in internal management reporting and its mix of business following the November 2011 acquisition of Tegrant. The Company now reports its financial results in four reportable segments. These consist of the same three reportable segments reported previously, each with relatively minor changes, and the addition of a new Protective Packaging segment consisting of Tegrant and the Company's legacy protective packaging business.

The Consumer Packaging segment includes the following products and services: round and shaped rigid containers and trays (both composite and thermoformed plastic); blow-molded plastic bottles and jars; extruded and injection-molded plastic products; printed flexible packaging; metal and peelable membrane ends and closures; and global brand artwork management.

The Paper and Industrial Converted Products segment includes the following products: high-performance paper and composite paperboard tubes and cores; fiber-based construction tubes and forms; wooden, metal and composite wire and cable reels and spools; and recycled paperboard, linerboard, corrugating medium, recovered paper and other recycled materials.

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

The Protective Packaging segment includes the following products: custom-designed paperboard-based and expanded foam protective packaging; temperature-assurance packaging; and retail security packaging.

Restructuring charges, asset impairment charges, insurance settlement gains, acquisition-related costs, debt tender charges, interest expense and interest income are included in income before income taxes under "Corporate."

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The following table sets forth financial information about each of the Company's business segments (2010 and 2009 figures have been restated to conform to the current year's presentation):

	<i>Years ended December 31</i>					
	<i>Consumer Packaging</i>	<i>Paper and Industrial Converted Products</i>	<i>Packaging Services</i>	<i>Protective Packaging</i>	<i>Corporate</i>	<i>Consolidated</i>
Total Revenue						
2011	\$ 1,982,989	\$ 1,996,221	\$ 472,935	\$ 158,936	\$ —	\$ 4,611,081
2010	1,802,514	1,845,927	478,348	105,781	—	4,232,570
2009	1,650,321	1,515,341	435,773	92,799	—	3,694,234
Intersegment Sales¹						
2011	\$ 5,691	\$ 104,000	\$ 1,491	\$ 967	\$ —	\$ 112,149
2010	4,043	101,958	1,099	1,349	—	108,449
2009	2,547	91,741	1,167	1,448	—	96,903
Sales to Unaffiliated Customers						
2011	\$ 1,977,298	\$ 1,892,220	\$ 471,445	\$ 157,969	\$ —	\$ 4,498,932
2010	1,798,471	1,743,969	477,249	104,432	—	4,124,121
2009	1,647,774	1,423,600	434,606	91,351	—	3,597,331
Income Before Income Taxes²						
2011	\$ 191,475	\$ 138,207	\$ 21,733	\$ 15,228	\$ (82,237)	\$ 284,406
2010	196,005	136,418	14,157	17,505	(109,631)	254,454
2009	174,979	77,267	12,318	15,023	(65,366)	214,221
Identifiable Assets³						
2011	\$ 1,357,691	\$ 1,294,712	\$ 327,927	\$ 715,164	\$ 290,676	\$ 3,986,170
2010	1,324,301	1,463,651	323,086	16,911	153,065	3,281,014
2009	1,155,748	1,409,977	312,782	19,594	164,479	3,062,580
Depreciation, Depletion and Amortization⁴						
2011	\$ 80,257	\$ 86,559	\$ 7,434	\$ 5,621	\$ —	\$ 179,871
2010	74,692	84,363	8,785	1,825	—	169,665
2009	72,232	88,452	11,022	1,881	—	173,587
Capital Expenditures						
2011	\$ 60,795	\$ 86,821	\$ 4,578	\$ 3,884	\$ 17,294	\$ 173,372
2010	66,323	63,948	8,315	938	6,386	145,910
2009	35,940	57,518	5,075	544	5,073	104,150

¹ Intersegment sales are recorded at a market-related transfer price.

² Included in Corporate are restructuring, asset impairment charges, acquisition-related charges and insurance settlement gains associated with the following segments:

	<i>Consumer Packaging</i>	<i>Paper and Industrial Converted Products</i>	<i>Packaging Services</i>	<i>Protective Packaging</i>	<i>Corporate</i>	<i>Total</i>
2011	\$ 19,790	\$ 6,163	\$ 4,575	\$ 4,901	\$ 8,734	\$ 44,163
2010	16,906	6,651	1,969	61	321	25,908
2009	5,411	19,283	1,270	11	826	26,801

The remaining amounts reported as Corporate consist of interest expense, interest income and debt tender charges.

³ Identifiable assets are those assets used by each segment in its operations. Corporate assets consist primarily of cash and cash equivalents, investments in affiliates, headquarters facilities and prepaid expenses.

⁴ Depreciation, depletion and amortization incurred at Corporate are allocated to the reportable segments.

Geographic regions

Sales to unaffiliated customers and long-lived assets by geographic region are as follows:

	<i>2011</i>	<i>2010</i>	<i>2009</i>
Sales to Unaffiliated Customers			
United States	\$ 2,821,043	\$ 2,659,844	\$ 2,315,075
Europe	777,200	693,719	616,744
Canada	385,805	328,849	315,880
All other	514,884	441,709	349,632
Total	\$ 4,498,932	\$ 4,124,121	\$ 3,597,331
Long-lived Assets			
United States	\$ 1,885,574	\$ 1,349,561	\$ 1,285,838
Europe	279,969	289,418	308,012
Canada	253,057	262,903	246,835
All other	113,777	119,690	114,658
Total	\$ 2,532,377	\$ 2,021,572	\$ 1,955,343

Sales are attributed to countries/regions based upon the plant location from which products are shipped. Long-lived assets are comprised of property, plant and equipment, goodwill, intangible assets and investment in affiliates (see Notes 6 and 7).

17. Accumulated other comprehensive loss

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 years ended December 31, 2011 and 2010:

	<i>Foreign Currency Translation Adjustments</i>	<i>Defined Benefit Plans</i>	<i>Derivative Financial Instruments</i>	<i>Accumulated Other Comprehensive Loss</i>
Balance at December 31, 2009	\$ 10,798	\$(316,658)	\$ (4,609)	\$ (310,469)
Change during 2010	6,887	13,621	(2,906)	17,602
Balance at December 31, 2010	\$ 17,685	\$ (303,037)	\$ (7,515)	\$ (292,867)
Change during 2011	(38,962)	(127,798)	(672)	(167,432)
Balance at December 31, 2011	\$ (21,277)	\$ (430,835)	\$ (8,187)	\$ (460,299)

The cumulative tax benefit on Derivative Financial Instruments was \$5,024 and \$4,406 at December 31, 2011 and 2010, respectively. The tax benefit on Derivative Financial Instruments increased by \$618 and \$1,686 during the years ended December 31, 2011 and 2010, respectively.

The cumulative tax benefit on Defined Benefit Plans was \$255,466 and \$179,628 at December 31, 2011 and 2010, respectively. The tax benefit on Defined Benefit Plans decreased by \$(75,838) and \$(6,373) during the years ended December 31, 2011 and 2010, respectively.

The change in defined benefit plans includes pretax changes of \$(639) during the year ended December 31, 2011 and \$(152) during the year ended December 31, 2010 related to changes in benefit plans of one of the Company's equity method investments.

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18. Selected quarterly financial data

The following table sets forth selected quarterly financial data of the Company:

<i>(unaudited)</i>	<i>First Quarter</i>	<i>Second Quarter</i>	<i>Third Quarter</i>	<i>Fourth Quarter</i>
2011				
Net sales	\$ 1,117,323	\$ 1,127,865	\$ 1,124,171	\$ 1,129,573
Gross profit	194,209	191,090	186,740	184,744
Restructuring/Asset impairment charges	(2,317)	(9,578)	(12,048)	(12,883)
Net income attributable to Sonoco	57,391	53,408	77,203	29,515
Per common share:				
Net income attributable to Sonoco:				
- basic	\$.57	\$.53	\$.76	\$.29
- diluted	.56	.52	.76	.29
Cash dividends				
- common	.28	.29	.29	.29
Market price				
- high	36.89	36.95	36.05	33.64
- low	33.96	32.71	27.62	26.10
2010				
Net sales	\$ 935,133	\$ 1,010,116	\$ 1,051,725	\$ 1,127,147
Gross profit	175,758	192,524	199,584	199,666
Restructuring/Asset impairment charges	(3,947)	(2,511)	(12,166)	(5,375)
Net income attributable to Sonoco	48,572	58,953	59,019	34,509
Per common share:				
Net income attributable to Sonoco:				
- basic	\$.48	\$.58	\$.58	\$.34
- diluted	.48	.58	.57	.33
Cash dividends				
- common	.27	.28	.28	.28
Market price				
- high	31.86	35.87	34.00	35.04
- low	26.17	28.83	29.66	31.75

Item 9. Changes in and disagreements with accountants on accounting and financial disclosure

Not applicable.

Item 9A. 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 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 year covered by this Annual Report on Form 10-K, were effective.

Management's report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2011. In conducting management's evaluation as described above, Tegrant Holding Corporation, acquired November 8, 2011, was excluded. We plan to complete our evaluation of Tegrant's internal control over financial reporting by the first anniversary of the acquisition as required by the Securities and Exchange Commission's rules. The operations of Tegrant, which are included in the 2011 consolidated financial statements of the Company, constituted approximately 1.4% of the Company's consolidated revenues and approximately 0.7% of the Company's consolidated income before income taxes for the year ended December 31, 2011, and approximately 17% of total assets as of December 31, 2011. PricewaterhouseCoopers LLP (PwC), our independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2011, and has issued an attestation report, which appears at the beginning of Item 8 of this Annual Report on Form 10-K.

Changes in internal control over financial reporting

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.

Item 9B. Other information

Not applicable.

Part III

Item 10. Directors, executive officers and corporate governance

The information set forth in the Company's definitive Proxy Statement for the annual meeting of shareholders to be held on April 18, 2012 (the Proxy Statement), under the captions "Election of Directors," "Information Concerning Directors Whose Terms Continue," "Additional Information About Experience and Qualifications of Directors and Nominees," and "Section 16(a) Beneficial Ownership Reporting Compliance," is incorporated herein by reference. Information about executive officers of the Company is set forth in Item 1 of this Annual Report on Form 10-K under the caption "Executive Officers of the Registrant."

Code of Ethics – The Company has adopted a code of ethics (as defined in Item 406 of Regulation S-K) that applies to its principal executive officer, principal financial officer, principal accounting officer, and other senior executive and senior financial officers. This code of ethics is available through the Company's website, www.sonoco.com, and is available in print to any shareholder who requests it. Any waivers or amendments to the provisions of this code of ethics will be posted to this website within four business days after the waiver or amendment.

Audit Committee Members – The Company has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The audit committee is comprised of the following members: Marc D. Oken, Chairman; Edgar H. Lawton III; John E. Linville; James M. Micali; and Philippe R. Rollier.

Audit Committee Financial Expert – The Company's Board of Directors has determined that the Company has at least one "audit committee financial expert," as that term is defined by Item 407(d)(5) of Regulation S-K promulgated by the Securities and Exchange Commission, serving on its audit committee. Marc D. Oken meets the terms of the definition and is independent based on the criteria in the New York Stock Exchange Listing Standards. Pursuant to the terms of Item 407(d)(5) of Regulation S-K, a person who is determined to be an "audit committee financial expert" will not be deemed an expert for any purpose as a result of being designated or identified as an "audit committee financial expert" pursuant to Item 407, and such designation or identification does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the audit committee and Board of Directors in the absence of such designation or identification. Further, the designation or identification of a person as an "audit committee financial expert" pursuant to Item 407 does not affect the duties, obligations or liability of any other member of the audit committee or Board of Directors.

The Company's Corporate Governance Guidelines, Audit Committee Charter, Corporate Governance and Nominating Committee Charter and Executive Compensation Committee Charter are available through the Company's website, www.sonoco.com. This information is available in print to any shareholder who requests it.

Item 11. Executive compensation

The information set forth in the Proxy Statement under the caption "Compensation Committee Interlocks and Insider Participation," under the caption "Executive Compensation," and under the caption "Director Compensation" is incorporated herein by reference. The information set forth in the Proxy Statement under the caption "Compensation Committee Report" is also incorporated herein by reference, but pursuant to the Instructions to Item 407(e)(5) of Regulation S-K, such report shall not be deemed to be "soliciting material" or subject to Regulation 14A, and shall be deemed to be "furnished" and not "filed" and will not be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 as a result of being so furnished.

Item 12. Security ownership of certain beneficial owners and management and related stockholder matters

The information set forth in the Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners," and under the caption "Security Ownership of Management" is incorporated herein by reference.

Equity compensation plan information

The following table sets forth aggregated information about all of the Company's compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance as of December 31, 2011:

<i>Plan category</i>	<i>Number of securities to be issued upon exercise of outstanding options, warrants and rights</i> (a)	<i>Weighted-average exercise price of outstanding options, warrants and rights</i> (b)	<i>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))^{1,2}</i> (c)
Equity compensation plans approved by security holders	6,928,968	\$ 29.58	3,154,693
Equity compensation plans not approved by security holders	—	—	—
Total	6,928,968	\$ 29.58	3,154,693

¹ The Sonoco Products Company 2008 Long-Term Incentive Plan was adopted at the Company's 2008 Annual Meeting of Shareholders. The maximum number of shares of common stock that may be issued under this plan is 8,500,000 shares, subject to certain adjustments. Awards prior to 2008 were granted under a previous plan and so do not reduce the number remaining available under the current plan.

² The Company intends to present a proposal at its 2012 Annual Meeting of Shareholders for adoption of the 2012 Long-Term Incentive Plan, which, if approved by shareholders, will replace the 2008 Long-Term Incentive Plan, and will increase the number of shares remaining available for future issuance.

The weighted-average exercise price of \$29.58 relates to stock options and stock appreciation rights, which account for 4,909,455 of the 6,928,968 securities issuable upon exercise. The remaining 2,019,513 securities relate to deferred compensation stock units, performance-contingent restricted stock units and restricted stock unit awards that have no exercise price requirement.

Item 13. Certain relationships and related transactions, and director independence

The information set forth in the Proxy Statement under the captions “Related Party Transactions” and “Corporate Governance – Director Independence Policies” is incorporated herein by reference. Each current member of the Audit, Corporate Governance and Nominating and Executive Compensation Committees is independent as defined in the listing standards of the New York Stock Exchange. J.R. Haley, who served on the Audit Committee for a brief period in 2011, is not independent under such standards.

Item 14. Principal accountant fees and services

The information set forth in the Proxy Statement under the caption “Independent Registered Public Accounting Firm” is incorporated herein by reference.

Part IV

Item 15. Exhibits and financial statement schedules

- (a) 1. Financial Statements – The following financial statements are provided under Item 8 – Financial Statements and Supplementary Data of this Annual Report on Form 10-K:
- Consolidated Balance Sheets as of December 31, 2011 and 2010
 - Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009
 - Consolidated Statements of Comprehensive Income/(Loss) for the years ended December 31, 2011, 2010 and 2009
 - Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2011, 2010 and 2009
 - Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009
 - Notes to Consolidated Financial Statements
 - Report of Independent Registered Public Accounting Firm
2. Financial Statement Schedules
- Schedule II – Valuation and Qualifying Accounts for the Years Ended December 31, 2011, 2010 and 2009.

<i>Column A</i>	<i>Column B</i>	<i>Column C - Additions</i>		<i>Column D</i>	<i>Column E</i>
<i>Description</i>	<i>Balance at Beginning of Year</i>	<i>Charged to Costs and Expenses</i>	<i>Charged to Other</i>	<i>Deductions</i>	<i>Balance at End of Year</i>
2011					
Allowance for Doubtful Accounts	\$ 8,614	\$ 402	\$ (216) ¹	\$ 1,675 ²	\$ 7,125
LIFO Reserve	17,167	(3,016) ³			14,151
Valuation Allowance on Deferred Tax Assets	76,860	(19,762)	(1,734) ⁵	348 ⁶	55,712
2010					
Allowance for Doubtful Accounts	\$ 10,978	\$ 1,914	\$ (71) ¹	\$ 4,207 ²	\$ 8,614
LIFO Reserve	19,155	(1,988) ³			17,167
Valuation Allowance on Deferred Tax Assets	76,540	13,690 ⁴	(3,532) ⁵	9,838 ⁶	76,860
2009					
Allowance for Doubtful Accounts	\$ 9,269	\$ 5,825	\$ 705 ¹	\$ 4,821 ²	\$ 10,978
LIFO Reserve	17,667	1,488 ³			19,155
Valuation Allowance on Deferred Tax Assets	73,632	4,121 ⁴	1,928 ⁵	3,141 ⁶	76,540

¹ Includes translation adjustments and other insignificant adjustments.

² Includes amounts written off.

³ Includes adjustments based on pricing and inventory levels.

⁴ Includes creation of foreign and domestic deferred tax assets for which no benefit is expected to be realized.

⁵ Includes translation adjustments.

⁶ Includes utilization and expiration of capital loss carryforwards, net operating loss carryforwards and other deferred tax assets.

All other schedules not included have been omitted because they are not required, are not applicable or the required information is given in the financial statements or notes thereto.

3. Exhibits

3-1 Articles of Incorporation, as amended (incorporated by reference to the Registrant's Form 8-K filed on February 8, 2012)

3-2 By-Laws, as amended (incorporated by reference to the Registrant's Form 8-K filed February 8, 2012)

4-1 Indenture, dated as of June 15, 1991, between Registrant and The Bank of New York, as Trustee (incorporated by reference to the Registrant's Form S-4 (File Number 333-119863))

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- 10-5 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 (incorporated by reference to the Registrant's Form 10-Q for the quarter ended September 28, 2008)
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- 10-16 Description of Stock Appreciation Rights and Performance Contingent Restricted Stock Units granted to executive officers of the Registrant on February 3, 2009 (incorporated by reference to Registrant's Form 8-K filed February 9, 2009)
- 10-17 Description of Stock Appreciation Rights and Performance Contingent Restricted Stock Units granted to executive officers of the Registrant on February 9, 2010 (incorporated by reference to Registrant's Form 8-K filed February 16, 2010)

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32	Certifications 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)
99	Proxy Statement, filed in conjunction with annual shareholders' meeting scheduled for April 18, 2012 (to be filed within 120 days after December 31, 2011)
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101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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, on this 29th day of February 2012.

SONOCO PRODUCTS COMPANY

/s/Harris E. DeLoach, Jr.

Harris E. DeLoach, Jr.

Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on this 29th day of February 2012.

/s/Barry L. Saunders

Barry L. Saunders

Vice President and Chief Financial Officer
(principal financial officer)

Signatures, continued

/s/ H.E. DeLoach, Jr. H.E. DeLoach, Jr.	Chief Executive Officer and Director (Chairman)
/s/ J.L. Coker J.L. Coker	Director
/s/ P.L. Davies P.L. Davies	Director
/s/ J.R. Haley J.R. Haley	Director
/s/ E.H. Lawton, III E.H. Lawton, III	Director
/s/ J.E. Linville J.E. Linville	Director
/s/ J.M. Micali J.M. Micali	Director
/s/ J.H. Mullin, III J.H. Mullin, III	Director
/s/ L.W. Newton L.W. Newton	Director
/s/ M.D. Oken M.D. Oken	Director
/s/ P.R. Rollier P.R. Rollier	Director
/s/ T.E. Whiddon T.E. Whiddon	Director

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Published CUSIP Numbers:
Deal: 83549UAC1
Term Loan: 83549UAD9

TERM LOAN AGREEMENT

Dated as of November 7, 2011

among

SONOCO PRODUCTS COMPANY,
as the Borrower,

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

and

The Other Lenders Party Hereto

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,

JPMORGAN SECURITIES LLC

and

WELLS FARGO SECURITIES, LLC,
as Joint Lead Arrangers

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
as Sole Book Manager

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EXHIBITS

Form of

A	Loan Notice
B	[Reserved]
C	Note
D	Compliance Certificate
E	Assignment and Assumption

TERM LOAN AGREEMENT

This TERM LOAN AGREEMENT ("Agreement") is entered into as of November 7, 2011, among Sonoco Products Company, a South Carolina corporation (the "Borrower"), each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender"), and BANK OF AMERICA, N.A., as Administrative Agent.

WHEREAS, the Borrower has requested that the Lenders provide a senior unsecured term loan facility, and the Lenders have indicated their willingness to lend term loan facility, on the terms and subject to the conditions set forth herein;

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

ARTICLE I. DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms.

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

"Act" has the meaning specified in Section 10.16.

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

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

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

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

"Agent Parties" has the meaning specified in Section 10.02(c).

"Agreement" means this Term Loan Agreement.

"Applicable Percentage" means with respect to any Lender's portion of the outstanding Term Loan at any time, the percentage (carried out to the ninth decimal place) of the outstanding principal amount of the Term Loan held by such Lender at such time. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable. The Applicable Percentages shall be subject to adjustment as provided in Section 2.16.

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

Pricing Level	Debt Ratings	Eurodollar Rate Loans	Base Rate Loans
I	A-/A3	112.5	12.5
II	BBB+/Baa1	125.0	25.0
III	BBB-/Baa2	150.0	50.0
IV	BBB-/Baa3	175.0	75.0
V	BB+/Bal	200.0	100.0

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

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

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

“Arrangers” means MLPF&S, JPMorgan Securities LLC and Wells Fargo Securities, LLC in their capacity as joint lead arrangers.

“Assignee Group” means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

“Assignment and Assumption” means an assignment and assumption entered into by a

Lender and an assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit E or any other form approved by the Administrative Agent.

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

“Audited Financial Statements” means the audited consolidated balance sheet of the Borrower and its Subsidiaries for the fiscal year ended December 31, 2010, and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such fiscal year of the Borrower and its Subsidiaries, including the notes thereto.

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

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

“Base Rate” means for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate” and (c) the Eurodollar Rate plus 1.00%. The “prime rate” is a rate set by Bank of America based upon various factors including Bank of America’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such prime rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

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

“Book Net Worth” means, at any time, the sum of the following for the Borrower and its Subsidiaries on a consolidated basis: (i) common and preferred Equity Interests, (ii) capital in excess of stated value (paid in capital) and (iii) retained earnings, as determined in accordance with GAAP; provided, that (i) the effect of any changes to GAAP shall be eliminated and (ii) non-cash asset impairment and goodwill charges shall be excluded.

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

“Borrower Materials” has the meaning specified in Section 6.02.

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

“Business Day” means any day other than a Saturday, Sunday or other day on which

commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day that is also a London Banking Day.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

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

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

(b) during any period of 24 consecutive months, a majority of the members of the board of directors or other equivalent governing body of such Person cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by

or on behalf of the board of directors).

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

“Code” means the Internal Revenue Code of 1986.

“Commitment” means, as to each Lender, its obligation to make its portion of the Term Loan to the Borrower pursuant to Section 2.01, in the principal amount set forth opposite such Lender’s name on Schedule 2.01. The aggregate principal amount of the Commitments of all of the Lenders as in effect on the Closing Date is \$150,000,000.

“Compliance Certificate” means a certificate substantially in the form of Exhibit D.

“Consolidated EBITDA” means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Income for such period plus (a) the following to the extent deducted in calculating such Consolidated Net Income: (i) Consolidated Interest Charges for such period, (ii) the provision for Federal, state, local and foreign income taxes payable by the Borrower and its Subsidiaries for such period, (iii) depreciation and amortization expense and (iv) non-cash asset impairment and goodwill charges of the Borrower and its Subsidiaries reducing such Consolidated Net Income and minus (b) to the extent included in calculating such Consolidated Net Income, Federal, state, local and foreign income tax credits of the Borrower and its Subsidiaries for such period.

“Consolidated Interest Charges” means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, the sum of (a) all interest, premium payments, debt discount, fees, charges and related expenses of the Borrower and its Subsidiaries in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, and (b) the portion of rent expense of the Borrower and its Subsidiaries with respect to such period under capital leases that is treated as interest in accordance with GAAP.

“Consolidated Interest Coverage Ratio” means, as of any date of determination, the ratio of (a) Consolidated EBITDA for the period of the four prior fiscal quarters ending on such date to (b) Consolidated Interest Charges for such period.

“Consolidated Net Income” means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, the net income of the Borrower and its Subsidiaries (excluding extraordinary gains and extraordinary losses) for that period.

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

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

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

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

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

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

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

“Defaulting Lender” means, subject to Section 2.16(b), any Lender that, as determined by the Administrative Agent, (a) has failed to perform any of its funding obligations hereunder, including in respect of its Loans, within three Business Days of the date required to be funded by it hereunder, unless such obligation is the subject of a good faith dispute, (b) has notified the Borrower, the Administrative Agent or any Lender that it does not intend to comply with its funding obligations or has made a public statement to that effect with respect to its funding obligations hereunder or under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by the Administrative Agent, to confirm in a manner satisfactory to the Administrative Agent that it will comply with its funding obligations, or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or a custodian appointed for it, or (iii) taken any action in furtherance of, or indicated its consent to, approval of or acquiescence in any such proceeding or appointment; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority.

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

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

“Eligible Assignee” means any Person that meets the requirements to be an assignee under Section 10.06(b)(iii), (v) and (vi) (subject to such consents, if any, as may be required under Section 10.06(b)(iii)).

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

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

“ERISA” means the Employee Retirement Income Security Act of 1974.

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

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) the withdrawal of the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which such entity was a “substantial employer” as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA; (e) the institution by the PBGC of proceedings to terminate a Pension Plan; (f) any event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (g) the determination that any Pension Plan is considered an at-risk plan or a plan in endangered or critical status within the meaning of Sections 430, 431 and 432 of the Code or Sections 303, 304 and 305 of ERISA; or (h) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

“Eurodollar Rate” means:

(a) for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to (i) the British Bankers Association LIBOR Rate (“BBA LIBOR”), as published by Reuters (or such other commercially available source providing quotations of BBA LIBOR as may be designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two London Banking Days prior to the commencement of such Interest Period, for

Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period or, (ii) if such rate is not available at such time for any reason, the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two London Banking Days prior to the commencement of such Interest Period; and

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to (i) BBA LIBOR, at approximately 11:00 a.m., London time determined two London Banking Days prior to such date for Dollar deposits being delivered in the London interbank market for a term of one month commencing that day or (ii) if such published rate is not available at such time for any reason, the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the date of determination in same day funds in the approximate amount of the Base Rate Loan being made or maintained and with a term equal to one month would be offered by Bank of America's London Branch to major banks in the London interbank Eurodollar market at their request at the date and time of determination.

"Eurodollar Rate Loan" means a Loan that bears interest at a rate based on clause (a) of the definition of Eurodollar Rate.

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

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 10.13), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with Section 3.01(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.01(a).

"Existing Credit Agreement" means that certain Second Amended and Restated Credit Agreement dated as of October 18, 2010 among the Borrower, the lenders from time to time party thereto and Bank of America, as administrative agent.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) equal to the weighted average of the rates on

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

“Fee Letter” means the letter agreement, dated October 25, 2011, among the Borrower, the Administrative Agent and MLPF&S.

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

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

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

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

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

“Granting Lender” has the meaning specified in Section 10.06(h).

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

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

"Increase Effective Date" has the meaning specified in Section 2.14(d).

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

- (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;
- (b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guarantees, surety bonds and similar instruments;
- (c) net obligations of such Person under any Swap Contract;
- (d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business);
- (e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;
- (f) capital leases and Synthetic Lease Obligations; and
- (g) all Guarantees of such Person in respect of any of the foregoing.

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

shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Indemnities” has the meaning set forth in Section 10.04.

“Information” has the meaning specified in Section 10.07.

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

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

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

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

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

“Internal Control Event” means a material weakness in, or fraud that involves management or other employees who have a significant role in, the Borrower’s internal controls over financial reporting, in each case as described in the Securities Laws that has resulted in or could reasonably be expected to result in a misstatement in any material respect, in any financial information delivered or to be delivered to the Administrative Agent or the Lenders, of (i) covenant compliance calculations provided hereunder or (ii) the assets, liabilities, financial condition or results of operations of the Borrower and its Subsidiaries on a consolidated basis that has not been (x) disclosed to the Administrative Agent, who in turn discloses such material weaknesses to the Lenders, and (y) remedied or otherwise diligently addressed (or is in the process of being diligently addressed) by the Borrower in accordance with recommendations made by the Borrower’s auditors in consultation with the Borrower.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof,

and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

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

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

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

“Loan” means an extension of credit by a Lender to the Borrower under Article II in the form of its portion of the Term Loan.

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

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

“London Banking Day” means any day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

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

“Maturity Date” means November 7, 2014; provided, however, that if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

“Maximum Rate” has the meaning specified in Section 10.09.

“MLPF&S” means Merrill Lynch, Pierce, Fenner & Smith Incorporated.

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

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is

obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“Multiple Employer Plan” means a Plan which has two or more contributing sponsors (including the Borrower or any ERISA Affiliate) at least two of whom are not under common control, as such a plan is described in Section 4064 of ERISA.

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

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

“Off-Balance Sheet Liabilities” means, with respect to any Person as of any date of determination thereof, without duplication and to the extent not included as a liability on the consolidated balance sheet of such Person and its Subsidiaries in accordance with GAAP: (a) with respect to any asset securitization transaction (including any accounts receivable purchase facility) (i) the unrecovered investment of purchasers or transferees of assets so transferred and (ii) any other payment, recourse, repurchase, hold harmless, indemnity or similar obligation of such Person or any of its Subsidiaries in respect of assets transferred or payments made in respect thereof, other than limited recourse provisions that are customary for transactions of such type and that neither (x) have the effect of limiting the loss or credit risk of such purchasers or transferees with respect to payment or performance by the obligors of the assets so transferred nor (y) impair the characterization of the transaction as a true sale under applicable Laws (including Debtor Relief Laws); (b) the monetary obligations under any financing lease or so-called “synthetic,” tax retention or off-balance sheet lease transaction which, upon the application of any Debtor Relief Law to such Person or any of its Subsidiaries, would be characterized as indebtedness; (c) the monetary obligations under any sale and leaseback transaction which does not create a liability on the consolidated balance sheet of such Person and its Subsidiaries; and (d) any other monetary obligation arising with respect to any other transaction which (i) upon the application of any Debtor Relief Law to such Person or any of its Subsidiaries, would be characterized as indebtedness for tax purposes but not for accounting purposes in accordance with GAAP or (ii) is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the consolidated balance sheet of such Person and its Subsidiaries (for purposes of this clause (d), any transaction structured to provide tax deductibility as interest expense of any dividend, coupon or other periodic payment will be deemed to be the functional equivalent of a borrowing).

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect

to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

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

“Outstanding Amount” means, with respect to the Term Loan on any date, the aggregate outstanding principal amount thereof after giving effect to any prepayments or repayments of the Term Loans occurring on such date.

“Participant” has the meaning specified in Section 10.06(d).

“PBGC” means the Pension Benefit Guaranty Corporation.

“PCAOB” means the Public Company Accounting Oversight Board.

“Pension Act” means the Pension Protection Act of 2006.

“Pension Funding Rules” means the rules of the Code and ERISA regarding minimum required contributions (including any installment payment thereof) to Pension Plans and set forth in, with respect to plan years ending prior to the effective date of the Pension Act, Section 412 of the Code and Section 302 of ERISA, each as in effect prior to the Pension Act and, thereafter, Section 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

“Pension Plan” means any employee pension benefit plan (including a Multiple Employer Plan or a Multiemployer Plan) that is maintained or is contributed to by the Borrower and any ERISA Affiliate and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

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

“Plan” means any employee benefit plan within the meaning of Section 3(3) of ERISA (including a Pension Plan), maintained for employees of the Borrower or any ERISA Affiliate or any such Plan to which the Borrower or any ERISA Affiliate is required to contribute on behalf of any of its employees.

“Platform” has the meaning specified in Section 6.02.

“Public Lender” has the meaning specified in Section 6.02.

“Register” has the meaning set forth in Section 10.06(c).

“Registered Public Accounting Firm” has the meaning specified by the Securities Laws and shall be independent of the Borrower as prescribed by the Securities Laws.

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

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

“Required Lenders” means, as of any date of determination, Lenders holding in the aggregate more than 50% of the Total Outstandings; provided that the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

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

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

“Sarbanes-Oxley” means the Sarbanes-Oxley Act of 2002.

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

“Securities Laws” means the Securities Act of 1933, the Securities Exchange Act of 1934, Sarbanes-Oxley and the applicable accounting and auditing principles, rules, standards and practices promulgated, approved or incorporated by the SEC or the PCOAB.

“SPC” has the meaning specified in Section 10.06(h).

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

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward interest or exchange rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond

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

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

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

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

"Target" means Tegrant Holding Corporation, a Delaware corporation and its Subsidiaries.

"Tegrant Acquisition" means the Borrower's acquisition of the Target.

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

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

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

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

"Type" means with respect to a Loan, its character as a Base Rate Loan or a Eurodollar

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

1.02 Other Interpretive Provisions.

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

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

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

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

1.03 Accounting Terms.

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

otherwise specifically prescribed herein.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP; provided, further, that, for purposes of Sections 7.07 and 7.08, (i) the effect of any changes to GAAP shall be eliminated without the need for an amendment as referenced above, and such calculations shall continue to be computed in accordance with GAAP prior to such change therein and (ii) non-cash asset impairment and goodwill charges shall be excluded.

1.04 Rounding.

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

1.05 Times of Day.

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

ARTICLE II. THE COMMITMENTS AND BORROWINGS

2.01 Term Loan.

Subject to the terms and conditions set forth herein, each Lender severally agrees to make its portion of a term loan (the “Term Loan”) to the Borrower in Dollars on the Closing Date in an amount not to exceed such Lender’s Commitment. Amounts repaid on the Term Loan may not be reborrowed. The Term Loan may consist of Base Rate Loans or Eurodollar Rate Loans, as further provided herein; provided, however, subject to Section 2.02(a), all Borrowings made on the Closing Date shall be made as Base Rate Loans.

2.02 Borrowings, Conversions and Continuations of Loans.

(a) Each Borrowing, each conversion of Loans from one Type to the other, and each

continuation of Eurodollar Rate Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by telephone (provided that such telephonic notice complies with the information requirements of the form of Loan Notice attached hereto as Exhibit A). Each such notice must be received by the Administrative Agent not later than 1:00 p.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Loans, and (ii) on the requested date of any Borrowing of Base Rate Loans. Not later than 11:00 a.m., three Business Days before the requested date of such Borrowing, conversion or continuation, the Administrative Agent shall notify the Borrower (which notice may be by telephone) whether or not the requested Interest Period has been consented to by all the Lenders. Each telephonic notice by the Borrower pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof. Each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof. Each Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Loan in a Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. Notwithstanding the foregoing, all Borrowings made on the Closing Date shall be made as Base Rate Loans unless the Administrative Agent shall have received an appropriate funding indemnity letter executed by the Borrower and reasonably acceptable to the Administrative Agent at least three (3) Business Days prior to the Closing Date.

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

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

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

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

2.03 [Reserved].

2.04 [Reserved].

2.05 Prepayments.

The Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay the Term Loan in whole or in part without premium or penalty; provided that (i) such notice must be received by the Administrative Agent not later than 1:00 p.m. (A) three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (B) on the date of prepayment of Base Rate Loans; (ii) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof; (iii) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding; and (iv) any prepayment of the Term Loan shall be applied to the remaining principal amortization payments in inverse order of maturity. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Loans. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Subject to Section 2.16, each such prepayment shall be applied to the Loans of the Lenders in accordance with their respective Applicable Percentages.

2.06 [Reserved].

2.07 Repayment of Loans.

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

(b) The Borrower shall repay the outstanding principal amount of the Term Loan in installments on the dates and in the amounts set forth in the table below (as such installments may hereafter be adjusted as a result of prepayments made pursuant to Section 2.05), unless accelerated sooner pursuant to Section 8.02:

Payment Dates	Principal Amortization Payment
March 31, 2012	\$3,750,000
June 30, 2012	\$3,750,000
September 30, 2012	\$3,750,000
December 31, 2012	\$3,750,000
March 31, 2013	\$3,750,000
June 30, 2013	\$3,750,000
September 30, 2013	\$3,750,000
December 31, 2013	\$3,750,000
March 31, 2014	\$3,750,000
June 30, 2014	\$3,750,000
September 30, 2014	\$3,750,000
Maturity Date	Unpaid principal balance of Term Loan

2.08 Interest.

(a) Subject to the provisions of subsection (b) below, (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate.

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

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

permitted by applicable Laws.

(iii) Upon the request of the Required Lenders, while any Event of Default exists, the Borrower shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

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

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

2.09 Fees.

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

2.10 Computation of Interest and Fees.

All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the Eurodollar Rate) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid; provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.11 Evidence of Debt.

The Loans made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Loans made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the

accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

2.12 Payments Generally; Administrative Agent's Clawback.

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

(b) (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing of Eurodollar Rate Loans (or, in the case of any Borrowing of Base Rate Loans, prior to 12:00 noon on the date of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 (or, in the case of a Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable

Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

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

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

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Borrowing set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

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

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

2.13 Sharing of Payments by Lenders.

If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Loans made by it greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall

(a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; provided that:

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

(ii) the provisions of this Section 2.13 shall not be construed to apply to (x) any payment made by or on behalf of the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender) or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than an assignment to the Borrower or any Subsidiary thereof (as to which the provisions of this Section 2.13 shall apply).

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

2.14 Incremental Term Loans.

(a) Request for Increase. Provided there exists no Default, upon notice to the Administrative Agent (who shall promptly notify the Lenders), the Borrower may from time to time prior to the date that is ninety (90) days prior to the Maturity Date, request an increase in the Term Loan by an amount (for all such requests) not exceeding \$100,000,000; provided that (i) any such request for an increase shall be in a minimum amount of \$10,000,000 (and in integral multiples of \$5,000,000 in excess thereof, (ii) the Borrower may make a maximum of three such requests, (iii) the maturity date for such new Loans will not be earlier than the Maturity Date, (iv) the weighted average life to maturity of the new Loans will not be shorter than the weighted average life to maturity of the existing Loans and (v) the new Loans will bear interest in accordance with the terms of Section 2.08. At the time of sending such notice, the Borrower (in consultation with the Administrative Agent) shall specify the time period within which each Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the Lenders).

(b) Lender Elections to Increase. Each Lender shall notify the Administrative Agent within such time period whether or not it agrees to increase its Loans and, if so, whether by an amount equal to, greater than, or less than its ratable portion (based on such Lender's Applicable Percentage in respect of the Loans) of such requested increase. Any Lender not responding within such time period shall be deemed to have declined to increase its Loans.

(c) Notification by Administrative Agent; Additional Lenders. The Administrative Agent shall notify the Borrower and each Lender of the Lenders' responses to each request made hereunder. To achieve the full amount of a requested increase, and subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld), the Borrower may also invite additional Eligible Assignees to become Lenders pursuant to a joinder agreement in form and substance satisfactory to the Administrative Agent and its counsel.

(d) Effective Date and Allocations. If the Loans are increased in accordance with this Section 2.14, the Administrative Agent and the Borrower shall determine the effective date (the "Increase Effective Date") and the final allocation of such increase. The Administrative Agent shall promptly notify the Borrower and the Lenders of the final allocation of such increase and the Increase Effective Date. As of the Increase Effective Date, the amortization schedule for the Loans set forth in Section 2.07(b) shall be amended to increase the then-remaining unpaid installments of principal by an aggregate amount equal to the additional Loans being made on such date, such aggregate amount to be applied to increase such installments ratably in accordance with the amounts in effect immediately prior to the Increase Effective Date. Such amendment may be signed by the Administrative Agent on behalf of the Lenders.

(e) Conditions to Effectiveness of Increase. As a condition precedent to such increase, the Borrower shall deliver to the Administrative Agent a certificate of the Borrower dated as of the Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of the Borrower (i) certifying and attaching the resolutions adopted by the Borrower approving or consenting to such increase, (ii) certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in Article V and the other Loan Documents are true and correct on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Section 2.14, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01, (B) no Default or Event of Default exists, and (C) the Borrower is in compliance with the covenants set forth in Sections 7.07 and 7.08 on a pro forma basis and (iii) reaffirming and ratifying this Agreement and the other Loan documents and acknowledging and reaffirming that, after giving effect to such increase, the Borrower is bound by all terms of this Agreement and the other Loan Documents. If the increase is being provided by a new Lender, the Borrower shall execute and deliver a Note in favor of such new Lender if so requested by such Lender. The Borrower shall prepay any Loans outstanding as of the Increase Effective Date (and pay any additional amounts required by Section 3.05) to the extent necessary to keep the outstanding Loans ratably with any revised Applicable Percentages arising from any nonratable increase in the Term Loan under this Section 2.14. The additional Loans shall be made by the Lenders participating therein pursuant to the procedures set forth in Section 2.02.

(f) Conflicting Provisions. This Section 2.14 shall supersede any provisions in Section 2.13 or 10.01 to the contrary.

2.15 [Reserved].

2.16 Defaulting Lenders.

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable Law:

(i) Waivers and Amendments. That Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in Section 10.01.

(ii) Reallocation of Payments. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of that Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise, and including any amounts made available to the Administrative Agent by that Defaulting Lender pursuant to Section 10.08), shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by that Defaulting Lender to the Administrative Agent hereunder; *second*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which that Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *third*, if so determined by the Administrative Agent and the Borrower, to be held in a non-interest bearing deposit account and released in order to satisfy obligations of that Defaulting Lender to fund Loans under this Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender, against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; and *sixth*, to that Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans in respect of which that Defaulting Lender has not fully funded its appropriate share and (y) such Loans were made at a time when the conditions set forth in Sections 4.01(d) and (e) were satisfied or waived, such payment shall be applied solely to pay the Loans of all non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of that Defaulting Lender. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this Section 2.16(a)(ii) shall be deemed paid to and redirected by that Defaulting Lender, and each Lender irrevocably consents hereto.

(b) Defaulting Lender Cure. If the Borrower and the Administrative Agent agree in writing in their sole discretion that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase that portion of outstanding Loans of the other

Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held on a pro rata basis by the Lenders in accordance with their Applicable Percentages, whereupon that Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

ARTICLE III. TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

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

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

(c) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent and each Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

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

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

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

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

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

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

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

(f) Treatment of Certain Refunds. If the Administrative Agent or any Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 3.01, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 3.01 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental

Authority with respect to such refund); provided that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

3.02 Illegality.

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

3.03 Inability to Determine Rates.

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

3.04 Increased Costs; Reserves on Eurodollar Rate Loans.

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

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

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

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

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

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

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section 3.04 and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section 3.04 shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section 3.04

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

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

3.05 Funding Losses.

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

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

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

(c) any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 10.13;

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

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

3.06 Mitigation Obligations; Replacement of Lenders.

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

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

3.07 Survival.

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

ARTICLE IV. CONDITIONS PRECEDENT TO BORROWINGS

4.01 Conditions to Effectiveness.

The occurrence of the Closing Date and the effectiveness of this Agreement are subject to satisfaction of the following conditions precedent:

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

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

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

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of the Borrower as the Administrative

Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which the Borrower is a party;

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

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

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

(vii) a certificate signed by a Responsible Officer of the Borrower certifying (A) that the conditions specified in Sections 4.01(d) and (e) have been satisfied, (B) that there has been no event or circumstance since the date of the Audited Financial Statements through the Closing Date that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect; and (C) the current Debt Ratings; and

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

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

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

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

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

(f) The Closing Date shall have occurred on or before December 8, 2011.

(g) The Administrative Agent shall have received a Loan Notice in accordance with the requirements hereof.

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

ARTICLE V. REPRESENTATIONS AND WARRANTIES

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

5.01 Existence, Qualification and Power; Compliance with Laws.

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

5.02 Authorization; No Contravention.

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

5.03 Governmental Authorization; Other Consents.

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

5.04 Binding Effect.

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

5.05 Financial Statements; No Internal Control Event.

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

(b) From the date of the Audited Financial Statements through the Closing Date, no Consolidated Party has incurred any material Off-Balance Sheet Liabilities.

(c) To the best knowledge of the Borrower, no Internal Control Event exists or has occurred since the date of the Audited Financial Statements through the Closing Date.

5.06 Litigation.

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

5.07 No Default.

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

5.08 Ownership of Property; Liens.

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

5.09 Environmental Compliance.

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

5.10 Insurance.

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

5.11 Taxes.

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

5.12 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state laws. Each Pension Plan that is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service to the effect that the form of such Plan is qualified under Section 401(a) of the Code and the trust related thereto has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) of the Code, or an application for such a letter is currently being processed by the Internal Revenue Service. To the best knowledge of the Borrower, nothing has occurred that would prevent or cause the loss of such tax-qualified status.

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

(c) (i) No ERISA Event has occurred, and neither the Borrower nor any ERISA Affiliate is aware of any fact, event or circumstance that could reasonably be expected to constitute or result in an ERISA Event with respect to any Pension Plan; (ii) the Borrower and each ERISA Affiliate has met all applicable requirements under the Pension Funding Rules in respect of each Pension Plan, and no waiver of the minimum funding standards under the Pension Funding Rules has been applied for or obtained; (iii) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is 60% or higher and neither the Borrower nor any ERISA Affiliate knows of any facts or circumstances that could reasonably be expected to cause the funding target attainment percentage for any such plan to drop below 60% as of the most recent valuation date; (iv) neither the Borrower nor any ERISA Affiliate has incurred any liability to the PBGC other than for the payment of premiums, and there are no premium payments which have become due that are unpaid; (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or Section 4212(c) of ERISA; and (vi) no Pension Plan has been terminated by the plan administrator thereof nor by the PBGC, and no event or circumstance has occurred or exists that could reasonably be expected to cause the PBGC to institute proceedings under Title IV of ERISA to terminate any Pension Plan; except in each case referred to above, to the extent that such occurrence could not reasonably be expected to have a Material Adverse Effect.

(d) Neither the Borrower or any ERISA Affiliate maintains or contributes to, or has any unsatisfied obligation to contribute to, or liability under, any active or terminated Pension Plan other than (A) on the Closing Date, those listed on Schedule 5.12(d) hereto and (B) thereafter, Pension Plans not otherwise prohibited by this Agreement.

5.13 Subsidiaries.

As of the Closing Date, except as set forth on Schedule 5.13, the Borrower has no material equity investments in any Subsidiary or other corporation or entity other than those specifically disclosed in Exhibit 21 to Borrower's Annual Report on Form 10-K for the year ended December 31, 2010.

5.14 Margin Regulations; Investment Company Act.

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

(b) None of the Borrower, any Person Controlling the Borrower, or any Subsidiary is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

5.15 Disclosure.

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

5.16 Compliance with Laws.

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

5.17 Intellectual Property; Licenses, Etc.

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

5.18 Taxpayer Identification Number.

The Borrower's true and correct U.S. taxpayer identification number is set forth on Schedule 10.02.

ARTICLE VI.
AFFIRMATIVE COVENANTS

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

6.01 Financial Statements.

Deliver to the Administrative Agent, which in turn will make them available to the Lenders, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) as soon as available, but in any event within the earlier of (i) the 90th day after the end of each fiscal year of the Borrower and (ii) the day that is three (3) Business Days after the date the Borrower's annual report on Form 10-K is required to be filed with the SEC (commencing with the fiscal year ending December 31, 2011), a consolidated balance sheet of the Consolidated Parties as at the end of such fiscal year, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by (i) a report and opinion of PricewaterhouseCoopers LLP or another independent certified public accountant of nationally recognized standing reasonably acceptable to the Required Lenders, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification, exception, assumption or explanatory language or any qualification, exception, assumption or explanatory language as to the scope of such audit or with respect to the absence of any material misstatement and (ii) an opinion of such Registered Public Accounting Firm independently assessing the Borrower's internal controls over financial reporting in accordance with Item 308 of SEC Regulation S-K, PCAOB Auditing Standard No. 2, and Section 404 of Sarbanes-Oxley expressing a conclusion that contains no statement that there is a material weakness in such internal controls, except for such material weaknesses that have been (x) disclosed to the Administrative Agent, who in turn discloses such material weaknesses to the Lenders, and (y) remedied or otherwise diligently addressed (or is in the process of being diligently addressed) by the Borrower in accordance with recommendations made by the Borrower's auditors in consultation with the Borrower.

(b) as soon as available, but in any event within the earlier of (i) the 45th day after the end of each of the first three fiscal quarters of each fiscal year of the Borrower and (ii) the day that is three (3) Business Days after the date the Borrower's quarterly report on Form 10-Q is required to be filed with the SEC (commencing with the fiscal quarter ending on or about December 31, 2011), a consolidated balance sheet of the Consolidated Parties as at the end of such fiscal quarter, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal quarter and for the portion of the Borrower's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of the Borrower as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to

normal year-end audit adjustments and the absence of footnotes.

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

6.02 Certificates; Other Information.

Deliver to the Administrative Agent, which in turn will make them available to the Lenders, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

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

(b) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of the Borrower (which delivery may, unless the Administrative Agent, or a Lender requests executed originals, be by electronic communication including fax or email and shall be deemed to be an original authentic counterpart thereof for all purposes);

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

(d) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Borrower, and copies of all annual, regular, periodic and special reports and registration statements which the Borrower may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Administrative Agent pursuant hereto; and

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

Documents required to be delivered pursuant to Section 6.01(a) or (b) or Section 6.02(d) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Borrower's behalf on IntraLinks/IntraAgency or another

relevant website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender upon its request to the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. The Administrative Agent shall have no obligation to request the delivery of or to maintain paper copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request by a Lender for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arranger will make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, “Borrower Materials”) by posting the Borrower Materials on IntraLinks or another similar electronic system (the “Platform”) and (b) certain of the Lenders (each, a “Public Lender”) may have personnel who do not wish to receive material non-public information with respect to the Borrower or its Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons’ securities. The Borrower hereby agrees that so long as the Borrower is the issuer of any outstanding debt or equity securities that are registered or issued pursuant to a private offering or is actively contemplating issuing any such securities (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked “PUBLIC” which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof; (x) by marking Borrower Materials “PUBLIC,” the Borrower shall be deemed to have authorized the Administrative Agent, the Arranger and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 10.07); (y) all Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated “Public Side Information;” and (z) the Administrative Agent and the Arranger shall be entitled to treat any Borrower Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform that is not designated “Public Side Information.” Notwithstanding the foregoing, the Borrower shall be under no obligation to mark any Borrower Materials “PUBLIC.”

6.03 Notices.

Promptly notify the Administrative Agent, which in turn will notify the Lenders:

(a) of the occurrence of any Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a

Contractual Obligation of the Borrower or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Borrower or any Subsidiary and any Governmental Authority; (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any Subsidiary, including pursuant to any applicable Environmental Laws; or (iv) the occurrence of any ERISA Event;

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

(d) of the determination by the Registered Public Accounting Firm providing the opinion required under Section 6.01(a)(ii) (in connection with its preparation of such opinion) or the Borrower's determination at any time of the occurrence or existence of any Internal Control Event; and

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

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

6.04 Payment of Obligations.

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

6.05 Preservation of Existence, Etc.

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

6.06 Maintenance of Properties.

(a) Maintain, preserve and protect all of its material properties and equipment necessary

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

6.07 Maintenance of Insurance.

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

6.08 Compliance with Laws.

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

6.09 Books and Records.

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

6.10 Inspection Rights.

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

6.11 Use of Proceeds.

Use the proceeds of the Loans (i) to pay a portion of the consideration for the Tegrant Acquisition and (ii) for general corporate purposes, in each case not in contravention of any Law or of any Loan Document.

6.12 Tegrant Acquisition.

Consummate the Tegrant Acquisition in compliance with applicable law and regulatory approvals within 10 days following the Closing Date.

ARTICLE VII. NEGATIVE COVENANTS

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

7.01 Liens.

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

- (a) Liens on any assets of the Borrower or any Subsidiaries existing on the date hereof and set forth on Schedule 7.01;
- (b) Liens on any assets of any corporation existing at the time such corporation becomes a Domestic Subsidiary (and not incurred in contemplation thereof);
- (c) Liens on any assets existing at the time of acquisition of such assets by the Borrower or a Domestic Subsidiary, or Liens to secure the payment of all or any part of the purchase price of such assets upon the acquisition of such assets by the Borrower or a Domestic Subsidiary or to secure any Indebtedness incurred, assumed or guaranteed by the Borrower or a Domestic Subsidiary prior to, at the time of, or within 180 days after such acquisition (or in the case of real property, the completion of construction (including any improvements on an existing asset) or commencement of full operation of such asset, whichever is later) which Indebtedness is incurred, assumed or guaranteed for the purpose of financing all or any part of the purchase price thereof or, in the case of real property, construction or improvements thereon; provided, however, that in the case of any such acquisition, construction or improvement, the Lien shall not apply to any assets theretofore owned by the Borrower or a Domestic Subsidiary, other than, in the case of any such construction or improvement, any real property on which the property so constructed, or the improvement, is located;
- (d) Liens on any assets to secure Indebtedness of a Subsidiary to the Borrower or to any wholly owned Domestic Subsidiary;
- (e) Liens on any assets of a corporation existing at the time such corporation is merged into or consolidated with the Borrower or a Domestic Subsidiary or at the time of a purchase, lease or other acquisition of the assets of a corporation or firm as an entirety or

substantially as an entirety by the Borrower or a Domestic Subsidiary (and not incurred in contemplation thereof);

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

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

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

(i) Liens on cash deposits in connection with notional pooling arrangements of the Borrower in an amount not to exceed the amount of Indebtedness incurred by the Borrower pursuant to such notional pooling arrangements; and

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

7.02 Indebtedness.

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

(a) Indebtedness of the Subsidiaries existing as of the Closing Date as referenced in the financial statements referred to in Section 5.05 and renewals, refinancings or extensions thereof in a principal amount not in excess of that outstanding as of the date of such renewal, refinancing or extension;

(b) Indebtedness of the Subsidiaries incurred after the Closing Date consisting of capital leases or Indebtedness incurred to provide all or a portion of the purchase price or cost of construction of an asset provided that (i) such Indebtedness when incurred shall not exceed the

purchase price or cost of construction of such asset; (ii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing; and (iii) the total amount of all such Indebtedness shall not exceed \$50,000,000 at any time outstanding;

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

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

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

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

(g) other non-acquisition-related Indebtedness of the Subsidiaries which does not exceed 5% of Total Assets in the aggregate at any time outstanding (it being understood that delivery of a Compliance Certificate shall only be required as of each fiscal quarter end of the Borrower pursuant to Section 6.02(b)).

7.03 Fundamental Changes.

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

7.04 Dispositions.

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

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

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

7.05 Transactions with Affiliates.

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

7.06 Use of Proceeds.

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

7.07 Minimum Book Net Worth.

Permit Book Net Worth to be less than \$1,488,255,000 (which represents approximately 85% of Book Net Worth as of June 27, 2010) as of the last day of any fiscal quarter (commencing with the fiscal quarter ending on or about December 31, 2011); provided, however, (i) such amount shall be increased at the end of each fiscal quarter (commencing with the fiscal quarter ending September 26, 2010) by an amount equal to 25% of the Borrower's and its Subsidiaries' net income for the fiscal quarter then ending (computed on a consolidated basis in accordance with GAAP and with no deduction for a net loss in any such fiscal quarter), such increases to be cumulative; and (ii) such amount shall be decreased Dollar for Dollar by the aggregate cumulative amount of all payments made by the Borrower on and after the Closing Date for the redemption, retirement or other repurchase of any shares of the capital stock of the Borrower so long as the Borrower's Debt Rating is BBB+ or higher by S&P or Baal or higher by Moody's at the time of such payments. With respect to clause (ii) of the proviso in the immediately preceding sentence, if, as a result of the payments made by the Borrower for such redemption, retirement or other repurchase of any shares of the capital stock of the Borrower, the Debt Rating of the Borrower is lowered by either S&P or Moody's below the applicable level set forth in the preceding sentence within forty-five (45) days of the last of such payments, then any reduction in the minimum Book Net Worth amount previously made pursuant to clause (ii) of this Section 7.07 in connection with such payments shall be reversed.

7.08 Minimum Consolidated Interest Coverage Ratio.

Permit the Consolidated Interest Coverage Ratio as of the end of any fiscal quarter of the Borrower to be less than 3.25 to 1.00.

ARTICLE VIII. EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default.

Any of the following shall constitute an Event of Default:

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

(b) Specific Covenants. The Borrower fails to perform or observe any term, covenant or agreement contained in any of Sections 6.03, 6.11, 6.12, 7.02, 7.07 or 7.08; or

(c) Other Defaults. The Borrower fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days after written notice thereof being received from the Administrative Agent or any Lender; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) Cross-Default. (i) There shall exist an Event of Default (as defined in the Existing Credit Agreement) or (ii) the Borrower or any Subsidiary fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount, and such failure shall continue for more than the period of grace, if any, applicable thereto and shall not have been waived; provided, however, the occurrence of any of the foregoing events with respect to any Subsidiary of the Borrower shall not constitute an Event of Default unless such occurrence could reasonably be expected to have a Material Adverse Effect; or

(f) Insolvency Proceedings, Etc. The Borrower or any of its Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an

assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; provided, however, the occurrence of any of the foregoing events with respect to any Subsidiary of the Borrower shall not constitute an Event of Default unless such occurrence could reasonably be expected to have a Material Adverse Effect; or

(g) Inability to Pay Debts; Attachment. (i) The Borrower or any Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 30 days after its issue or levy; provided, however, the occurrence of any of the foregoing events with respect to any Subsidiary of the Borrower shall not constitute an Event of Default unless such occurrence could reasonably be expected to have a Material Adverse Effect; or

(h) Judgments. There is entered against the Borrower or any Subsidiary (i) a final judgment or order for the payment of money in an aggregate amount exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 60 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; provided, however, the occurrence of any of the foregoing events with respect to any Subsidiary of the Borrower shall not constitute an Event of Default unless such occurrence could reasonably be expected to have a Material Adverse Effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(j) Invalidity of Loan Documents. Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or the Borrower or any other Person acting by or on behalf of the Borrower contests in any manner the validity or enforceability of any Loan Document; or the Borrower denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or

rescind any Loan Document; or

(k) Change of Control. There occurs any Change of Control with respect to the Borrower.

8.02 Remedies Upon Event of Default.

If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(b) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Administrative Agent or any Lender.

8.03 Application of Funds.

After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable), any amounts received on account of the Obligations, subject to the provisions of Section 2.16, shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including fees, charges and disbursements of counsel to the respective Lenders and amounts payable under Article III), ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and other Obligations, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the

Loans and Swap Contracts between the Borrower and any Lender or Affiliate of any Lender, ratably among the Lenders in proportion to the respective amounts described in this clause Fourth held by them; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

ARTICLE IX.

ADMINISTRATIVE AGENT

9.01 Appointment and Authority.

Each of the Lenders hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article IX are solely for the benefit of the Administrative Agent and the Lenders, and the Borrower shall not have rights as a third party beneficiary of any of such provisions.

9.02 Rights as a Lender.

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

9.03 Exculpatory Provisions.

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

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

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

expressly provided for herein or in the other Loan Documents); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

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

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower or a Lender.

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

9.04 Reliance by Administrative Agent.

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

9.05 Delegation of Duties.

The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article IX shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

9.06 Resignation of Administrative Agent.

The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this Section 9.06. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section 9.06). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article IX and Section 10.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

9.07 Non-Reliance on Administrative Agent and Other Lenders.

Each Lender acknowledges that it has, independently and without reliance upon the

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

9.08 No Other Duties, Etc.

Anything herein to the contrary notwithstanding, neither of the Book Manager nor the Joint Lead Arrangers listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in their capacity, as applicable, as the Administrative Agent and a Lender hereunder.

9.09 Administrative Agent May File Proofs of Claim.

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

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.09 and 10.04) allowed in such judicial proceeding; and

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

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 10.04.

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

ARTICLE X.
MISCELLANEOUS

10.01 Amendments, Etc.

No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

- (a) waive any condition set forth in Section 4.01(a) without the written consent of each Lender;
 - (b) except pursuant to Section 2.14, extend or increase the Loans of any Lender without the written consent of such Lender;
 - (c) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) or any mandatory reduction of the Term Loan hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;
 - (d) reduce the principal of, or the rate of interest specified herein on, any Loan, or (subject to clause (iii) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary to amend the definition of “Default Rate” or to waive any obligation of the Borrower to pay interest at the Default Rate;
 - (e) change Section 2.13 or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;
 - (f) change any provision of this Section 10.01 or the definition of “Required Lenders” or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; or
 - (g) modify the pro rata distribution of payments, proceeds, or fees payable to Lenders under this Agreement without the written consent of each Lender;
- and; provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (ii) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting

Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Loans of any Defaulting Lender may not be increased or extended without the consent of such Lender, (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender and (z) Section 2.13 and Section 8.03 may not be changed in a manner that would alter the pro rata sharing of payments required thereby, in each case without the consent of such Lender.

10.02 Notices; Effectiveness; Electronic Communication.

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

(i) if to the Borrower or the Administrative Agent, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire (including, as appropriate, notices delivered solely to the Person designated by a Lender on its Administrative Questionnaire then in effect for the delivery of notices that may contain material non-public information relating to the Borrower.

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

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

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

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of the Borrower and the Administrative Agent may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower and the Administrative Agent. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to the Borrower or its securities for purposes of United States Federal or state securities laws.

delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section 10.04, or (B) in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available (A) to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower against an Indemnitee for breach in bad faith of such Indemnitee’s obligations hereunder or under any other Loan Document, if the Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction and (B) with respect to a dispute among two or more Indemnitees which does not arise as a result of the action or inaction of the Borrower.

(c) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section 10.04 to be paid by it to the Administrative Agent (or any sub-agent thereof) or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender’s Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) in its capacity as such, or against any

Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction. Nothing contained in this Section 10.04 shall be deemed to restrict the Borrower's right to pursue any and all legal remedies available to the Borrower for breach of any representation, covenant, warranty or other agreement set forth in any Loan Document.

(e) Payments. All amounts due under this Section 10.04 shall be payable not later than ten Business Days after demand therefor.

(f) Survival. The agreements in this Section 10.04 shall survive the resignation of the Administrative Agent, the replacement of any Lender and the repayment, satisfaction or discharge of all the other Obligations.

10.05 Payments Set Aside.

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

10.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section 10.06, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section 10.06, (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section 10.06, or (iv) to an SPC in accordance with the provisions of subsection (h) of this Section 10.06 (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section 10.06 and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Loans or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section 10.06, the outstanding principal balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met;

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations

under this Agreement with respect to the Loans assigned;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section 10.06 and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent with five (5) Business Days after having received notice thereof;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of any Loan if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender; and

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount, if any, required as set forth in Schedule 10.06; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Certain Persons. No such assignment shall be made (A) to the Borrower or any of the Borrower's Affiliates or Subsidiaries or (B) to any Defaulting Lender or any of its Subsidiaries, or any Person, who upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B) or (C) to a natural person.

(vi) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent or any Lender hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Loans in accordance with its Applicable Percentage. Notwithstanding the foregoing, in the event that any assignment of rights

and obligations of any Defaulting Lender hereunder shall become effective under applicable Law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section 10.06, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, 10.04 and 10.05 with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section 10.06.

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

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person, a Defaulting Lender or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such

agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that directly affects such Participant. Subject to subsection (e) of this Section 10.06, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section 10.06. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.09 as though it were a Lender; provided such Participant agrees to be subject to Section 2.13 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 10.15 as though it were a Lender.

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

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

(h) Special Purpose Funding Vehicles. Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower (an "SPC") the option to provide all or any part of any Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof or, if it fails to do so, to make such payment to the Administrative Agent as is required under Section 2.13(b)(ii). Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including its obligations under Section 3.04), (ii) no SPC shall be liable for any indemnity or similar payment

obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding under the laws of the United States or any State thereof. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Borrower and the Administrative Agent and with the payment of a processing fee in the amount of \$2,500 (unless waived by the Administrative Agent), assign all or any portion of its right to receive payment with respect to any Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Loans to any rating agency, commercial paper dealer or provider of any surety or Guarantee or credit or liquidity enhancement to such SPC.

10.07 Treatment of Certain Information; Confidentiality.

Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, trustees, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 10.07, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.07 or (y) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower.

For purposes of this Section 10.07, "Information" means all information received from the Borrower or any Subsidiary relating to the Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary; provided that, in the case of information received from the Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 10.07 shall be considered to have complied with its obligation to do so if such

Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

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

10.08 Right of Setoff.

If an Event of Default shall have occurred and be continuing, each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower may be contingent or unmatured or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness; provided, that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.16 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender and their respective Affiliates under this Section 10.08 are in addition to other rights and remedies (including other rights of setoff) that such Lender or its respective Affiliates may have. Each Lender agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.09 Interest Rate Limitation.

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

amount of interest throughout the contemplated term of the Obligations hereunder.

10.10 Counterparts; Integration; Effectiveness.

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

10.11 Survival of Representations and Warranties.

All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Borrowing, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

10.12 Severability.

If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Without limiting the foregoing provisions of this Section 10.12, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Lenders shall be limited by Debtor Relief Laws, as determined in good faith by the Administrative Agent, then such provisions shall be deemed to be in effect only to the extent not so limited.

10.13 Replacement of Lenders.

If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender is a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require

such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06 all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that:

(a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 10.06(b);

(b) such Lender shall have received payment of an amount equal to 100% of the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

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

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

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

10.14 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

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

HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION 10.14. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

10.15 Waiver of Jury Trial.

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OF ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.15.

10.16 USA PATRIOT Act Notice.

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

10.17 No Advisory or Fiduciary Responsibility.

In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent, the Lenders and the Arrangers are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Administrative Agent, the Lenders and the Arrangers, on the other hand, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate and (C) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent, each Lender and each Arranger is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary, for the Borrower or any of its Affiliates, stockholders, creditors or employees or any other Person and (B) neither the Administrative Agent nor any Lender or the Arrangers has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent, the Lenders and the Arrangers and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor any Lender or the Arrangers has any obligation to disclose such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases any claims that it may have against the Administrative Agent or any Lender or Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

[The remainder of this page is intentionally left blank.]

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

SONOCO PRODUCTS COMPANY

By: /s/ RITCHIE L. BOWD
Name: RITCHIE L. BOWD
Title: TREASURER

SONOCO PRODUCTS COMPANY
TERM LOAN AGREEMENT

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

By: /s/ Joan Mok
Name: Joan Mok
Title: Vice President

SONOCO PRODUCTS COMPANY
TERM LOAN AGREEMENT

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

By: /s/ Mike Delaney
Name: Mike Delaney
Title: Director

SONOCO PRODUCTS COMPANY
TERM LOAN AGREEMENT

JPMORGAN CHASE BANK, N.A.,
as a Lender

By: /s/ Gitanjali Pundir
Name: Gitanjali Pundir
Title: Vice President

SONOCO PRODUCTS COMPANY
TERM LOAN AGREEMENT

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**, as a Lender

By: /s/ Andrew G. Payne

Name: Andrew G. Payne

Title: Director

SONOCO PRODUCTS COMPANY
TERM LOAN AGREEMENT

**COMMITMENTS AND
APPLICABLE PERCENTAGES**

Lender	Commitment	Commitment Percentage
Bank of America, N.A.	\$ 50,000,000.00	33.3333333333%
JPMorgan Chase Bank, N.A.	\$ 50,000,000.00	33.3333333333%
Wells Fargo Bank, National Association	\$ 50,000,000.00	33.3333333333%
Total	\$ 150,000,000.00	100.0000000000%

ERISA

Sonoco Pension Plan

Sonoco Pension Plan for Inactive Participants

PACE Industry Union-Management Pension Fund¹

¹ Sonoco was a former participating employer in the plan.

SUBSIDIARIES

None

EXISTING LIENS

None

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

SONOCO PRODUCTS COMPANY

One North Second Street
Hartsville, SC 29550
Attention: Ritchie L. Bond
Telephone: (843) 383-7368
Facsimile: (843) 383-7066
Electronic Mail: ritchie.bond@sonoco.com
Website Address: www.sonoco.com

ADMINISTRATIVE AGENT:

*Administrative Agent's Office
(for payments and Requests for Credit Extensions)*

Bank of America, N.A.
Building B, 2001 Clayton Road
CA4-702-02-25
Concord, California 94520
Attention: Kristine Kelleher
Telephone: (925) 675-8373
Facsimile: (888) 969-2414
Electronic Mail: Kristine.l.kelleher@baml.com
Bank of America, N.A.
New York, NY
Account No.: 3750836479
ABA #: 026009593
Ref: Sonoco Products Company

Other Notices to Administrative Agent:

Bank of America, N.A.
Agency Management
CA5-701-05-19
1455 Market Street
San Francisco, CA 94103
Attention: Joan Mok
Telephone: (415) 436-3496
Facsimile: (415) 503-5085
Electronic Mail: joan.mok@baml.com

PROCESSING AND RECORDATION FEES

The Administrative Agent will charge a processing and recordation fee (an “Assignment Fee”) in the amount of \$3,500 for each assignment; provided, however, that in the event of two or more concurrent assignments to members of the same Assignee Group (which may be effected by a suballocation of an assigned amount among members of such Assignee Group) or two or more concurrent assignments by members of the same Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group), the Assignment Fee will be \$3,500 plus the amount set forth below:

Transaction	Assignment Fee
First four concurrent assignments or suballocations to members of an Assignee Group (or from members of an Assignee Group, as applicable)	-0-
Each additional concurrent assignment or suballocation to a member of such Assignee Group (or from a member of such Assignee Group, as applicable)	\$ 500

FORM OF LOAN NOTICE

Date: _____, 201__

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

Ladies and Gentlemen:

Reference is made to that certain Term Loan Agreement, dated as of November 7, 2011 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the “Agreement,” the terms defined therein being used herein as therein defined), among SONOCO PRODUCTS COMPANY, a South Carolina corporation (the “Borrower”), the Lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent.

The undersigned hereby requests (select one):

- ☐ A Borrowing of Loans ☐ A conversion or continuation of Loans

1. On ____ (a Business Day).
2. In the amount of \$ ____.
3. Comprised of ____.
[Type of Loan requested]
4. For Eurodollar Rate Loans: with an Interest Period of ____ months.

SONOCO PRODUCTS COMPANY

By _____
Name _____
Title _____

[Reserved].

FORM OF NOTE

[____], 2011

FOR VALUE RECEIVED, the undersigned (the "Borrower") hereby promises to pay to _____ or registered assigns (the "Lender"), in accordance with the provisions of the Agreement (as hereinafter defined), the principal amount of each Loan from time to time made by the Lender to the Borrower under that certain Term Loan Agreement, dated as of November 7, 2011 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement," the terms defined therein being used herein as therein defined), among SONOCO PRODUCTS COMPANY, a South Carolina corporation (the "Borrower"), the Lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent.

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

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

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

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SONOCO PRODUCTS COMPANY

By: _____
Name: _____
Title: _____

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: _____, 201__

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

Ladies and Gentlemen:

Reference is made to that certain Term Loan Agreement, dated as of November 7, 2011 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement," the terms defined therein being used herein as therein defined), among SONOCO PRODUCTS COMPANY, a South Carolina corporation (the "Borrower"), the Lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent.

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the _____ of the Borrower, and that, as such, he/she is authorized to execute and deliver this Certificate to the Administrative Agent on behalf of the Borrower, and that:

*[Use following paragraph 1 for fiscal **year-end** financial statements]*

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 6.01(a) of the Agreement for the fiscal year of the Borrower ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

*[Use following paragraph 1 for fiscal **quarter-end** financial statements]*

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 6.01(b) of the Agreement for the fiscal quarter of the Borrower ended as of the above date. Such financial statements fairly present the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Borrower during the accounting period covered by the attached financial statements.

3. A review of the activities of the Borrower during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Borrower performed and observed all its Obligations under the Loan Documents, and

[select one:]

[to the best knowledge of the undersigned during such fiscal period, the Borrower performed and observed each covenant and condition of the Loan Documents applicable to it, and no Default has occurred and is continuing.]

—or—

[during such fiscal period the following covenants or conditions have not been performed or observed and the following is a list of each such Default and its nature and status:]

4. The representations and warranties of the Borrower contained in Article V of the Agreement, and any representations and warranties of the Borrower that are contained in any document furnished at any time under or in connection with the Loan Documents, are true and correct on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Compliance Certificate, the representations and warranties contained in subsection (a) of Section 5.05 of the Agreement shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01 of the Agreement, including the statements in connection with which this Compliance Certificate is delivered, subject to the absence of footnotes and to normal year-end audit adjustments.

5. The financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, 201__.

SONOCO PRODUCTS COMPANY

By _____
Name _____
Title _____

For the Quarter/Year ended _____ (“Statement Date”)

SCHEDULE 2

to the Compliance Certificate

(\$ in 000's)

FORM OF ASSIGNMENT AND ASSUMPTION

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

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

1. Assignor[s]: _____

¹ For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

² For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

³ Select as appropriate.

⁴ Include bracketed language if there are either multiple Assignors or multiple Assignees.

2. Assignee[s]: _____

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

3. Borrower: SONOCO PRODUCTS COMPANY

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

5. Term Loan Agreement: Term Loan Agreement, dated as of November 7, 2011, among SONOCO PRODUCTS COMPANY, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent.

6. Assigned Interest[s]:

Assignor[s] ⁵	Assignee[s] ⁶	Aggregate Amount of Loans for all Lenders ⁷	Amount of Loans Assigned	Percentage Assigned of Loans ⁸	CUSIP Number
		\$ _____	\$ _____	_____%	
		\$ _____	\$ _____	_____%	
		\$ _____	\$ _____	_____%	

[7. Trade Date: _____]⁹

Effective Date: _____, 201__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

⁵ List each Assignor, as appropriate.

⁶ List each Assignee, as appropriate.

⁷ Amounts in this column and in the column immediately to the right to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

⁸ Set forth, to at least 9 decimals, as a percentage of the Loans of all Lenders thereunder.

⁹ To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

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

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

[Consented to and]¹⁰ Accepted:

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

By: _____
Title:

[Consented to:]¹¹

By: _____
Title:

¹⁰ To be added only if the consent of the Administrative Agent is required by the terms of the Term Loan Agreement.

¹¹ To be added only if the consent of the Borrower and/or other parties is required by the terms of the Term Loan Agreement.

ANNEX 1 TO ASSIGNMENT AND ASSUMPTION

SONOCO PRODUCTS COMPANY

**STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION**

1. Representations and Warranties.

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

1.2. Assignee. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Term Loan Agreement, (ii) it meets all the requirements to be an assignee under Section 10.06(b)(iii) and (v) of the Term Loan Agreement (subject to such consents, if any, as may be required under Section 10.06(b)(iii) of the Term Loan Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Term Loan Agreement as a Lender thereunder and, to the extent of [the] [the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by [the] [such] Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire [the] [such] Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Term Loan Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the] [such] Assigned Interest, and (vii) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Term Loan Agreement, duly completed and executed by [the][such] Assignee; and (b) agrees that (i) it will, independently and without reliance upon the Administrative Agent, [the][any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

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

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

SONOCO PRODUCTS COMPANY
Computation of Ratio of Earnings to Fixed Charges
(Dollars in thousands)

	Years Ended December 31				
	2011	2010	2009	2008	2007
EARNINGS					
Pretax income	\$ 284,406	\$254,454	\$ 214,221	\$ 202,376	\$255,626
Add: Distributed income from affiliates	11,676	17,123	5,563	7,632	8,435
Add: Fixed charges	64,341	58,352	60,591	72,964	79,950
Amortization of capitalized interest	2,341	2,303	2,301	2,161	2,245
Total Earnings	362,764	332,232	282,676	285,133	346,256
Less: Capitalized interest	(3,113)	(3,817)	(2,899)	(1,917)	(2,916)
Adjusted Earnings	<u>\$359,651</u>	<u>\$328,415</u>	<u>\$ 279,777</u>	<u>\$283,216</u>	<u>\$ 343,340</u>
FIXED CHARGES					
Interest expense	\$ 41,832	\$ 37,413	\$ 40,992	\$ 53,401	\$ 61,440
Capitalized interest	3,113	3,817	2,899	1,917	2,916
Portion of rents representative of the interest factor	19,396	17,122	16,700	17,646	15,594
Total Fixed Charges	<u>\$ 64,341</u>	<u>\$ 58,352</u>	<u>\$ 60,591</u>	<u>\$ 72,964</u>	<u>\$ 79,950</u>
Ratio of Earnings to Fixed Charges	<u>5.59</u>	<u>5.63</u>	<u>4.62</u>	<u>3.88</u>	<u>4.29</u>

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES
SUBSIDIARIES OF THE REGISTRANT

1. Sonoco-Engraph Puerto Rico, Inc., a 100%-owned domestic subsidiary, incorporated in Delaware
2. Engraph Puerto Rico, Inc., a 100%-owned domestic subsidiary, incorporated in Delaware
3. Sonoco Flexible Packaging Co., Inc., a 100%-owned domestic subsidiary, incorporated in South Carolina
4. Gunther of America, Inc., a 100%-owned domestic subsidiary, incorporated in Delaware
5. Sonoco Development, Inc., a 100%-owned domestic subsidiary, incorporated in South Carolina
6. Sonoco Recycling, Inc., a 100%-owned domestic subsidiary, incorporated in North Carolina
7. Inspiral, LLC, a 100%-owned domestic subsidiary, incorporated in Delaware
8. Sonoco (SPG), Inc., a 100%-owned domestic subsidiary, incorporated in Wisconsin
9. Trident Graphics NA LLC, a 100%-owned domestic subsidiary, incorporated in North Carolina
10. Gunther U.S.A., Inc., a 100%-owned domestic subsidiary, incorporated in Tennessee
11. Sonoco Paperboard Group LLC, a 100%-owned domestic subsidiary, incorporated in South Carolina
12. Sebro Plastics, Inc., a 100%-owned domestic subsidiary, incorporated in Michigan
13. Convex Mold, Inc., a 100%-owned domestic subsidiary, incorporated in Michigan
14. Sonoco Crellin B.V., a 100%-owned foreign subsidiary, incorporated in the Netherlands
15. Southern Plug & Manufacturing, Inc., a 100%-owned domestic subsidiary, incorporated in Louisiana
16. Sonoco Partitions, Inc., a 100%-owned domestic subsidiary, incorporated in South Carolina
17. Industrial Machine Co., Inc., a 100%-owned domestic subsidiary, incorporated in Missouri
18. Sonoco Structural Fiber, LLC, a 95%-owned domestic subsidiary, incorporated in South Carolina
19. Polysack AS, Inc., a 100%-owned domestic subsidiary, incorporated in South Carolina
20. Georgia Paper Tube, Inc., a 100%-owned domestic subsidiary, incorporated in Georgia
21. Sonoco CorrFlex, LLC, a 100%-owned domestic subsidiary, incorporated in North Carolina
22. Sonoco CorrFlex D & P, LLC, a 100%-owned domestic subsidiary, incorporated in North Carolina
23. Sonoco CorrFlex Display and Packaging, LLC, a 100%-owned domestic subsidiary, incorporated in North Carolina
24. Sonoco Hutchinson, LLC, a 100%-owned domestic subsidiary, incorporated in Kansas
25. U.S. Paper Mills Corp., a 100%-owned domestic subsidiary, incorporated in Wisconsin
26. Hayes Manufacturing Group, Inc., a 100%-owned domestic subsidiary, incorporated in Wisconsin
27. Sonoco Phoenix, Inc., a 100%-owned domestic subsidiary, incorporated in Ohio
28. SPC Management, Inc., a 100%-owned domestic subsidiary, incorporated in Delaware
29. SPC Capital Management, Inc., a 100%-owned domestic subsidiary, incorporated in Delaware
30. SPC Resources, Inc., a 100%-owned domestic subsidiary, incorporated in Delaware
31. Sonoco International, LLC, a 100%-owned domestic subsidiary, incorporated in Delaware
32. Sonoco of Puerto Rico, a 100%-owned domestic subsidiary, incorporated in South Carolina
33. Sonoco Luxembourg S.a.r.l., a 100%-owned foreign subsidiary, incorporated in Luxembourg
34. Sonoco Netherlands Holding II BV, a 100%-owned foreign subsidiary, incorporated in the Netherlands
35. Sonoco Canada Corporation, a 100%-owned foreign subsidiary, incorporated in Canada
36. Wisenberg U.S., Inc., a 100%-owned domestic subsidiary, incorporated in South Carolina
37. Sonoco Flexible Packaging Canada Corporation, a 100%-owned foreign subsidiary, incorporated in Canada
38. 1190138 Ontario Inc, a 100%-owned foreign subsidiary, incorporated in Canada
39. S W Inc., a 100%-owned foreign subsidiary, incorporated in Canada
40. Sonoco Ventures UK Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
41. Sonoco Absorbent Technologies Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
42. Sonoco Holdings UK Limited, a 100%-owned domestic subsidiary, dually incorporated in Delaware and in the United Kingdom
43. Sonoco Milnrow, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
44. Sonoco Products Company UK, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
45. Sonoco Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
46. Sonoco Capsels Liners Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
47. TPT Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
48. Sonoco Polysack Limited, a 100%-owned domestic subsidiary, dually incorporated in South Carolina and in the United Kingdom
49. Sonoco Packaging Tapes Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
50. Sonoco Board Mills Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES
SUBSIDIARIES OF THE REGISTRANT

51. Sonoco UK Leasing Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
52. Sonoco Reels Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
53. Capseals Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
54. Sonoco Europe Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
55. Unit Reels & Drums Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
56. Grove Mill Paper Company Limited, a 99.9%-owned foreign subsidiary, incorporated in the United Kingdom
57. TPT Board Mills Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
58. Heathfield Reels Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
59. Capseals Liners Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
60. Cap Liners Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
61. Sonoco Packaging Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
62. Nathaniel Lloyd & Company Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
63. Corepak Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
64. Friarsgate Studio Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
65. Sonoco Consumer Products Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
66. Sonoco Iberia, S.L., a 100%-owned foreign subsidiary, incorporated in Spain
67. Sonoco Bonmati, S.A., a 100%-owned foreign subsidiary, incorporated in Spain
68. Sonoco Pina, S.A., a 100%-owned foreign subsidiary, incorporated in Spain
69. Sonoco Alcore Nederland B.V., a 100%-owned foreign subsidiary, incorporated in the Netherlands
70. Sonoco Alcore - Demolli S.r.l., a 100%-owned foreign subsidiary, incorporated in Italy
71. Sonoco Netherlands Holding I B.V., a 100%-owned foreign subsidiary, incorporated in the Netherlands
72. Sonoco-Alcore AS, a 100%-owned foreign subsidiary, incorporated in Norway
73. Sonoco Ambalaj Sanayi Ve Ticaret Anonim Sirketi, a 100%-owned foreign subsidiary, incorporated in Turkey
74. Sonoco-Alcore Spolka Z Ograniczona Odpowiedzialnoscia, a 100%-owned foreign subsidiary, incorporated in Poland
75. Sonoco International Holdings GmbH, a 100%-owned foreign subsidiary, incorporated in Switzerland
76. Sonoco Alcore NV, a 100%-owned foreign subsidiary, incorporated in Belgium
77. Sonoco International BVI, a 100%-owned foreign subsidiary, incorporated in the British Virgin Islands
78. Sonoco Paper Mill & IPD Hellas Sa, a 100%-owned foreign subsidiary, incorporated in Greece
79. Sonoco CPD Greece SA, a 100%-owned foreign subsidiary, incorporated in Greece
80. Sonoco SAS, a 100%-owned foreign subsidiary, incorporated in France
81. Tubetex NV, a 100%-owned foreign subsidiary, incorporated in Belgium
82. Sonoco Paper France S.A.S, a 100%-owned foreign subsidiary, incorporated in France
83. Sonoco Consumer Products SAS, a 100%-owned foreign subsidiary, incorporated in France
84. Sonoco Plastics Germany GmbH, a 100%-owned foreign subsidiary, incorporated in Germany
85. Sonoco Deutschland Holdings GmbH, a 100%-owned foreign subsidiary, incorporated in Germany
86. Sonoco Caprex Karton- und Papierverarbeitungen AG, a 100%-owned foreign subsidiary, incorporated in Switzerland
87. Sonoco Deutschland GmbH, a 100%-owned foreign subsidiary, incorporated in Germany
88. Sonoco Alcore GmbH, a 100%-owned foreign subsidiary, incorporated in Germany
89. Beteiligungen Sonoco Deutschland Vermögensverwaltungsgesellschaft mbh, a 100%-owned foreign subsidiary, incorporated in Germany
90. Sonoco Australia Pty Ltd, a 100%-owned foreign subsidiary, incorporated in Australia
91. Sonoco New Zealand Limited, a 100%-owned foreign subsidiary, incorporated in New Zealand
92. Sonoco Asia, L.L.C., a 79.2%-owned domestic subsidiary, incorporated in Delaware
93. Sonoco Asia Management Company, L.L.C., a 70%-owned domestic subsidiary, incorporated in Delaware
94. Sonoco Thailand Ltd, a 79.2%-owned foreign subsidiary, incorporated in Thailand
95. AGD (Thailand) Limited, a 79.2%-owned foreign subsidiary, incorporated in Thailand
96. Sonoco Taiwan Ltd, a 79.2%-owned foreign subsidiary, incorporated in Taiwan
97. Sonoco Singapore Pte. Ltd., a 79.2%-owned foreign subsidiary, incorporated in Singapore
98. Sonoco Holdings Sdn Bhd, a 79.2%-owned foreign subsidiary, incorporated in Malaysia
99. Sonoco Malaysia Sdn Bhd, a 79.2%-owned foreign subsidiary, incorporated in Malaysia
100. Sonoco Products Malaysia Sdn Bhd, a 79.2%-owned foreign subsidiary, incorporated in Malaysia

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES
SUBSIDIARIES OF THE REGISTRANT

101. Sonoco Hongwen Paper Co Ltd, a 63.6%-owned foreign subsidiary, incorporated in China
102. PT Sonoco Indonesia, a 79.2%-owned foreign subsidiary, incorporated in Indonesia
103. Sonoco Kaiping Packaging Company Ltd, a 79.2%-owned foreign subsidiary, incorporated in China
104. Sonoco do Brazil Ltda, a 100%-owned foreign subsidiary, incorporated in Brazil
105. Sonoco Participacoes Ltda., a 100%-owned foreign subsidiary, incorporated in Brazil
106. Sonoco For Plas do Brazil Ltda, a 51%-owned foreign subsidiary, incorporated in Brazil
107. Sonoco de Colombia Ltda, a 100%-owned foreign subsidiary, incorporated in Colombia
108. Colombiana P.M., LLC, a 100%-owned domestic subsidiary, incorporated in Delaware
109. Inversiones Sonoco Limitada, a 100%-owned foreign subsidiary, incorporated in Chile
110. Sonoco Venezolana, a 90%-owned foreign subsidiary, incorporated in Venezuela
111. Sonoco Netherlands Holding III BV, a 100%-owned foreign subsidiary, incorporated in the Netherlands
112. Sonoco de Mexico SA de CV, a 100%-owned foreign subsidiary, incorporated in Mexico
113. Manufacturas Sonoco SA de CV, a 100%-owned foreign subsidiary, incorporated in Mexico
114. Servicios Mexicanos Ejecutivos Sa de CV, a 100%-owned foreign subsidiary, incorporated in Mexico
115. Sonoco SA de CV, a 100%-owned foreign subsidiary, incorporated in Mexico
116. Sonoco (Weifang) Packaging Company, Ltd., a 79.2%-owned foreign subsidiary, incorporated in China
117. Sonoco Yatai Pinghu Packaging Co Ltd, a 79.2%-owned foreign subsidiary, incorporated in China
118. Sonoco-Alcore Oy, a 100%-owned foreign subsidiary, incorporated in Finland
119. Sonoco Alcore AB, a 100%-owned foreign subsidiary, incorporated in Sweden
120. Sonoco IPD France SAS (fka Sonoco Alcore SAS), a 100%-owned foreign subsidiary, incorporated in France
121. ZAO Sonoco Alcore, a 100%-owned foreign subsidiary, incorporated in Russia
122. Sonoco-Alcore Ou, a 100%-owned foreign subsidiary, incorporated in Estonia
123. Sonoco Operadora S de R L de C V, a 100%-owned foreign subsidiary, incorporated in Mexico
124. Sonoco Venture International Holdings GmbH, a 100%-owned foreign subsidiary, incorporated in Switzerland
125. Sonoco-Alcore S.a.r.l., a 100%-owned foreign subsidiary, incorporated in Luxembourg
126. Sonoco Cores and Paper Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
127. Sonoco Poland Holdings BV, a 100%-owned foreign subsidiary, incorporated in the Netherlands
128. Sonoco JV GmbH & Co. KG, a 100%-owned foreign subsidiary, incorporated in Germany
129. Sonoco Poland—Packaging Services Spolka Z Ograniczona Odpowiedzialnoscia, a 100%-owned foreign subsidiary, incorporated in Poland
130. Trident Graphics Canada Corporation, a 100%-owned foreign subsidiary, incorporated in Canada
131. Sonoco (Xiamen) Packaging Company Ltd, a 79.2%-owned foreign subsidiary, incorporated in China
132. Sonoco Services, LLC, a 100%-owned domestic subsidiary, incorporated in Delaware
133. Sonoco India Private Limited, a 79.2%-owned foreign subsidiary, incorporated in India
134. Sonoco (Shanghai) Co., Ltd, a 79.2%-owned foreign subsidiary, incorporated in China
135. CP Acquisition, LLC, a 100%-owned domestic subsidiary, incorporated in South Carolina
136. Clear Pack Company, a 100%-owned domestic subsidiary, incorporated in Illinois
137. Sonoco Plastics Canada ULC, a 100%-owned foreign subsidiary, incorporated in Canada
138. Sonoco Plastics, Inc., a 100%-owned domestic subsidiary, incorporated in Delaware
139. Sonoco (Taicang) Packaging Co., Ltd, a 79.2%-owned foreign subsidiary, incorporated in China
140. Fair Lawn Packaging Services, LLC, a 100%-owned domestic subsidiary, incorporated in South Carolina
141. Sonoco Liquidation, LLC, a 100%-owned domestic subsidiary, incorporated in South Carolina
142. Sonoco Contract Services S. de R.L. de C.V., a 100%-owned foreign subsidiary, incorporated in Mexico.
143. Sonoco Asia Holding S.a.r.l., a 100%-owned foreign subsidiary, incorporated in Luxembourg
144. Sonoco Sustainability Solutions, LLC, a 100%-owned domestic subsidiary, incorporated in South Carolina
145. APEI IOM Holdings Corporation, a 100%-owned domestic subsidiary, incorporated in Delaware
146. APEI (IOM), a 100%-owned foreign subsidiary, incorporated in Isle of Man
147. APEI Ireland, a 100%-owned foreign subsidiary, incorporated in Ireland
148. Sonoco Holdings, Inc., a 100%-owned domestic subsidiary, incorporated in Delaware
149. Sonoco Luxembourg Holding S.a.r.l., a 100%-owned foreign subsidiary, incorporated in Luxembourg
150. APEI UK Limited, a 100%-owned foreign subsidiary, incorporated in the United Kingdom
151. Tegrant Holdings (New) Corp., 100% owned domestic subsidiary, incorporated in Delaware
152. Tegrant Holdings Corp., 100% owned domestic subsidiary, incorporated in Delaware

SONOCO PRODUCTS COMPANY AND CONSOLIDATED SUBSIDIARIES
SUBSIDIARIES OF THE REGISTRANT

- 153. Tegrant Corporation, 100% owned domestic subsidiary, incorporated in Delaware
- 154. Tegrant Alloyd Brands, Inc., 100% owned domestic subsidiary, incorporated in Delaware
- 155. Tegrant Alloyd Brands of Puerto Rico, Inc., 100% owned foreign subsidiary, incorporated in Puerto Rico
- 156. Tegrant Property Holdings, LLC, 100% owned domestic subsidiary, incorporated in Delaware
- 157. Tegrant Diversified Brands, Inc., 100% owned domestic subsidiary, incorporated in Pennsylvania
- 158. Createc Corporation, 100% owned domestic subsidiary, incorporated in Indiana
- 159. Createc International, LLC, 100% owned domestic subsidiary, incorporated in Indiana
- 160. Createc de Mexico, S de R.L., 100% owned foreign subsidiary, incorporated in Mexico
- 161. ThermoSafe Brands Asia PTE, 100% owned foreign subsidiary, incorporated in Singapore
- 162. ThermoSafe Malaysia SDN.BHD, 100% owned foreign subsidiary, incorporated in Malaysia
- 163. ThermoSafe Brands UK Ltd., 100% owned foreign subsidiary, incorporated in UK
- 164. Tegrant International, Inc., 100% owned domestic subsidiary, incorporated in Delaware
- 165. Tegrant de Mexico, S.A. de C.V., 100% owned foreign subsidiary, incorporated in Mexico
- 166. 2103393 Ontario, Inc., 100% owned foreign subsidiary, incorporated in Canada
- 167. ThermoSafe Brands Europe Ltd., 100% owned foreign subsidiary, incorporated in Dublin
- 168. ThermoSafe Brands Germany, 100% owned foreign subsidiary, incorporated in Germany

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the 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. 333-160964) of Sonoco Products Company of our report dated February 29, 2012, relating to the financial statements, financial statement schedules, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Charlotte, North Carolina
February 29, 2012

I, Harris E. DeLoach, Jr., certify that:

1. I have reviewed this annual report on Form 10-K 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: February 29, 2012

/s/ Harris E. DeLoach, Jr.

Harris E. DeLoach, Jr.
Chairman, President and Chief Executive Officer

I, Barry L. Saunders, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 29, 2012

/s/ Barry L. Saunders

Barry L. Saunders
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-K for the year ended December 31, 2011, 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.

February 29, 2012

/s/ Harris E. DeLoach, Jr.

Harris E. DeLoach, Jr.

Chief Executive Officer

/s/ Barry L. Saunders

Barry L. Saunders

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-K and shall not be treated as having been filed as part of the Form 10-K.

