

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): March 29, 1996

Tredegar Industries, Inc.

(Exact Name of Registrant as Specified in its Charter)

Virginia

1-10258

54-1497771

(State or Other Jurisdiction of
Incorporation)

(Commission File
Number)

(IRS Employer
Identification No.)

1100 Boulders Parkway
Richmond, Virginia

23225

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number including area code: (804) 330-1000

Item 2. Acquisition or Disposition of Assets.

On March 29, 1996, Tredegar Industries, Inc. ("Tredegar" or the "Company") sold all of the outstanding capital stock of its injection molding subsidiary, Tredegar Molded Products Company, including Polestar Plastics Manufacturing Company (together "Molded Products"), to Precise Technology, Inc. ("Precise") for cash consideration of \$57.5 million. In addition, Tredegar received unregistered cumulative redeemable preferred stock with a face amount of \$2.5 million, which is not currently marketable. Dividends on the preferred stock are payable quarterly at an annual rate of 7% beginning June 30, 1996. The preferred stock is redeemable in full on March 29, 2007 or earlier upon the occurrence of certain events. Both dividends and redemption are subordinated to other outstanding debt of Precise.

Molded Products manufactures plastic packaging components for a variety of personal care, industrial, pharmaceutical and medical markets. Precise is headquartered in Pittsburgh, Pennsylvania.

Tredegar will record an after-tax gain related to the sale of Molded Products in the first quarter of 1996. The gain will be partially offset by a first-quarter charge related to an anticipated loss on the Company's divestiture of Brudi, Inc. and its subsidiaries (together "Brudi"), which is expected to occur during the second quarter of 1996. Brudi manufactures masts, carriages and uprights for forklift trucks. The net gain related to these developments will be disclosed in the Company's Quarterly Report on Form 10-Q for the three-months ended March 31, 1996, to be filed by May 15, 1996.

Proceeds from the sale of Molded Products will be invested in cash equivalents until other opportunities, in existing businesses or elsewhere, are identified.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(b) Pro Forma Financial Information.

Introduction to Pro Forma Consolidated Financial Information

Set forth below is pro forma consolidated financial information with respect to Tredegar and its divestiture of Molded Products. Historical financial information was excerpted or derived from the audited financial information contained in Tredegar's Annual Report on Form 10-K for the fiscal year ended December 31, 1995. The historical information below is qualified in its entirety by reference to such report and the financial information and related notes contained therein.

The pro forma consolidated balance sheet presents the financial position of Tredegar as of December 31, 1995, assuming that Tredegar on that date sold Molded Products for cash consideration of \$57.5 million and invested related after-tax proceeds in cash equivalents. No value has been assigned by Tredegar to the preferred stock received from Precise due to the uncertainty of redemption. Consistent therewith, dividend income on such stock, which will not be recognized by Tredegar until received, has not been reflected in the pro forma consolidated statement of income.

The pro forma consolidated statement of income presents the operating results for the Company for the year ended December 31, 1995, assuming that at the beginning of the period Tredegar sold Molded Products for cash consideration of \$57.5 million. In accordance with Securities and Exchange Commission rules and regulations, no pro forma interest income is recognized in the pro forma consolidated statement of income for funds assumed invested in cash equivalents.

The pro forma financial information of the Company is unaudited and does not purport to be indicative of the future results or financial position of the Company or the net income and financial position that would actually have been attained had the pro forma transactions occurred on the dates or for the period indicated. See note (3) of the notes to pro forma financial statements for net income and earnings per common and dilutive common equivalent share adjusted for unusual items affecting the comparability of operating results and pro forma interest income.

Tredegar Industries, Inc.
Pro Forma Consolidated Balance Sheet (1)
December 31, 1995
(In Thousands)
(Unaudited)

| | Historical | Pro Forma Adjust.(2) | Pro Forma |
|---|-------------------|-------------------------|-------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 2,145 | \$ 48,130 | \$ 50,275 |
| Accounts and notes receivable | 71,673 | (9,884) | 61,789 |
| Inventories | 33,148 | (6,927) | 26,221 |
| Income taxes recoverable | 2,179 | - | 2,179 |
| Deferred income taxes | 14,882 | (714) | 14,168 |
| Prepaid expenses and other | 2,375 | (57) | 2,318 |
| | ----- | ----- | ----- |
| Total current assets | 126,402 | 30,548 | 156,950 |
| | ----- | ----- | ----- |
| Property, plant and equipment, at cost | 326,526 | (66,764) | 259,762 |
| Less accumulated depreciation and amortization | 204,074 | (40,860) | 163,214 |
| | ----- | ----- | ----- |
| Net property, plant and equipment | 122,452 | (25,904) | 96,548 |
| | ----- | ----- | ----- |
| Other assets and deferred charges | 35,186 | 1,796 | 36,982 |
| Goodwill and other intangibles | 30,012 | (687) | 29,325 |
| | ===== | ===== | ===== |
| Total assets | \$ 314,052 | \$ 5,753 | \$ 319,805 |
| | ===== | ===== | ===== |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 31,105 | \$ (4,268) | \$ 26,837 |
| Accrued expenses | 38,648 | (2,239) | 36,409 |
| | ----- | ----- | ----- |
| Total current liabilities | 69,753 | (6,507) | 63,246 |
| Long-term debt | 35,000 | - | 35,000 |
| Deferred income taxes | 22,218 | (1,209) | 21,009 |
| Other noncurrent liabilities | 16,560 | (703) | 15,857 |
| | ----- | ----- | ----- |
| Total liabilities | 143,531 | (8,419) | 135,112 |
| | ----- | ----- | ----- |
| Shareholders' equity: | | | |
| Common stock, no par value | 112,908 | - | 112,908 |
| Foreign currency translation adjustment | 445 | - | 445 |
| Retained earnings | 57,168 | 14,172 | 71,340 |
| | ----- | ----- | ----- |
| Total shareholders' equity | 170,521 | 14,172 | 184,693 |
| | ----- | ----- | ----- |
| | ===== | ===== | ===== |
| Total liabilities and shareholders' equity | \$ 314,052 | \$ 5,753 | \$ 319,805 |
| | ===== | ===== | ===== |

See accompanying notes to pro forma financial statements.

Tredegar Industries, Inc.
 Pro Forma Consolidated Statement of Income (1)
 For the Year Ended December 31, 1995
 (In Thousands, Except Per-Share Amounts)
 (Unaudited)

| | Historical | Pro Forma Adjust.(3) | Pro Forma |
|--|------------|-------------------------|------------|
| Revenues: | | | |
| Net sales | \$ 589,454 | \$ (84,911) | \$ 504,543 |
| Other income (expenses), net | (669) | - | (669) |
| Total | 588,785 | (84,911) | 503,874 |
| Costs and expenses: | | | |
| Cost of goods sold | 490,510 | (77,973) | 412,537 |
| Selling, general and administrative | 48,229 | (5,090) | 43,139 |
| Research and development | 8,763 | - | 8,763 |
| Interest | 3,039 | - | 3,039 |
| Unusual items (3) | (78) | - | (78) |
| Total | 550,463 | (83,063) | 467,400 |
| Income before income taxes | 38,322 | (1,848) | 36,474 |
| Income taxes | 14,269 | (721) | 13,548 |
| Net income | \$ 24,053 | \$ (1,127) | \$ 22,926 |
| Earnings per common and dilutive common equivalent share | | | |
| | \$ 1.80 | \$ (0.09) | \$ 1.71 |
| Shares used to compute earnings per common and dilutive common equivalent share | | | |
| | 13,370 | 13,370 | 13,370 |

See accompanying notes to pro forma financial statements.

Tredegar Industries, Inc.
Notes to Pro Forma Financial Statements
(Unaudited)

(1) The pro forma financial information presented does not purport to be indicative of the future results or financial position of the Company or the net income and financial position that would actually have been attained had the pro forma transactions occurred on the dates or for the period indicated. See note (3) for net income and earnings per common and dilutive common equivalent share adjusted for unusual items affecting the comparability of operating results and pro forma interest income.

(2) Pro forma adjustments to the consolidated balance sheet as of December 31, 1995 reflect (i) the pro forma after-tax proceeds from the sale of Molded Products (\$48.1 million), (ii) the removal of the financial reporting basis of Molded Products as of December 31, 1995 (\$35.2 million), and (iii) the pro forma after-tax gain on the sale of Molded Products computed using the financial reporting basis as of December 31, 1995 (\$14.2 million, including an after-tax gain of \$1.2 million on the curtailment of participation by Molded Products employees in Tredegar's benefit plans). Further details regarding the pro forma adjustments are provided below:

| | (In Thousands) |
|--|-------------------|
| Cash consideration received on the sale of Molded Products | \$ 57,500 |
| Estimated transaction costs | 3,602 |
| | ----- |
| Proceeds from the sale of Molded Products after transaction costs | 53,898 |
| Financial reporting basis of Molded Products as of December 31, 1995 | 35,201 |
| | ----- |
| Pro forma pretax gain on the sale before curtailment of benefit plans | 18,697 |
| Pretax gain recognized for the curtailment of participation by Molded Products employees in Tredegar's: | |
| Defined benefit plan | 1,796 |
| Postretirement health care and life insurance plans | 243 |
| | ----- |
| Pro forma pretax gain on the sale of Molded Products | 20,736 |
| | ----- |
| Pro forma income taxes: | |
| Current (including an estimated tax benefit of \$1,055 for tax basis in excess of financial reporting basis) | 5,768 |
| Deferred (39% of curtailment gains) | 796 |
| | ----- |
| Total income taxes | 6,564 |
| | ----- |
| Pro forma after-tax gain on the sale of Molded Products | \$ 14,172 |
| | ===== |
| Pro forma after-tax proceeds on the sale of Molded Products | \$ 48,130 |
| | ===== |

(3) Pro forma adjustments to the consolidated statement of income for the year ended December 31, 1995 reflect (i) the removal of Molded Products results of operations (net income of \$1.7 million, including income taxes computed on a stand-alone basis at an effective tax rate of 39%) and (ii) a reduction of \$870,000 (\$531,000 after income taxes) to Tredegar's periodic cost for its defined benefit plan and postretirement health care and life insurance plans for the curtailment of participation by Molded Products employees in such plans (80% allocated to cost of goods sold and 20% allocated to selling, general and administrative expenses). Historical and pro forma net income and earnings per common and dilutive common equivalent share adjusted for unusual items affecting the comparability of operating results and pro forma interest income are presented below:

(In Thousands Except Per-Share Amounts)

| | 1995 |
|--|--------------------|
| Historical net income as reported | \$ 24,053 |
| After-tax effects of unusual items affecting the comparability of operating results: | |
| Gain on sale of Regal Cinema shares | (451) |
| APPX Software restructuring charges | 1,560 |
| Recovery in connection with a Film Products product liability lawsuit | (1,068) |
| | ----- |
| Historical net income as adjusted for unusual items | 24,094 |
| Pro forma and other adjustments: | |
| Reflected in the statement of income | (1,127) |
| After-tax interest income on the assumed investment of after-tax divestiture proceeds in cash equivalents at the Company's 1995 average rate earned of 5.9% (3.6% after taxes) | 1,732 |
| | ----- |
| Pro forma net income as adjusted for unusual items and pro forma interest income | \$ 24,699 ===== |
| Earnings per common and dilutive common equivalent share: | |
| Historical: | |
| As reported | \$ 1.80 |
| As adjusted for unusual items | 1.80 |
| Pro forma: | |
| As presented in the statement of income | 1.71 |
| As adjusted for unusual items and interest income | 1.85 |

(c) Exhibits.

Exhibit No.

99.1 Stock Purchase Agreement by and between Tredegar Investments, Inc. and Precise Technology, Inc. made as of March 11, 1996. (Schedules and exhibits omitted; Registrant agrees to furnish a copy of any schedule or exhibit to the Securities and Exchange Commission upon request.)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Tredegar Industries, Inc.
(Registrant)

Date: April 11, 1996

/s/ N. A. Scher

Norman A. Scher
Executive Vice President,
Treasurer and Chief Financial
Officer (Principal Financial
Officer)

EXHIBIT INDEX

| Exhibit No. | Description |
|-------------|---|
| 99.1 | Stock Purchase Agreement by and between Tredegar Investments, Inc. and Precise Technology, Inc. made as of March 11, 1996. (Schedules and exhibits omitted; Registrant agrees to furnish a copy of any schedule or exhibit to the Securities and Exchange Commission upon request.) |

STOCK PURCHASE AGREEMENT
 BY AND BETWEEN
 TREDEGAR INVESTMENTS, INC.
 AND
 PRECISE TECHNOLOGY, INC.

March 11, 1996

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STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, made as of the 11th day of March, 1996, by and between TREDEGAR INVESTMENTS, INC., a Virginia corporation, and PRECISE TECHNOLOGY, INC., a Delaware corporation.

RECITALS

WHEREAS, the Seller owns all of the issued and outstanding shares of capital stock of the Company; and

WHEREAS, the Buyer desires to purchase, and the Seller desires to sell, all of the issued and outstanding shares of capital stock of the Company upon the terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual representations, warranties, covenants, conditions and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, it hereby is agreed that:

ARTICLE I
DEFINITIONS

When used in this Agreement, the following terms shall have

the meanings specified:

1.1 Agreement. "Agreement" shall mean this Agreement, together with the Exhibits and Schedules attached hereto, as the same may be amended from time to time in accordance with the terms hereof.

1.2 Assignment and Assumption Agreement. "Assignment and Assumption Agreement" shall mean the assignment and assumption agreement in the form of Exhibit 1.2 attached hereto, pursuant to which the Company will assign to the Seller, and the Seller will assume, the Retained Liabilities.

1.3 Buyer. "Buyer" shall mean Precise Technology, Inc., a Delaware corporation.

1.4 Buyer's Closing Certificate. "Buyer's Closing Certificate" shall mean the certificate of the Buyer in the form of Exhibit 1.4 attached hereto.

1.5 Buyer's Financial Statements. "Buyer's Financial Statements" shall mean the audited balance sheet of the Buyer as of December 31, 1994, and the notes thereto, and statements of income and cash flows of the Buyer for the year ended December 31, 1994 and an unaudited internally prepared balance sheet of the Buyer as of December 31, 1995, and the notes thereto, and statements of income and cash flows of the Buyer for the year ended December 31, 1995, all certified by the Chief Financial Officer of the Buyer as being complete and accurate.

1.6 Closing. "Closing" shall mean the conference held at 10:00 a.m., local time, on the Closing Date, at the offices of Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia or such other place as the Buyer and the Seller may mutually agree upon in writing.

1.7 Closing Date. "Closing Date" shall mean March 28, 1996, or such other date as the Seller and the Buyer may mutually agree in writing.

1.8 Code. "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.9 Company. The "Company" shall mean Tredegar Molded Products Company, a Virginia corporation.

1.10 Company Common Stock. "Company Common Stock" shall mean all of the issued and outstanding capital stock of the Company, consisting of 1,000 shares of common stock, \$1.00 par value per share.

1.11 Company Subsidiary. "Company Subsidiary" shall mean each subsidiary of the Company listed on Schedule 3.4.

1.12 Continuing Employee. "Continuing Employee" shall mean an individual who was employed by either the Company or the Significant Subsidiary immediately prior to the Closing and who is employed by the Company or the Significant Subsidiary immediately after the Closing.

1.13 Contracts. "Contracts" shall mean all contracts, agreements, leases, commitments and arrangements, written or oral, to which either the Company or the Significant Subsidiary is a party or by which the Company or the Significant Subsidiary is, or their properties or assets are, bound that are included in Schedule 3.11.

1.14 Employee Benefit Plans. "Employee Benefit Plans" shall mean the Plans currently maintained for the benefit of present or former employees of the Company, the Significant Subsidiary or any other Company Subsidiary or to which the Company, the Significant Subsidiary or any other Company Subsidiary currently contributes on behalf of its current or former employees, independent contractors, officers or directors.

1.15 ERISA. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.16 ERISA Affiliate. "ERISA Affiliate" shall mean any trade or business, whether or not incorporated, which together with the Seller and the Company would be deemed a "single employer" within the meaning of Code Section 414 or a member of the Seller's or the Company's "controlled group" within the meaning of ERISA Section 4001(a)(14).

1.17 Escrow Agent. "Escrow Agent" means Signet Bank, the escrow agent under the Escrow Agreement.

1.18 Escrow Agreement. "Escrow Agreement" means the escrow agreement among the Buyer, the Seller and the Escrow Agent in the form attached hereto as Exhibit 1.18.

1.19 Financial Statements. "Financial Statements" shall mean the unaudited internally prepared consolidated balance sheets of the Company as of December 31, 1995 and 1994, and the notes thereto, and the related consolidated statements of income and cash flows of the Company for the years ended December 31, 1995 and 1994, all of which are attached hereto as Schedule 1.19.

1.20 HSR Act. "HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (15 U.S.C. Section 18a), as amended.

1.21 Knowledge of the Seller. "Knowledge of the Seller" shall mean actual knowledge of Richard W. Goodrum, David D. Reed, Susan Mullican or Janet Wynn and assumes that each such person has conducted or caused to be conducted a reasonable inquiry into the matter to which such knowledge qualifier relates with no obligation to make any inquiry below the level of plant manager, and as to Section 3.10 and Section 3.12, to the extent the matters set forth therein relate to environmental matters,

"Knowledge of the Seller" shall also include actual knowledge of William M. Street, Jr.

1.22 Law. "Law" shall mean any federal, state, local or other law or governmental requirement of any kind, and the rules, regulations and orders promulgated thereunder, all of the foregoing as in effect on the date hereof and on the Closing Date.

1.23 New Preferred. "New Preferred" shall mean the 25,000 shares of a new series of preferred stock, issued by the Buyer, having an aggregate stated value of \$2,500,000, being entitled to cumulative dividends of \$7 per share per annum, and having the other rights, preferences and terms set forth on Exhibit 1.23 attached hereto and with the definitive form of the provisions of such preferred stock to be in a form reasonably acceptable to the Buyer and the Seller.

1.24 Opinion of Buyer's Counsel. "Opinion of Buyer's Counsel" shall mean the opinion of Kelley, McCann & Livingstone, counsel to the Buyer, in substantially the form of Exhibit 1.24 attached hereto.

1.25 Opinion of Seller's Counsel. "Opinion of Seller's Counsel" shall mean the opinion of Hunton & Williams, counsel to the Seller, in substantially the form of Exhibit 1.25 attached hereto.

1.26 Parent. "Parent" shall mean Tredegar Industries, Inc., a Virginia corporation.

1.27 Parent Guaranty. "Parent Guaranty" shall mean the Guaranty of the Parent, substantially in the form of Exhibit 1.27 attached hereto.

1.28 Permitted Liens. "Permitted Liens" shall mean (i) liens for taxes not yet due and payable, (ii) covenants, conditions and restrictions of record, (iii) title defects that do not materially interfere with the existing use of the asset and do not materially and adversely affect the marketability thereof, and (iv) those liens, encumbrances, mortgages, charges, claims, restrictions, pledges, security interests, impositions and other matters affecting the assets of the Company that are listed on Schedule 1.28 attached hereto.

1.29 Permits. "Permits" shall mean all written permits, licenses and governmental authorizations, registrations and approvals required, as of the date hereof, to be obtained in the conduct of the business of the Company or the Significant Subsidiary, except all such written permits, licenses and governmental authorizations, registrations and approvals that the failure to obtain would not have a material adverse effect on the Company or the Significant Subsidiary. The Permits are listed on Schedule 3.10A attached hereto.

1.30 Plans. "Plans" shall mean (i) each "employee benefit plan," as defined in Section 3(3) of ERISA, at any time contributed to, maintained or sponsored by or on behalf of the Company or the Significant Subsidiary or any other Company Subsidiary, for the benefit of any present or former employee, independent contractor, officer or director of the Company, the Significant Subsidiary or any other Company Subsidiary or with respect to which the Company, the Significant Subsidiary or any other Company Subsidiary has any liability or potential liability, and (ii) each other retirement, savings, thrift, deferred compensation, severance, stock ownership, stock purchase, stock option, performance, bonus, incentive, travel, hospitalization, medical, disability, life or other insurance, and any other welfare benefit policy, trust, understanding or arrangement of any kind, whether written or oral, contributed to, maintained or sponsored by the Company, the Significant Subsidiary or any other Company Subsidiary, for the benefit of any present or former employee, independent contractor, officer or director of the Company, the Significant Subsidiary or any other Company Subsidiary, or with respect to which the Company, the Significant Subsidiary or any other Company Subsidiary has any liability or potential liability. The preceding sentence to the contrary notwithstanding, the term "Plan" does not include fringe benefits or payroll practices including, by way of example and not of limitation, those payable on account of sick leave, vacation, holiday, shift differential, jury duty; provided that either (i) the liability for payments under such benefits and payroll practices have been reflected in the Financial Statements or (ii) that all of such benefits and practices are modifiable with not more than 30 days written notice to the employees.

1.31 Pro Forma Balance Sheet. "Pro Forma Balance Sheet" shall mean the unaudited internally prepared consolidated pro forma balance sheet of the Company, as of December 31, 1995, which is attached hereto as Schedule 1.31.

1.32 Purchase Price. "Purchase Price" shall mean the amount specified in Section 2.2 hereof.

1.33 Retained Liabilities. "Retained Liabilities" shall mean:

(a) All claims, liabilities, losses and expenses incurred or to be incurred by the Company, the Significant Subsidiary or any other Company Subsidiary arising out of, or related to, the secondary liability of the Company to the IUE AFL-CIO Pension Plan (in which certain former employees

of the Company participated) pursuant to the terms of Section 8.7(b) of the Agreement for Purchase of Certain Assets, dated as of April 28, 1992, between the Company and Marland Mold, Inc., as amended;

(b) all fees and expenses of the Company to its financial and legal advisors in connection with the transactions contemplated by this Agreement incurred from and after December 31, 1995;

(c) (i) federal income taxes for which the Seller is responsible pursuant to Section 7.3 and (ii) state income taxes for which the Seller is responsible pursuant to Section 7.3;

(d) all claims, liabilities, losses and expenses incurred or to be incurred by the Company, the Significant Subsidiary or any other Company Subsidiary directly relating to or resulting from the employees, property, plant and equipment, leases, agreements, contracts or commitments, oral or written, related to the Company's facility located at Alsip, Illinois, except for those that have been transferred or assigned to one of the Company's other operating facilities in the ordinary course of business prior to Closing (limited, in the case of such leases, agreements, contracts or commitments, to those shown on Schedule 3.11 and limited, in the case of employees, to transfers that have been approved by the Buyer);

(e) all claims, liabilities, losses and expenses incurred or to be incurred by the Company, the Significant Subsidiary or any other Company Subsidiary arising out of or related to (i) the Plans or (ii) the sponsorship, maintenance, or contributions to any "employee benefit plan" (as defined in ERISA Section 3(3)) or any "multiemployer plan" (as defined in ERISA Sections 3(37) and 4001(a)(13)) by any ERISA Affiliate (other than the Company, the Significant Subsidiary or any other Company Subsidiary); provided, however, that Retained Liabilities do not include (x) severance benefits payable by the Buyer under Section 7.2 or (y) claims, liabilities, losses or expenses arising under or related to the Employee Benefit Plans listed on Schedule 1.33;

(f) all claims, liabilities, losses and expenses of the Company or the Significant Subsidiary related to the complaint, Lloyd T. Whitaker, as Trustee of the Estate of Olympia Holding Company, Debtor, v. Tredegar Molded Products Company, filed on August 6, 1992 in United States Bankruptcy Court, Middle District of Florida, Jacksonville Division (Case No. 92-11454);

(g) all claims, liabilities, losses and expenses incurred or to be incurred by the Company, the Significant Subsidiary or any other Company Subsidiary arising out of, or related to, (i) the Discharge of Mechanics Lien issued by The Aetna Casualty & Surety Co. (Bond No: 585100911597BCA) in the name of the Company and in the amount of \$56,957.18, (ii) the Self-Insurer's Surety Bond issued by Safety National Casualty Corp. (Bond No. SIB 1280 IL) in the name of the Company and in the amount of \$200,000 and (iii) General Contract of Indemnity among the Parent and its subsidiaries with The Aetna Casualty and Surety Company that relate to or arise from any bond issued for the Parent or any of its subsidiaries or affiliates including the Company, the Significant Subsidiary and the other Company Subsidiary;

(h) all claims, liabilities, losses and expenses incurred or to be incurred by the Company, the Significant Subsidiary or any other Company Subsidiary arising out of, or related to, any workers' compensation claims of any employee of the Company, the Significant Subsidiary or other Company Subsidiary for which the incident giving rise thereto occurred prior to the Closing Date; provided, however, that, with respect to any such workers' compensation claim, if any incident occurs after the Closing that would increase Seller's liability for such claim, then the Company shall be responsible for such incremental increase in liability; and

(i) all claims, liabilities, losses and expenses incurred or to be incurred by the Company, the Significant Subsidiary or any other Company Subsidiary arising out of or relating to (i) the Company's property located in Rockaway, New Jersey and transferred to J.M.C. Realty Co. during 1984, (ii) the Company's property located at 26241-26341 Cannon Road, Bedford Heights, Ohio, or (iii) the Company's property located in West Unity, Williams County, Ohio, and sold to H.K.K. Machining Co. during 1986.

1.34 Seller. "Seller" shall mean Tredegar Investments, Inc., a Virginia corporation and the owner of all of the Company Common Stock.

1.35 Seller's Closing Certificate. "Seller's Closing Certificate" shall mean the certificate of the Seller in the form of Exhibit 1.35 attached hereto.

1.36 Significant Subsidiary. "Significant Subsidiary" shall mean Polestar Plastics Manufacturing Company, a Virginia

corporation.

1.37 Transition Services Agreement. "Transition Services Agreement" shall mean the transition services agreement in the form of Exhibit 1.37 attached hereto pursuant to which the Seller and the Buyer agree on the terms of the transition of the Company and the Significant Subsidiary from the Seller to the Buyer and such other matters reflected therein.

ARTICLE II

PURCHASE AND SALE

2.1 Sale of the Company Common Stock. Upon the terms and subject to the conditions of this Agreement, and in consideration of the Purchase Price to be paid by the Buyer to the Seller, the Seller shall sell, and the Buyer shall purchase, all of the Company Common Stock on the Closing Date.

2.2 Purchase Price. The aggregate purchase price to be paid by the Buyer to the Seller for the Company Common Stock shall be (i) \$57,500,000, payable in cash, and (ii) the issuance and delivery of the New Preferred (collectively, the "Purchase Price"), the cash portion of which shall be payable as follows:

(a) \$3,000,000 (the "Deposit") in immediately available funds, which has been deposited on the date hereof by or on behalf of the Buyer to the Escrow Agent and shall be held by the Escrow Agent pursuant to the terms of the Escrow Agreement. The Deposit shall be released by the Escrow Agent pursuant to the terms of the Escrow Agreement and shall either be (i) credited towards the Purchase Price at Closing, or (ii) upon any termination of this Agreement, shall be paid to the Seller or the Buyer in accordance with Section 9.2(b) hereof and the Escrow Agreement;

(b) the balance of the cash portion of the Purchase Price to be paid by wire transfer in immediately available funds at the Closing.

2.3 Closing. At the Closing, in addition to the deliveries required to be made at or prior to the Closing pursuant to Article VI hereof, the Buyer shall deliver to the Seller the Purchase Price as specified in Section 2.2 hereof and the Seller shall deliver to the Buyer one or more stock certificates representing the Company Common Stock, duly endorsed for transfer or accompanied by duly executed stock powers.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller hereby represents and warrants to the Buyer that:

3.1 Organization and Qualification. The Seller is a corporation, duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia, and has all requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated herein.

3.2 Execution, Delivery and Performance. Except as set forth on Schedule 3.2, the execution, delivery and performance by the Seller of this Agreement and each agreement or instrument executed in connection herewith or delivered pursuant hereto and the consummation of the transactions contemplated herein will not, with or without the giving of notice or the passage of time, or both, (i) materially conflict with, or result in a violation or breach of, or a default, right to accelerate or loss of rights under, or result in the creation of any lien, charge or encumbrance under or pursuant to, any provision of the Seller's, the Company's or the Significant Subsidiary's respective Articles of Incorporation or Bylaws, any Law or any finding, order, judgment, writ, injunction or decree to which the Seller, the Company or the Significant Subsidiary is a party or by which the Seller, the Company or the Significant Subsidiary may be bound or affected or any contract, lease, mortgage, deed of trust, indenture, permit, license, franchise, commitment, authorization or concession, or other agreement or instrument applicable to the Seller, the Company or the Significant Subsidiary; or (ii) require the approval, consent or authorization of, or prior notice to, filing with or registration with, any federal, state or local governmental body or authority, regulatory agency, court, or any other person or entity, except notices and approvals required under the HSR Act.

3.3 Authorization. The Seller has full power and authority to enter into, deliver and perform this Agreement, and each agreement or instrument (to which it is a party) executed in connection herewith or delivered pursuant hereto and to consummate the transactions contemplated hereby. The Seller's execution, delivery and performance of this Agreement and all agreements and instruments executed in connection herewith or delivered pursuant hereto and the transactions contemplated hereby have been duly authorized by all requisite corporate action. This Agreement and all agreements or instruments executed by the Seller in connection herewith or delivered by the Seller pursuant hereto have been duly executed and delivered by the Seller, and constitute the Seller's legal, valid and binding obligation, enforceable in accordance with their respective terms.

3.4 Status of the Company and the Significant Subsidiary.

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the

Commonwealth of Virginia. The Company is duly qualified as a foreign corporation in each jurisdiction in which the nature of its business or the location of its assets requires such qualification and in which failure to so qualify would have a material adverse effect on the Company. The jurisdictions in which it is qualified as a foreign corporation are identified on Schedule 3.4. The copy of the Articles of Incorporation of the Company and the copy of the Bylaws of the Company together with all amendments and modifications thereto, in each case as heretofore delivered to the Buyer, are true, complete and correct. The Company has the corporate power and authority to own those properties owned by it and to lease those properties leased by it and to carry on its business as now being conducted. Except as set forth in Schedule 3.4, the Company does not have any subsidiaries and does not own shares of capital stock or otherwise have any ownership interest or other investment in or advance to any corporation, partnership, joint venture, entity, enterprise or organization, and the Company is not a partner (general or limited), joint venturer or other member or participant in any partnership, joint venture or other unincorporated association.

(b) The Significant Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia. The Significant Subsidiary is duly qualified as a foreign corporation in each jurisdiction in which the nature of its business or the location of its assets requires such qualification and in which failure to so qualify would have a material adverse effect on the Significant Subsidiary. The jurisdictions in which it is qualified as a foreign corporation are identified on Schedule 3.4. The copy of the Articles of Incorporation of the Significant Subsidiary and the copy of the Bylaws of the Significant Subsidiary together with all amendments and modifications thereto, in each case as heretofore delivered to the Buyer, are true, complete and correct. The Significant Subsidiary has the corporate power and authority to own those properties owned by it and to lease those properties leased by it and to carry on its business as now being conducted. The Significant Subsidiary does not have any subsidiaries and does not own shares of capital stock or otherwise have any ownership interest or other investment in or advance to any corporation, partnership, joint venture, entity, enterprise or organization, and the Significant Subsidiary is not a partner (general or limited), joint venturer or other member or participant in any partnership, joint venture or other unincorporated association.

3.5 Capital Stock of the Company and the Significant Subsidiary.

(a) The authorized capital stock of the Company consists of 2,000 shares of the Company's common stock, \$1.00 par value per share, of which 1,000 shares are issued and outstanding as of the date hereof, and 2,500 shares of the Company's Serial Preferred Stock, no par value, none of which is issued and outstanding. All of the shares of the Company Common Stock have been duly and validly authorized and issued, are fully paid and nonassessable, and were not issued in violation of the preemptive rights of any stockholder. The Seller owns good, valid and marketable title to the Company Common Stock, free and clear of all liens, charges, security interests, encumbrances, and claims of every kind, whether absolute, matured, contingent or otherwise. There are no existing options, warrants, calls or commitments relating to, or any securities or rights convertible into, exercisable for or exchangeable for, any capital stock of the Company.

(b) The authorized capital stock of the Significant Subsidiary consists of 100 shares of the Significant Subsidiary's common stock, no par value, of which 10 shares are issued and outstanding as of the date hereof. All of the issued and outstanding shares of the Significant Subsidiary's capital stock have been duly and validly authorized and issued, are fully paid and nonassessable, and were not issued in violation of the preemptive rights of any stockholder. The Company owns good, valid and marketable title to all of the issued and outstanding shares of the Significant Subsidiary's capital stock, free and clear of all liens, charges, security interests, encumbrances, and claims of every kind, whether absolute, matured, contingent or otherwise. There are no existing options, warrants, calls or commitments relating to, or any securities or rights convertible into, exercisable for or exchangeable for, any capital stock of the Significant Subsidiary.

3.6 Financial Statements. The Seller has delivered to the Buyer copies of the Financial Statements and the Pro Forma Balance Sheet. The Financial Statements present fairly the consolidated financial condition, results of operations and cash flows of the Company, as of the dates, and for the periods indicated, consistently applied. The Pro Forma Balance Sheet fairly presents the financial condition of the Company as of the date thereof, except that such statement has given effect to the transactions contemplated by Section 5.2 hereof.

3.7 Absence of Changes. Except as set forth in Schedule

3.7A attached hereto or as contemplated by this Agreement, including but not limited to Section 5.2 hereof, since December 31, 1995 (the "Balance Sheet Date"), neither the Company nor the Significant Subsidiary has:

(a) borrowed or agreed to borrow any funds or incurred, or become subject to, any obligation or liability (absolute or contingent), except obligations and liabilities incurred in the ordinary course of business, none of which are materially adverse;

(b) incurred or paid any obligation or liability (absolute or contingent) other than current liabilities reflected in or shown on the Pro Forma Balance Sheet as of the date thereof and current liabilities incurred since the date of the Pro Forma Balance Sheet in the ordinary course of business, none of which are materially adverse;

(c) sold, transferred or otherwise disposed of, or agreed to sell, transfer or otherwise dispose of any of its assets, property or rights, or canceled or otherwise terminated, or agreed to cancel or otherwise terminate, any debts or claims, except in the ordinary course of business and consistent with past practice;

(d) except in the ordinary course of business, and consistent with past practice, made or permitted any amendment or termination of any contract, agreement or license, including but not limited to the Contracts and the Permits, to which it is a party or to which it or any of its properties are subject;

(e) except for customary increases or adjustments granted to its employees in accordance with Schedule 3.7B, increased the rate of compensation payable or to become payable by it to any of its officers, directors or employees or adopted any new, or made any increase in any, profit sharing, bonus, deferred compensation, savings, insurance, pension, retirement, severance or other employee benefit plan with any of its officers, directors or employees;

(f) made any capital expenditure in excess of \$25,000 or any commitment therefor for any single item, but which in the aggregate shall not exceed \$200,000, other than capital expenditures described in the capital budget set forth in Schedule 3.7C attached hereto;

(g) merged or consolidated with any other corporation or entity, or acquired or agreed to acquire any corporation, association, partnership, joint venture or other entity;

(h) mortgaged, pledged or subjected to any pledge, mortgage, security interest, conditional sales contract or other similar encumbrance any of its assets or properties, other than liens, if any, for current taxes not yet due and payable;

(i) suffered any damage, destruction or loss, whether or not covered by insurance, in excess of \$50,000, or suffered any repeated, recurring or prolonged shortage, cessation or interruption of inventory shipments, supplies or utility services required to conduct its business and operations or suffered any change in its financial condition or in the nature of its business or operations which has had or might have a material adverse effect on its business, operations, assets, properties or prospects;

(j) amended or modified, or granted any material exception to, its credit criteria for new or existing customers;

(k) changed any of the accounting principles followed by it or the methods of applying such principles; or

(l) entered into any other transaction other than in the ordinary course of business.

3.8 Real Property

(a) Schedule 3.8A attached hereto contains a complete listing of the real estate owned by the Company. The Significant Subsidiary does not own any real estate. Except as reflected on Schedule 3.8A, the Company has good and marketable title to all such real estate, free and clear of any mortgage, claim, security interest, pledge, charge, lien or encumbrance, other than Permitted Liens.

(b) Schedule 3.8B attached hereto contains a complete listing of the real estate leased by either the Company or the Significant Subsidiary. Such leased real estate is held by the Company or the Significant Subsidiary, as the case may be, under valid and enforceable leases.

(c) Schedule 3.8C attached hereto contains a complete listing of (i) all real estate owned by the Company and leased to a third party and (ii) all real estate leased by the Company or the Significant Subsidiary and subleased to a third party. Each such lease or sublease made by the Company or the Significant Subsidiary, as the case may be, is valid and enforceable.

(d) The Seller has provided the Buyer with access to true and complete copies of all deeds, leases, subleases, documents of title, abstracts, surveys, plats, maps, data and other material in the Seller's possession relating to all the real estate being used by the Company or the Significant Subsidiary or leased or subleased by the Company or the

Significant Subsidiary to a third party.

3.9 Personal Property. (a) Schedule 3.9A attached hereto contains a complete listing of all the tangible personal property owned by either the Company or the Significant Subsidiary. Except for dispositions or losses in the ordinary course of business since the date of such Schedule 3.9A, unless such disposition or loss would render Section 3.7 incorrect at the Closing, the Company and the Significant Subsidiary will have good and marketable title to such of its tangible personal property, free and clear of any mortgage, claim, security interest, pledge, charge, agreement, option, lien or encumbrance, other than Permitted Liens. Schedule 3.9B attached hereto contains a complete list of all tangible personal property leased by either the Company or the Significant Subsidiary. All of the tangible personal property listed on Schedule 3.9B is held by the Company or the Significant Subsidiary under a valid and enforceable lease.

(b) Schedule 3.9C attached hereto contains a complete list of the intellectual property owned or licensed to or by the Company and the Significant Subsidiary and material to the business of the Company or the Significant Subsidiary; provided, however, that the Buyer acknowledges and agrees that any tradenames or trademarks containing the name "Tredegar" shall be conveyed by the Company to the Seller immediately prior to the Closing and all rights of the Company and the Significant Subsidiary to use such tradenames or trademarks shall terminate effective as of the Closing.

3.10 Compliance with Law and Permits. Each of the Company and the Significant Subsidiary has obtained all Permits set forth on Schedule 3.10A attached hereto, and, to the Knowledge of the Seller, except as reflected on Schedule 3.10B attached hereto, is in compliance in all material respects with all applicable Laws and Permits, including, without limitation, any such material Laws relating to the protection of human health or the environment, or relating to the emission, discharge, release, threatened release, use, handling, storing, transportation or disposal of any hazardous or toxic material, hazardous or toxic substance or hazardous or toxic waste. To the Knowledge of the Seller, except as reflected on Schedule 3.10B attached hereto, neither the Company nor the Significant Subsidiary has received any notice of any current or existing violation of any Laws or Permits.

3.11 Contracts, Agreements, etc. Schedule 3.11 attached hereto contains a correct and complete list of the following contracts, agreements, leases, commitments and arrangements, written or oral, to which either the Company or the Significant Subsidiary is a party or by which the Company or the Significant Subsidiary is or their properties or assets are bound:

(a) (i) notes, mortgages, indentures or loan or credit agreements; (ii) equipment lease agreements having a term not cancelable without penalty of not less than one year and annual rental payments of not less than \$50,000; (iii) security agreements each of which secures indebtedness not covered in (ii) above; and (iv) other agreements and instruments not covered in (i) through (iii) above reflecting obligations for borrowed money or other monetary indebtedness or otherwise relating to the borrowing of money by, or the extension of credit to the Company or the Significant Subsidiary, in each case creating an actual or potential obligation of the Company or the Significant Subsidiary of not less than \$25,000, or commitments to enter into any such agreements or commitments;

(b) management consulting and employment agreements and binding agreements or commitments to enter into the same;

(c) option, purchase and sale or lease agreements involving any real property, equipment, machinery, personal property or other asset, tangible or intangible, involving amounts payable by or to the Company or the Significant Subsidiary of \$50,000 or more;

(d) agreements and purchase orders entered into or issued in the ordinary course of business for the purchase or sale of goods, services, supplies or capital assets requiring aggregate future payments by or to the Company or the Significant Subsidiary of more than \$50,000;

(e) joint venture, partnership or other agreements involving the sharing of profits or losses;

(f) contracts or agreements with the Seller or any subsidiary or Affiliate (as defined in Section 3.17) of the Seller, or any director or officer of the Seller or any subsidiary or Affiliate of the Seller, or any person who is an immediate relative of any such person, or any combination of such persons;

(g) outstanding powers of attorney empowering any person, company or other organization to act on behalf of the Company or the Significant Subsidiary;

(h) outstanding guarantees, subordination agreements, indemnity agreements and other similar types of agreements, whether or not entered into in the ordinary course of

business, which the Company or the Significant Subsidiary is or may become liable for or obligated to discharge, or any asset of the Company or the Significant Subsidiary is or may become subject to the satisfaction of, any indebtedness, obligation, performance or undertaking of any other person, except for indemnification agreements contained in any of the instruments listed in the Schedules hereto and except for the foregoing in which the obligations of the Company or the Significant Subsidiary thereunder are less than \$100,000 in the aggregate;

(i) contracts, orders, decrees or judgments preventing or restricting the Company or the Significant Subsidiary from carrying on business in any location;

(j) agreements, contracts or commitments relating to the acquisition by the Company or the Significant Subsidiary of the outstanding capital stock or equity interest of any business enterprise; and

(k) contracts, commitments or obligations whether or not made in the ordinary course of business and having unexpired terms in excess of one year or requiring aggregate future payments or receipts in excess of \$100,000 or otherwise material to the business or operations of the Company or the Significant Subsidiary.

The Seller has provided the Buyer with access to true and complete copies of all Contracts, including all amendments, modifications, waivers and elections applicable thereto.

Except as set forth in Schedule 3.11, as to the Company or the Significant Subsidiary, as the case may be, such Contracts are valid and binding, enforceable in accordance with their respective terms (subject to any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting generally the enforcement of creditors' rights), and are in full force and effect. Except as disclosed in Schedule 3.11, there is not under any such Contract, (i) any existing material breach or material default (or event or condition, which after notice or lapse of time, or both, would constitute a material breach or material default), by the Company or the Significant Subsidiary, as the case may be, with respect thereto or (ii) to the Knowledge of the Seller, any existing material breach or material default (or event or condition, which after notice or lapse of time, or both, would constitute a material breach or material default), by a third party with respect thereto.

3.12 Litigation. Except as set forth on Schedule 3.12 or Schedule 3.10B, there is no claim, legal action, suit, litigation, arbitration, dispute or investigation, judicial, administrative or otherwise, or any order, decree or judgment, now pending or in effect, as to which the Parent, the Company or the Significant Subsidiary has received service of process or to the Knowledge of the Seller has received notice, or, to the Knowledge of the Seller, threatened or contemplated, naming, relating to or affecting the Company or the Significant Subsidiary.

3.13 Insurance. Attached hereto as Schedule 3.13 is a list of all insurance policies held by the Company or the Significant Subsidiary now in force, showing for each the current premiums, policy limits and coverages and the expiration dates of each such policy; provided, however, that the Buyer acknowledges that all policies set forth on Schedule 3.13 shall terminate with respect to the Company and the Significant Subsidiary as of the Closing Date. The premiums due thereon have been timely paid.

3.14 Employee Benefits. (a) Attached hereto as Schedule 3.14 is a true and complete list of each Employee Benefit Plan. Schedule 3.14 identifies (i) each Employee Benefit Plan that is a "pension plan" (as defined in Section 3(2) of ERISA but not including a multiemployer plan within the meaning of Section 3(37) or 4001(a)(3) of ERISA) (the "Pension Plans"), and denotes those Pension Plans intended to be qualified under Section 401(a) of the Code (the "Qualified Plans"), (ii) each Employee Benefit Plan that is a "multiemployer plan" (as defined in Sections 3(37) and 4001(a)(3) of ERISA (the "Multiemployer Plans") and (iii) each Employee Benefit Plan that is a "welfare plan" (as defined in Section 3(1) of ERISA) (the "Welfare Plans"). True and complete copies of each Employee Benefit Plan have been delivered to the Buyer. To the knowledge of the Seller, each Employee Benefit Plan is enforceable in accordance with its terms.

(b) To the Knowledge of the Seller, each Qualified Plan complies in all material respects with applicable Law as of the date hereof, and the Internal Revenue Service ("IRS") has issued favorable determination letters to the effect that the forms of Qualified Plans (or predecessor plans) satisfy the requirements of Section 401(a) and related Sections of the Code or an application for such a determination has been filed with the IRS. To the Knowledge of the Seller, there are no facts or circumstances that would jeopardize or adversely affect in any material respect the qualification under Code Section 401(a) of any Qualified Plan.

(c) As of the Closing Date, full payment will be made to each Employee Benefit Plan of all contributions that are

required under the terms thereof and under ERISA or the Code to be made on or prior to the Closing Date. No "accumulated funding deficiency" (as defined in ERISA Section 302 or Code Section 412), whether or not waived, exists or will exist as of the Closing Date with respect to any Pension Plan.

(d) To the Knowledge of the Seller, each Employee Benefit Plan has been administered substantially in accordance with its terms. In addition, to the Knowledge of the Seller, each Employee Benefit Plan complies, and has been administered substantially in accordance with, any applicable provisions of ERISA and the Code and the rulings and regulations promulgated thereunder (including the continuation coverage requirements of group health plans under Code Section 4980(f) and ERISA Section 602), and all other applicable Laws, and all reports, returns and other documentation that are required to have been filed with the IRS, the Department of Labor, the PBGC or any other governmental agency (federal, state or local) have been filed on a timely basis, in each instance in which the failure to file such reports, returns and other documents would result in any material liability or obligation to the Company, the Significant Subsidiary, or any other Company Subsidiary. No lawsuits or complaints to or by any person or governmental authority have been filed or, to the Knowledge of the Seller, are contemplated or threatened, with respect to any Employee Benefit Plan.

(e) Neither the Parent, the Company nor the Seller nor any affiliate of the Seller has received a notice of, or incurred, any withdrawal liability with respect to any "Multiemployer Plan." Neither the Company nor the Significant Subsidiary nor any other Company Subsidiary has an obligation to contribute to any "Multiemployer Plan."

(f) Neither the Company nor the Significant Subsidiary nor any other Company Subsidiary has incurred any material liability with respect to any Welfare Plan or for "welfare benefits" (as defined in Code Section 419) including, without limitation, any liability for tax under Code Section 5000 that are not fully reflected in the Company's Financial Statements. Except as set forth in Schedule 1.33 attached hereto, or as required under Code Section 4980B(f) and ERISA Section 602, neither the Company nor the Significant Subsidiary nor any other Company Subsidiary is obligated on or after the Closing Date to provide or to pay any benefits to former employees or to their dependents or beneficiaries.

(g) The Seller has delivered to the Buyer true and correct copies of the following with respect to each such Employee Benefit plan and all amendments thereto to the date hereof. In addition, the Seller will, during regular business hours prior to the Closing date, cause the Company, the Significant Subsidiary and any other Company Subsidiary to allow the Buyer to review true and correct copies of the following with respect to each Employee Benefit Plan:

- (i) A copy of each trust agreement pertaining to the Employee Benefit Plan (including a copy of any applicable collective investment trust) and all amendments to such documents adopted prior to the date hereof.
- (ii) The three most recent actuarial valuation reports for the Employee Benefit Plan of for which an actuarial valuation report is required to be prepared.
- (iii) Copies of any correspondence with the Employee Benefit Plan's actuaries or accountants regarding actuarial assumptions or errors in connection with the preparation of actuarial reports, materials filed with the Internal Revenue Service or the Department of Labor or the administration of the Plan.
- (iv) The three most recent Internal Revenue Service Forms 5500 including all schedules and related certificates or reports, filed with respect to the Employee Benefit Plans.
- (v) A copy of the most recent summary plan description prepared with respect to the Employee Benefit Plans and copies of any employee handbooks or other descriptive materials supplied to employees or retirees concerning employee benefits.
- (vi) A description of each Employee Benefit Plan for which no Plan document exists.
- (vii) A copy of each Pension Plan's most recently issued IRS determination letter.

3.15 Employment Matters. Except as set forth on Schedule 3.15 attached hereto, neither the Company nor the Significant Subsidiary is a party to, bound by, or negotiating in respect of any collective bargaining agreement or any other agreement with any labor union, association or other employee group, nor is any employee of the Company or the Significant Subsidiary represented by any labor union or similar association. No labor union or employee organization has been certified or recognized as the

collective bargaining representative of any employees of the Company or the Significant Subsidiary. Except as set forth on Schedule 3.15 attached hereto, to the Knowledge of the Seller, there are no formal union organizational campaigns or representation proceedings underway or formally threatened with respect to any employees of the Company or the Significant Subsidiary nor are there any existing or threatened labor strikes, work stoppages, slowdowns, disputes, grievances unfair labor practice charges, labor arbitration proceedings or other disturbances affecting any employee of the Company or the Significant Subsidiary.

3.16 Taxes. Except as set forth in Schedule 3.16 attached hereto or as otherwise provided in this Section 3.16:

(a) the Seller, the Company or the Significant Subsidiary has filed or caused to be filed all tax returns and reports required to have been filed with respect to taxes, including without limitation, federal, state, foreign, county, local and other income, franchise, property (real or personal, tangible or intangible), payroll, excise, sales, use and other taxes and governmental assessments (collectively, "Taxes") by or for the Company or the Significant Subsidiary on or before the Closing Date;

(b) each of the Company and the Significant Subsidiary has paid or made adequate provision for all Taxes, additions to Taxes, interest, and penalties that have become due pursuant to those returns or reports or pursuant to any assessment or adjustment made with respect thereto; and

(c) neither the Company nor the Significant Subsidiary has granted (or is subject to) any waiver of the period of limitations for the assessment of Taxes for any currently open taxable period, and no unpaid Taxes deficiency has been asserted against or with respect to the Company or the Significant Subsidiary by a taxing authority, no notice of assessment or audit has been received by the Company or the Significant Subsidiary from a taxing authority and no audit of the Company or the Significant Subsidiary by a taxing authority is currently underway.

Notwithstanding the foregoing, the Company is under no obligation to set forth in Schedule 3.16 any item for which indemnity is provided by the Seller in Section 7.3 of this Agreement, nor shall any provision of this Section 3.16 apply to any matter for which indemnity is provided by the Seller in Section 7.3.

3.17 Transactions With Affiliates. Except as set forth in Schedule 3.17 attached hereto, or as contemplated by this Agreement, since December 31, 1995, neither the Company nor the Significant Subsidiary has, in the ordinary course of business or otherwise, purchased, leased or otherwise acquired any material property or assets or obtained any material services from, or sold, leased or otherwise disposed of any material property or assets or provided any material services to (except with respect to remuneration for services rendered as a director, officer or employee of the Company), any director, officer or employee, or to the Knowledge of the Seller, any of their relatives, of the Company, the Significant Subsidiary, the Seller or any Affiliate of the Company, the Significant Subsidiary or the Seller or any of their directors, officers or employees or, to the Knowledge of the Seller, any of their relatives. For purposes of this Agreement, "Affiliate" shall mean any person, firm or corporation that directly or indirectly controls, is controlled by or is under common control with such person. Except as set forth in Schedule 3.17, the Pro Forma Balance Sheet or the Financial Statements, (a) the Contracts do not include any payable, receivable, obligation or commitment between the Company and any Affiliate (other than the Significant Subsidiary) or any of their respective directors, officers or employees, or, to the Knowledge of the Seller, any of their relatives, and (b) the assets of the Company do not include any receivable or other obligation or commitment from an Affiliate to the Company (other than the Significant Subsidiary) or any of their respective directors, officers or employees, or to the Knowledge of the Seller, any of their relatives.

3.18 No Broker. Neither the Seller nor the Company (i) has had any dealings, negotiations or communications with or retained any broker or other intermediary in connection with the transactions contemplated by this Agreement and (ii) is committed to any liability for any brokers' or finders' fees or any similar fees in connection with the transactions contemplated by this Agreement, other than Bowles Hollowell Conner & Co., whose fees and expenses shall be paid by the Seller.

3.19 Non-Operating Subsidiary. Massie Tool, Mold & Die, Inc., a Florida corporation and wholly-owned subsidiary of the Company, is a non-operating corporation whose only assets are the rights to its corporate name and only liabilities are the costs and expenses related to the maintenance of its corporate existence.

3.20 Accuracy of Information. To the Knowledge of the Seller, neither this Agreement nor any Schedule hereto, including Note 12 to the Financial Statements set forth in Schedule 1.19,

contains an untrue statement of a material fact or omits to state a material fact necessary to make statements contained herein or therein not misleading (it being understood that any error or omission will be deemed to be immaterial if such error or omission is (i) corrected when viewed in the context of all other provisions of this Agreement or such Schedules, or (ii) corrected or updated by another representation or warranty made herein).

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer hereby represents and warrants to the Seller that:

4.1 Organization. The Buyer is a corporation, duly organized, validly existing and in good standing under the laws of Delaware and has all requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated herein.

4.2 Execution, Delivery and Performance. Except as set forth in Schedule 4.2, the execution, delivery and performance by the Buyer of this Agreement and each agreement or instrument executed in connection herewith or delivered pursuant hereto and the consummation of the transactions contemplated herein will not, with or without the giving of notice or the passage of time, or both, (i) materially conflict with, or result in a violation or breach of, or a default, right to accelerate or loss of rights under, or result in the creation of any lien, charge or encumbrance under or pursuant to, any provision of the Buyer's Articles or Certificate of Incorporation or Bylaws, any Law, or any finding, order, judgment, writ, injunction or decree to which the Buyer is a party or by which the Buyer or its assets may be bound or affected or any contract, lease, mortgage, deed of trust, indenture, permit, license, franchise, commitment, authorization or concession, or other agreement or instrument applicable to the Buyer; or (ii) require the approval, consent or authorization of, or prior notice to, filing with or registration with, any federal, state or local governmental body or authority, regulatory agency, court, or any other person or entity, except notices and approvals required under the HSR Act.

4.3 Authorization. The Buyer has full power and authority to enter into, deliver and perform this Agreement, and each agreement or instrument (to which it is a party) executed in connection herewith or delivered pursuant hereto and to consummate the transactions contemplated hereby. The Buyer's execution, delivery and performance of this Agreement and all agreements and instruments executed in connection herewith or delivered pursuant hereto and the transactions contemplated hereby have been duly authorized by all requisite corporate action. This Agreement and all agreements or instruments executed by the Buyer in connection herewith or delivered by the Buyer pursuant hereto have been duly executed and delivered by the Buyer and this Agreement and all agreements and instruments executed by the Buyer in connection herewith or delivered by the Buyer pursuant hereto constitute the Buyer's legal, valid and binding obligation, enforceable in accordance with their respective terms.

4.4 No Broker. The Buyer has not had any dealings, negotiations or communications with any broker or other intermediary in connection with the transactions contemplated by this Agreement and is not committed to any liability for any brokers' or finders' fees or any similar fees in connection with the transactions contemplated by this Agreement.

4.5 Purchase for Investment. The Buyer is acquiring the Company Common Stock for its own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof, except in accordance with applicable federal and state securities laws.

ARTICLE V

CERTAIN MATTERS PENDING THE CLOSING

5.1 Carry on in Regular Course. Except as provided in this Agreement, the Seller shall cause each of the Company and the Significant Subsidiary to carry on its business in the ordinary course and substantially in the same manner as heretofore carried on and use its reasonable efforts to preserve its properties, business and relationships with its suppliers and customers. The Seller will advise the Buyer promptly in writing of any material adverse change in the Company's financial condition or business.

5.2 Distributions; Assignment of Retained Liabilities. Notwithstanding the provisions of Section 5.1 hereof, between the date hereof and the Closing Date, (i) the Company and the Significant Subsidiary may pay such dividends or make such other distributions to its shareholder of cash from operations of the Company before the Closing Date (but excluding any proceeds of sales of capital assets that are not replaced with assets of comparable or greater value), and (ii) the Seller, the Company and the Seller's Affiliates may take such actions as may be necessary to give effect to the transactions contemplated in the Pro Forma Balance Sheet including but not limited to the payment or forgiveness of all intercompany accounts prior to the Closing Date.

5.3 Indebtedness. Without the prior written consent of the Buyer, the Seller shall not cause or permit either the Company or

the Significant Subsidiary to: (a) create, incur, assume or increase any indebtedness for borrowed money, (b) mortgage, pledge or otherwise encumber any of its properties or assets, except for Permitted Liens or (c) create, assume or increase any other indebtedness except accounts payable and other liabilities incurred in the ordinary course of business.

5.4 Issuance of Stock. The Seller shall not cause or permit either the Company or the Significant Subsidiary to reclassify or issue any shares of capital stock of any class or grant any warrants, options or rights to subscribe for any shares of capital stock of any class or securities convertible into or exchangeable for, or which otherwise confer on the holder any right to acquire, any shares of capital stock of any class.

5.5 Compensation. The Seller shall not cause or permit either the Company or the Significant Subsidiary to grant any increases, except as set forth on Schedule 3.7B, in the rate of pay of any of its officers, directors or employees. Except as specifically noted in Schedule 3.14, the Seller shall not cause or permit either the Company or the Significant Subsidiary to institute any new employee benefit plan or program or increase benefits under any existing employee benefits plan or program.

5.6 Changes. The Seller shall cause each of the Company and the Significant Subsidiary not to take any action or omit to take any action which would render Section 3.7 hereof incorrect in any material respect, except Section 3.7(i) hereof.

5.7 Compliance with Law. The Seller shall cause each of the Company and the Significant Subsidiary to comply in all material respects with all applicable Laws and with all orders of any court or of any federal, state, municipal or other governmental department, non-compliance with which could cause a material adverse change in its assets or properties or a material impairment to its business.

5.8 Access to Information. At the Buyer's expense, the Buyer, the Buyer's Lenders and their respective authorized agents, officers and representatives shall have reasonable access to the properties, books, records, contracts, information, documents and personnel of the Company and the Significant Subsidiary to conduct such examinations and investigations of the Company and the Significant Subsidiary as the Buyer or the Buyer's Lenders deem necessary; provided, however, that such examinations and investigations: (a) shall be conducted during the normal business hours of the Company or the Significant Subsidiary, as the case may be; and (b) shall not unreasonably interfere with the operations and activities of the Company or the Significant Subsidiary, as the case may be. The Seller shall cause the Company and the Significant Subsidiary to cooperate in all reasonable respects with such examinations and investigations.

5.9 Cooperation; Best Efforts. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use its reasonable best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper and advisable under applicable Law, to consummate the transactions contemplated by this Agreement, including, but not limited to, all filings and other actions required under the HSR Act. In case at any time after the Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each party to this Agreement shall take all such necessary action. The parties hereto will execute any additional instruments necessary to consummate the transactions contemplated hereby. The Seller will use its reasonable best efforts to obtain reliance letters for the benefit of the Buyer and its lenders from the Seller's environmental consultants relating to the Company's or the Significant Subsidiary's, as the case may be, operating facilities, other than the facility located at Alsip, Illinois.

5.10 Consents. (a) The Seller will use its reasonable best efforts to obtain consents of all third parties and governmental authorities necessary to Seller's consummation of the transactions contemplated by this Agreement including but not limited to all consents listed on Schedule 3.2.

(b) The Buyer will use its reasonable best efforts to obtain consents of all third parties and governmental authorities necessary to Buyer's consummation of the transactions contemplated by this Agreement including but not limited to all consents listed on Schedule 4.2.

5.11 Publicity. All general notices, releases, statements and communications to employees, suppliers, distributors and customers of the Company and the Significant Subsidiary and to the general public and the press relating to the transactions covered by this Agreement shall be made only at such times and in such manner as may be mutually agreed upon by the Seller and the Buyer; provided, however, that any party hereto shall be entitled to make a public announcement of the foregoing if, in the opinion of its legal counsel, such announcement is required to comply with Law or any listing agreement with any national securities exchange or inter-dealer quotation system and if it first gives notice to the other parties hereto of its intention to make such public announcement and a copy of such announcement.

5.12 Confidentiality. (a) Notwithstanding any other provision of this Agreement to the contrary, the Buyer agrees that unless and until the transactions contemplated herein are consummated, the Buyer shall remain subject to all of the terms and conditions of the Confidentiality Agreement, dated September 21, 1995, executed and delivered by Mentmore Holdings Corporation, the terms of which Confidentiality Agreement are incorporated herein by reference; provided, however, the provisions of the Confidentiality Agreement shall be waived as and to the extent necessary to permit public announcements to the extent provided in Section 5.11 hereof.

(b) Notwithstanding any other provision of this Agreement to the contrary, the Seller agrees that unless and until the transactions contemplated herein are consummated, the Seller shall remain subject to all of the terms and conditions of the Confidentiality Agreement, dated January 24, 1996, executed and delivered by the Seller, the terms of which Confidentiality Agreement are incorporated herein by reference; provided, however, the provisions of the Confidentiality Agreement shall be waived as and to the extent necessary to permit public announcements to the extent provided in Section 5.11 hereof.

5.13 Articles and Bylaws. The Seller shall not permit or cause either the Company or the Significant Subsidiary to amend its Articles of Incorporation or Bylaws or merge or consolidate with or into any other corporation.

5.14 Standstill. Each of the Seller and the Parent undertakes and agrees that it will not, after the date of the execution of this Agreement, so long as the Buyer is proceeding in good faith towards Closing of this Agreement, but in no event beyond the termination of this Agreement, engage in any discussions or negotiate with any prospective purchaser of any assets or capital stock of the Company or the Significant Subsidiary, and each will be responsible for compliance with such undertaking by its respective directors, officers and agents and the directors, officers and agents of the Company and the Significant Subsidiary.

5.15 Environmental Obligations. (a) With respect to the two reportable releases at the Company's facility located at 134 Ferry Street, South Grafton, MA (the "Company's South Grafton Property"), identified as Area A - Boiler Room and Area B - Facility Building (West) (the "Reportable Releases") in the Phase I Initial Site Investigation Report dated January 1996 prepared by O'Brien & Gere Engineers, Inc. for 134 Ferry Street, South Grafton, MA (the "Phase I Report"), (i) the Seller shall cause a Licensed Site Professional (a "LSP") to conduct such sampling as may be necessary to determine the extent of the on-site and off-site contamination resulting from such Reportable Releases; (ii) the Seller shall take such actions as may be necessary to remediate such on-site and off-site contamination to obtain from an LSP a Response Action Outcome Completion Statement reflecting a permanent as opposed to a temporary solution, as provided for in the Massachusetts Contingency Plan, 310 CMR Chapter 40.00 (the "Outcome Statement"); and (iii) the Seller shall conduct such additional sampling or remediation activities required with respect to the Reportable Releases by the Massachusetts Department of Environmental Protection ("MADEP") as a result of any audit by MADEP of the Outcome Statement to the extent such additional sampling or remediation activities result from MADEP's application of the provisions of the Massachusetts Contingency Plan in effect on the date hereof. Notwithstanding the foregoing, the Buyer and its lenders shall have the right to approve any proposed activity or use limitation affecting the present use of the property as a manufacturing facility prior to its incorporation into any Response Action Outcome Completion Statement. The Seller shall reasonably cooperate with the Buyer, and after the Closing the Company, in the Buyer's efforts to obtain a covenant not to sue and contribution protection for the Buyer under the Massachusetts Contingency Plan; provided, however, that such obligation of the Seller shall terminate on the first anniversary of the Closing Date.

(b) the Buyer will cooperate with the Seller in the discharge of the Seller's obligations under the foregoing Section 5.15(a), including, but not limited to:

- (i) allowing and causing the Company to allow the Seller and its consultants and contractors access to and entry upon the Company's South Grafton Property to conduct the activities contemplated by Section 5.15(a) after the Closing;
- (ii) allowing and causing the Company to allow connection to and use of all necessary utilities to conduct the activities by the Seller and its consultants and contractors contemplated by Section 5.15(a) after the Closing; provided that the Seller reimburses the Company for any incremental increase in utility charges resulting therefrom;
- (iii) causing the Company to assist the Seller and its consultants to obtain any permits

- necessary for the performance by the Seller of the activities contemplated by Section 5.15(a), provided that the Seller shall be responsible for all costs and expenses for obtaining such permits; and
- (iv) coordinating and causing the Company to coordinate the operations of the Company at the Company's South Grafton Property with the activities by the Seller and its consultants and contractors contemplated under Section 5.15(a) to minimize interference with the Seller's timely completion of its obligations thereunder.

ARTICLE VI

CONDITIONS PRECEDENT TO CONSUMMATION OF THE CLOSING

6.1 Conditions Precedent to Each Party's Obligations to Closing. The respective obligations of each party to consummate the transactions contemplated by this Agreement on the Closing Date are subject to the satisfaction at or prior to the Closing of the following conditions precedent:

(a) no order, decree or injunction shall have been enacted, entered, promulgated or enforced by any United States court of competent jurisdiction or any United States governmental authority which prohibits the consummation of the transactions contemplated by this Agreement; provided, however, that the parties hereto shall cooperate to use their reasonable best efforts to have any such order, decree or injunction vacated or reversed; and

(b) all applicable waiting periods under the HSR Act shall have expired or terminated, and neither the Federal Trade Commission nor the Department of Justice shall have instituted, or threatened to institute, either before or after the expiration of such waiting period, a proceeding concerning this Agreement or the consummation of the transactions contemplated hereby.

6.2 Conditions Precedent to Obligations of the Buyer. The obligation of the Buyer to consummate the transactions contemplated by this Agreement on the Closing Date is subject to the satisfaction or waiver at or prior to the Closing of the following conditions precedent:

(a) there shall have occurred no material adverse change in the financial condition, results of operations, business or assets of the Company or Significant Subsidiary considered as a whole from December 31, 1995 to the Closing Date, except for changes attributable to the Company's manufacturing operations at its facility located in Graham, North Carolina (other than any destruction or substantial damage to such facility);

(b) the representations and warranties of the Seller contained in Article III shall be true and correct in all material respects at and as of the Closing Date with the same force and effect as if those representations and warranties had been made at and as of such time (with such exceptions, if any, necessary to give effect to events or transactions expressly permitted herein);

(c) the Seller shall, in all material respects, have performed all obligations and complied with all covenants contemplated herein that are necessary to be performed or complied with by it on or before the Closing Date;

(d) the Buyer shall have received the Seller's Closing Certificate;

(e) the Seller and the Company shall have executed and delivered the Assignment and Assumption Agreement and pursuant thereto the Retained Liabilities shall have been assumed by the Seller;

(f) the Seller and the Company shall have executed and delivered the Transition Services Agreement.

(g) the Buyer shall have received the resignations (effective as of the Closing Date) of all of the officers and directors of the Company and each Company Subsidiary;

(h) the Buyer shall have received all of the minute books of the Company and each Company Subsidiary, including all stock registers, corporate seals and related materials;

(i) all proceedings, corporate or other, to be taken by the Seller in connection with the transactions contemplated by this Agreement, and all documents incident thereto, shall be reasonably satisfactory in form and substance to the Buyer and the Buyer's counsel;

(j) the Buyer shall have received the Parent Guaranty; and

(k) the Buyer shall have received the Opinion of Seller's Counsel.

6.3 Conditions Precedent to Obligations of the Seller. The obligation of the Seller to consummate the transactions contemplated by this Agreement on the Closing Date is subject to the satisfaction or waiver at or prior to the Closing of the following conditions precedent:

(a) the representations and warranties of the Buyer contained in Article IV shall be true and correct in all

material respects at and as of the Closing Date with the same force and effect as if those representations and warranties had been made at and as of such time (with such exceptions, if any, necessary to give effect to events or transactions expressly permitted herein);

(b) the Buyer shall, in all material respects, have performed all obligations and complied with all covenants contemplated herein that are necessary to be performed or complied with by it on or before the Closing Date;

(c) the Seller shall have received the Buyer's Closing Certificate;

(d) all proceedings, corporate or other, to be taken by the Buyer in connection with the transactions contemplated by this Agreement, and all documents incident thereto, shall be reasonably satisfactory in form and substance to the Seller and the Seller's counsel;

(e) the Seller shall be relieved, released, reimbursed or held harmless by the Buyer, satisfactory to the Seller in the Seller's reasonable discretion, for all financial commitments, guaranties, collateral agreements, surety bonds, or similar undertakings the Seller has provided to or on behalf of the Company or the Significant Subsidiary (on a direct or indirect basis) that remain outstanding as of the Closing Date which are listed on Schedule 6.3 attached hereto; and

(f) the Seller shall have received the Opinion of Buyer's Counsel.

ARTICLE VII ADDITIONAL COVENANTS

7.1 Employee Benefit Plan Matters. (a) The parties agree that as of the Closing Date the Continuing Employees who participated in the Employee Benefit Plans shall cease to actively participate in those Employee Benefit Plans sponsored by the Parent; that the Company, the Significant Subsidiary and each Company Subsidiary shall cease to be participating employers in the Employee Benefit Plans sponsored by the Parent and after the Closing Date neither the Buyer nor the Company nor the Significant Subsidiary nor any other Company Subsidiary shall either sponsor or maintain or assume the sponsorship of, or the responsibility for contributions to, or have or incur any cost or liability in connection with, any Employee Benefit Plan sponsored by the Parent. The preceding sentence shall not apply to Employee Benefit Plans listed on Schedule 1.33 and shall not affect Continuing Employees' right to severance benefits in accordance with Section 7.22.

(b) Prior to the Closing Date the Parent will assume the sponsorship of the Polestar Plastics Manufacturing Company 401(k) Profit Sharing Plan (the "Polestar Plan") and the Massie Tool & Mold, Inc. Frozen Profit sharing Plan (the "Massie Plan").

(c) Effective as of the Closing Date and for a period of 180 days thereafter, Continuing Employees shall be eligible to participate in the employee benefit plans listed on Schedule 7.1 (the "Buyer's Plans") and during such period the Buyer's Plans shall remain in effect with the same terms as in effect on the date of this Agreement. Buyer will designate a defined contribution plan that is qualified under Section 401(a) and related sections of the Code that will accept transfers from the Savings Plan for the Employees of Tredegar Industries, Inc., the Polestar Plan and the Massie Plan as "direct rollovers" on behalf of each Continuing Employee who directs such a transfer. With respect to any Continuing Employee, each Buyer's Plan that is an employee welfare plan (as defined in ERISA Section 3(1)) (the "Buyer's Welfare Plans") shall not include a waiting or eligibility period or a preexisting condition restriction or limitation and to the extent that such Continuing Employees or their dependents or beneficiaries have satisfied any internal limits, deductibles or copayment requirements under the Employee Benefit Plans that are welfare plans or fringe benefits, for the year that includes the Closing Date, such amounts will be credited toward the satisfaction of any such requirements under the Buyer's Welfare Plans. Service recognized under the applicable Pension Plan for Continuing Employees will be recognized for all purposes under each of the Buyer's Plans that is an employee pension plan (as defined in ERISA Section 3(2)) (the "Buyer's Pension Plans"), except that the benefits payable to or on behalf of a Continuing Employee under the Buyer's Pension Plans may be reduced by the benefits payable to or on behalf of such Continuing Employee under the applicable Pension Plan. Except as provided in the preceding sentences of this Section 7.1(c), Buyer shall cause the Company, the Significant Subsidiary and each Company Subsidiary to adopt and maintain such "employee benefit plans" (as defined in Section 3(3) of ERISA) as are appropriate in Buyer's sole discretion and judgment.

7.2 Termination; Severance. (a) Except as indicated in separate letters from the Buyer to the Seller, received by the Seller prior to February 29, 1996 with respect to plant personnel, and received by the Seller not less than seven days prior to the Closing Date with respect to staff personnel located in Richmond, VA, the Buyer agrees that it shall cause the Company

or the Significant Subsidiary or each other Company Subsidiary, as the case may be, to continue to employ, immediately after the Closing, all of the individuals employed by it on the Closing Date at salaries or wages, as applicable, that are not less than the salaries or wages payable to such persons on the Closing Date; provided, however, that the Buyer shall have the right to modify such salaries or wages after the Closing in its sole discretion. The preceding sentence shall not restrict or otherwise limit the Company's or the Significant Subsidiary's or a Company Subsidiary's, as the case may be, right to terminate the service of any such employee after the Closing with or without cause in its sole discretion.

(b) The Buyer shall pay severance pay to each Continuing Employee, who is terminated without cause after the Closing Date, at a rate of one week's pay for each year of service with the Company, each Company Subsidiary or the predecessors or successors of any of them. Severance pay shall be paid in a single sum or in bi-weekly installments, as determined by the Buyer in its sole discretion. For purposes of this Agreement, the term "Year of Service" means the number of years of service recognized for vesting purposes under the applicable Pension Plan and the term "salary" means, in the case of a salaried employee, his base annual salary divided by 52 and, in the case of an hourly paid employee, his current hourly wage multiplied by 40. The amount of severance pay shall be reduced for applicable income and employment tax withholding and the cost of any coverage under the Buyer's or the Seller's health benefit plan payable by such Continuing Employee.

7.3 Income Tax Matters. (a) Federal Income Taxes in General. The income and other tax items of the Company and the Significant Subsidiary for periods ending on or before the Closing Date shall be included in the consolidated federal income tax return of the affiliated group, within the meaning of Section 1504(a) of the Code, of which the Seller is a member (the "Seller Group"). Except as otherwise provided in this Section 7.3, the Seller shall be responsible for and shall indemnify, defend and hold harmless the Buyer, the Company, and each Company Subsidiary from any federal income taxes of the Company or the Significant Subsidiary not heretofore paid and shall be entitled to any reductions in taxes or refunds (including interest) not heretofore received for taxable periods of the Seller Group ending before or including the Closing Date. If the Buyer, the Company, or the Significant Subsidiary receives any such refund, the Buyer shall promptly pay (or cause the Company or the Significant Subsidiary to pay) the entire amount of the refund (including interest) to the Seller.

The Buyer and the Company shall be jointly and severally responsible for and shall indemnify, defend and hold harmless the Seller and all other members of the Seller Group from all federal income taxes of the Company and the Significant Subsidiary for any taxable period beginning on or after the Closing Date and for all federal income taxes resulting from any action taken without the Seller's written consent by the Buyer, the Company, or the Significant Subsidiary after the Closing (including, without limitation, actions taken outside the ordinary course of business and occurring on the Closing Date). The Buyer shall be entitled to all refunds of taxes (including interest) for such periods.

(b) State Income Taxes in General. For purposes of this Agreement, the term "state income tax" means any tax or governmental charge in lieu thereof, imposed by a state in the United States, that is based on or measured by net income. The Seller shall be responsible for preparing and filing the state income tax returns of the Company and the Significant Subsidiary for taxable periods ending on or before the Closing Date. Except as otherwise provided in this Section 7.3, the Seller shall indemnify, defend and hold harmless the Buyer, the Company, and the Significant Subsidiary from any state income taxes not heretofore paid and shall be entitled to any reductions in taxes or refunds (including interest) not heretofore received for such taxable periods. If the Buyer, the Company, or the Significant Subsidiary receives any such refund, the Buyer shall promptly pay (or cause the Company or the Significant Subsidiary to pay) the entire amount of such refund (including interest) to the Seller.

The Buyer and the Company shall be jointly and severally responsible for and shall indemnify, defend and hold harmless the Seller and all other members of the Seller Group from all state income taxes of the Company and the Significant Subsidiary for any taxable period beginning on or after the Closing Date and for all state income taxes resulting from any action taken without the Seller's written consent by the Buyer, the Company, or the Significant Subsidiary after the Closing (including, without limitation, actions taken outside the ordinary course of business and occurring on the Closing Date). The Buyer and the Company shall be entitled to all refunds of taxes (including interest) for such periods.

If the Company or the Significant Subsidiary is required to file any state income tax return for a taxable period covering days before and after the Closing Date, the Buyer shall

cause such return to be filed and shall be responsible for the payment of any tax for such period. However, the Seller shall pay to the Buyer, as an adjustment to the Purchase Price paid to the Seller, the amount by which the state income tax attributable to the period through the Closing Date (excluding any tax for which the Buyer and the Company are responsible pursuant to the preceding paragraph) exceeds the sum of the amount of such tax paid on or before the Closing Date. The tax attributable to the period through the Closing Date shall be determined (i) as if that period were a separate taxable year and (ii) except as otherwise required by Law, by using the tax accounting methods and tax elections used by the Company or the Significant Subsidiary (as appropriate) before the Closing Date. The Seller shall compute the amount of the Company's or the Significant Subsidiary's tax attributable to the period through the Closing Date (excluding any tax for which the Buyer and the Company are responsible pursuant to the preceding paragraph) and shall notify the Buyer of such amount in writing no later than 90 days after the Closing Date. At least 30 days before the due date (excluding extensions) for the filing of the Company's or the Significant Subsidiary's state income tax return for the entire period, the Seller shall pay to the Buyer the excess of (a) the amount of tax determined by the Seller as attributable to the portion of the period through the Closing Date, over (b) the sum of the amount of the tax for the taxable period paid on or before the Closing Date. If the Buyer disagrees with the Seller's computation of any such amount, the Seller and the Buyer shall proceed in good faith to determine the correct amount, and the Seller's payment to the Buyer shall be due on the later of (i) the time specified in the immediately preceding sentence and (ii) 10 days after the Seller and the Buyer agree to the amount payable. If the Seller and the Buyer do not reach an agreement within 30 days after the due date (excluding extensions) of the state income tax return in question, they shall select a "Big Six" accounting firm to determine the correct amount of any and all amounts in dispute, and such firm's determination of such amount(s) shall be conclusive. Such accounting firm shall notify both parties in writing of its determination(s), and the Seller's payment to the Buyer under this paragraph shall be due 10 days after the date the Seller receives such written notification from the accounting firm. The Seller and the Buyer shall share equally any fee and other costs charged by such accounting firm.

(c) Taxes Resulting From Section 338 Elections.

Notwithstanding any other provision of this Agreement, the parties agree that, if the Buyer makes or is deemed to have made an election under Section 338 (without an election being made under Section 338(h)(10)) of the Code with respect to the Company, the Buyer shall prepare and file the returns for, be responsible for the payment of, defend, indemnify and hold harmless the Seller from, and be entitled to any refund of any taxes resulting from the election, any such election with respect to the Significant Subsidiary, and any corresponding election(s) under state law. If an election is made by the Buyer and the Seller under Section 338(h)(10) of the Code with respect to the Company, (i) the Seller shall prepare and file the returns for, be responsible for the payment of, defend, indemnify and hold harmless the Buyer and the Company from, and be entitled to any refund of any federal and state income taxes resulting from that election, any such election with respect to the Significant Subsidiary, and any corresponding election(s) under state law, but only up to the amount of such taxes that would be payable by the Seller, if no Section 338(h)(10) election were made, with respect to the sale of the stock of the Company, and (ii) the Buyer shall defend, indemnify and hold harmless the Seller from, and be entitled to any refund of, any federal and state income taxes exceeding such amount and resulting from any such election(s). For purposes of the immediately preceding sentence, the amount of federal and state income taxes resulting from any election under Section 338(h)(10) (and any corresponding election under state law) shall be computed without regard to the use of deductions, losses, or credits actually used in a consolidated, unitary, or combined return including the Company or the Significant Subsidiary and any member of the Seller's affiliated group, except (i) any deductions, losses, and credits that, absent such election, would be used to reduce income taxes with respect to the sale of the stock of Company, (ii) any deductions or losses recognized because of the deemed sale of assets resulting from such election, and (iii) any deductions, losses and credits that would be attributable to the Company (or to the Significant Subsidiary, if a Section 338(h)(10) election is made with respect to the Significant Subsidiary as well as the Company) under Treasury Regulation Section 1.1502-79 for future use if no such election were made. If a refund of tax described in this paragraph is paid to a person other than the party entitled to the refund under this paragraph, the Seller or the Buyer, as appropriate, shall promptly pay (or, in the Buyer's case, cause the Company or the Significant Subsidiary to pay) the amount of such refund to the party so entitled to the refund.

If a Section 338(h)(10) election is to be made, the

Buyer and the Seller shall cooperate as provided herein in determining the deemed sales prices of the assets of the Company (and, if applicable, the assets of the Significant Subsidiary) for purposes of Section 338(a)(1) of the Code in accordance with all applicable Treasury Regulations promulgated under Section 338 of the Code. The Buyer initially shall determine such deemed sales prices and shall notify the Seller in writing of the prices so determined ("Buyer's Deemed Sales Price Notice") within 90 days after the Closing Date. The Seller shall be deemed to have accepted such determination unless, within 60 days after the date of the Buyer's Deemed Sales Price Notice, the Seller notifies the Buyer in writing of (i) each proposed deemed sales price with which the Seller disagrees, and (ii) for each such price, the amount that the Seller proposes as the deemed sales price. If the Seller provides such notice to the Buyer, the parties shall proceed in good faith to determine mutually the deemed sales prices in dispute. Neither the Buyer nor the Seller shall take, nor shall they permit any affiliated corporation (including, without limitation, the Company and the Significant Subsidiary) to take, any position for income tax purposes that is inconsistent with the deemed sales prices as finally determined hereunder; provided, however, that the deemed purchase prices of the assets shall differ from the deemed sales prices to the extent necessary to reflect the inclusion in the total deemed purchase price of items (for example, the Buyer's capitalized acquisition costs in addition to the Purchase Price) not included in the total deemed sales price.

(d) Cooperation. The Buyer agrees to cooperate and to cause the Company and the Significant Subsidiary to cooperate with the Seller to the extent reasonably required after the Closing Date in connection with (i) the filing, amendment, preparation, and execution of all federal and state income tax returns and documents with respect to any taxable period of the Company or the Significant Subsidiary ending on or before the Closing Date, (ii) contests concerning the federal or state income tax due for any such period, and (iii) audits and other proceedings conducted by income tax authorities with respect to any such period. Within a reasonable time (but not more than 10 days) after the Buyer, the Company, or the Significant Subsidiary receives official notice of any such contest, audit, or other proceeding, the Buyer shall notify or cause the Company or the Significant Subsidiary to notify the Seller in writing of such contest, audit, or other proceeding. In any case where the Company or the Significant Subsidiary is responsible under applicable law for the defense of such contest, audit, or other proceeding, the Seller shall have the right to conduct the defense at its expense, whether such contest, audit, or other proceeding commenced before or commences after the Closing Date. Notwithstanding the Seller's obligations under the other provisions of this Section 7.3, the Seller shall have no obligation to pay, defend, indemnify or hold harmless the Buyer, the Company, or the Significant Subsidiary from any tax imposed or assessed as a result of (i) the failure of the Buyer, the Company, or the Significant Subsidiary to notify the Seller as required by this Subsection 7.3(d), if such failure adversely affects the Seller's ability to respond adequately in a timely manner to the notice of contest, audit, or other proceeding, (ii) any action taken by the Buyer, the Company, or the Significant Subsidiary with respect to any contest, audit, or other proceeding without the Seller's written consent, if and to the extent such action would result in any liability on the part of or adversely affect the Seller, including any increase in an indemnification obligation under this Agreement, or (iii) any failure of the Buyer or the Company to comply with Section 7.5 hereof, if and to the extent such failure would result in any liability on the part of or adversely affect the Seller, including any increase in an indemnification obligation under this Agreement. The amount of any income tax indemnification otherwise payable by the Seller under this Agreement shall be reduced or increased (as appropriate) by the amount or, in the case of a tax benefit or cost to be realized subsequently, the then-present value of any federal or state income tax benefit or cost to the Buyer, the Company, or the Significant Subsidiary resulting from any adjustment to or change in any tax item relating to the Company or the Significant Subsidiary for any taxable period ending before or including the Closing Date. Such present value shall be based on a discount rate of 5% per annum.

The Seller agrees to make available to the Buyer, the Company, and the Significant Subsidiary records in the custody of the Seller or of any member of the Seller Group, to furnish other information, and otherwise to cooperate to the extent reasonably required for the filing of federal and state income tax returns and other documents relating to the Company or the Significant Subsidiary for any taxable period ending after the Closing Date. The Seller agrees to notify the Buyer in the event that after the Closing Date the Seller makes any adjustment or change in any tax item in respect of a taxable period ending before or including the Closing Date that would increase the federal or state income taxes payable by the Buyer, the Company or the Significant

Subsidiary for any taxable period ending after the Closing Date. However, no loss, credit, or other item of the Company or the Significant Subsidiary may be carried back without the Seller's written consent, which the Seller may withhold in its absolute discretion, to a taxable period for which the Company or the Significant Subsidiary and the Seller or any other member of the Seller Group filed a consolidated, unitary, or combined return.

The Seller agrees to cooperate with the Buyer, and the Buyer agrees to cooperate (and cause the Company and the Significant Subsidiary to cooperate) with the Seller, to the extent necessary in connection with the filing of any information return or similar document relating to the Buyer's acquisition of the Company and (indirectly) the Significant Subsidiary.

(e) "Losses" with respect to Income Taxes. Any indemnifiable claim made under this Section 7.3 shall include any and all claims, demands, suits, proceedings, judgments, losses, liabilities, damages, costs and expenses of every kind and nature (including, but not limited to, reasonable attorneys' fees and litigation costs) imposed upon or incurred by the Seller or the Buyer as a result of or in connection with their respective indemnifiable claims under this Section 7.3 (collectively, "Claims"), provided, however, that no party seeking indemnification under this Section 7.3 shall be entitled to receive (i) any fees, costs or expenses incurred with respect to defending any such Claims if the indemnifying party is providing a defense to such Claims and has agreed in writing that it is obligated with respect to such Claims to defend, indemnify and hold harmless the party seeking indemnification or (ii) any consequential damages. The statute of limitations with respect to indemnification under this Section 7.3 shall extend until all applicable periods of limitations for assessments of tax have expired (taking into account any extension or waiver of any statute of limitation).

(f) Taxes to Include Interest, Etc. For purposes of this Section 7.3, the term "tax" or "taxes" includes any addition to tax, interest, and penalty imposed with respect to the tax or taxes. Thus, for example, any obligation to hold a party harmless from federal income tax for a taxable period includes the obligation to hold the party harmless from any addition to tax, interest, or penalty imposed with respect to such federal income tax.

(g) Termination of Tax-Sharing Agreement. After the Closing, this Section 7.3 shall supersede any and all tax-sharing or similar agreements to which (i) the Company or the Significant Subsidiary and (ii) the Seller or any corporation affiliated with the Seller are parties. Neither the Company or the Significant Subsidiary, nor the Seller or any such affiliated corporation shall have any obligation or rights with respect to each other under any such prior agreement after the Closing.

7.4 Use of the Name "Tredegar". (a) The Buyer acknowledges and agrees that, as between the Buyer and the Seller, the Seller has the absolute and exclusive proprietary right to the name "Tredegar" and all symbols and logos incorporating such name. Subject to the provisions of Subsection 7.4(c) below, the Buyer covenants and agrees that it shall not, and after the Closing, shall not cause or permit the Company, the Significant Subsidiary or any other Company Subsidiary to: (i) use the name "Tredegar" or any other rights associated with the use of the name "Tredegar" or (ii) use any printed materials, signs or graphics that display or imply an affiliation or connection of the Buyer, the Company, the Significant Subsidiary, any other Company Subsidiary or any affiliate of the Buyer with the Seller or any affiliate of the Seller.

(b) The Seller and the Buyer agree that, at the Seller's option, simultaneously with the Closing, the Seller may cause the Company to amend its Articles of Incorporation to change the name of the Company, provided, that, such name shall be reasonably acceptable to the Buyer. In the event that name of the Company has not been so changed, the Buyer agrees, that within 15 calendar days immediately following the Closing Date, at the Buyer's sole cost and expense, the Buyer shall cause the Company to amend its Articles of Incorporation to change the name of the Company, and during such 15 calendar day period, the Company shall be permitted to use the name "Tredegar Molded Products Company"; provided, however, the Buyer shall not, and shall not cause or permit the Company to, use such name for any commercial purposes, except as expressly permitted under Subsection 7.4(c) below.

(c) During the six-month period commencing upon the Closing Date (the "License Period"), the Buyer shall have the right to use the Company's and the Significant Subsidiary's existing signs and pre-printed materials such as packaging materials, invoices, acknowledgements, purchase orders, and catalogs; provided, however, that with respect to the use of such pre-printed materials, the Buyer shall, and shall cause the Company and the Significant Subsidiary to, clearly and prominently mark or label on such materials that the Company and the Significant Subsidiary are no longer affiliated with the Parent or any of the Parent's affiliates. Upon the expiration of

the License Period, the Buyer shall and shall cause the Company and the Significant Subsidiary to cease using any and all signs and preprinted materials that display or include the name "Tredegar."

7.5 Access to Books and Records. At the Seller's expense, the Seller and its authorized agents, officers and representatives shall have reasonable access after the Closing Date to the books, records, contracts, information and documents of the Company and any Company Subsidiary for any reasonable business purpose, including but not limited to matters relating to federal or state income taxes, the Retained Liabilities or the Seller's indemnity under Section 8.2 hereof; provided, however, such access by the Seller (a) shall be conducted during the Company's and the Significant Subsidiary's respective normal business hours and (b) shall not unreasonably interfere with the Company's and the Significant Subsidiary's respective operations and activities. The Buyer shall and shall cause the Company and the Significant Subsidiary to cooperate in all reasonable respects with the Seller's review of such information, including, without limitation, retaining all such information for each tax year (including any portion of a tax year) prior to and including the Closing Date until the Seller has notified the Buyer in writing that a tax year has been closed. The Seller shall notify the Buyer of the closing of tax years on an annual basis.

7.6 Access to and Removal of Equipment. Within 30 days immediately following the Closing, the Parent shall cause the Roboform 40(EDM) machine owned by the Parent's Film Products division (the "Roboform") and located at the Company's St. Petersburg, Florida tooling/technical plant to be removed from such plant. The Buyer shall allow and cause the Company (i) to allow the Parent access to and entry upon the Company's St. Petersburg, Florida tooling/technical plant for the purpose of removing the Roboform and (ii) to reasonably cooperate with such removal.

ARTICLE VIII SURVIVAL; INDEMNIFICATION

8.1 Limitation on and Survival of Representations and Warranties. (a) The Buyer acknowledges and agrees that no representations or warranties have been made by the Seller in connection with the transactions contemplated by this Agreement, except for those representations and warranties made by the Seller in Article III hereof and in the Seller's Closing Certificate. Except for claims made with respect to the matters, and to the extent provided in Section 8.2(a) hereof, the Buyer agrees not to assert any claim that the Seller has made any false representation, warranty or statement in connection with the transaction contemplated by this Agreement or omitted to make any statement necessary in order to make the representations, warranties and statements so made not misleading and agrees to waive any right or remedy available by Law in connection with the foregoing, except to the extent that any such false representation, warranty or statement or any such omission constitutes intentional fraud on the part of the Seller.

(b) Subject to paragraph (a) of this Section 8.1, all representations and warranties contained in this Agreement, or in any agreements or instruments executed in connection herewith or delivered pursuant hereto, shall survive for a period of one year beginning on the Closing Date, but no longer, and shall only be effective with respect to any breach or claim when notice of such breach or claim shall have been given in writing to the other party in breach or against whom indemnification is sought within such period prescribed, provided, however, with respect to Section 3.5, there shall be no expiration; with respect to Sections 5.15(a)(i) and (ii), such obligations of the Seller shall survive until the delivery to the Buyer of a copy of the Outcome Statement referred to in Section 5.15(a) hereof; with respect to Section 5.15(a)(iii), such obligations of the Seller shall survive until the earlier of (i) the date on which any additional sampling or remediation activities required to be conducted by Seller pursuant to Section 5.15(a)(iii) hereof shall have been completed by the Seller, and (ii) (x) with respect to any random audit conducted by MADEP pursuant to 310 CMR Chapter 40.1110(2)(as in effect on the date hereof), the date that is five years immediately following the date the Outcome Statement referred to in Section 5.15(a) hereof has been filed with MADEP, and (y) with respect to any targeted audit conducted by MADEP pursuant to 310 CMR Chapter 40.1110(3)(a)-(e) or (g)-(i)(as in effect on the date hereof), the date of expiration of such period as MADEP shall be permitted to conduct a targeted audit pursuant to 310 CMR Chapter 40.1110(3)(a)-(e) or (g)-(i)(as in effect on the date hereof); and with respect to claims for intentional fraud the statute of limitations for a federal securities law claim pursuant to Rule 10b-5 under the Securities Exchange Act of 1934, as amended, shall apply. Any claim for indemnification for which notice has been given within the prescribed period may be prosecuted to conclusion notwithstanding the subsequent expiration of such period. No party to this Agreement shall be entitled to pursue any remedy for the breach of any representation or warranty to the extent such party was informed

in writing of such breach prior to the Closing Date and such party proceeds with the Closing.

8.2 Indemnification by the Seller. Subject to the limitations set forth in Sections 8.1, 8.4 and 8.6 hereof, the Seller hereby agrees to defend, indemnify and hold harmless the Buyer from and against any and all claims, demands, suits, proceedings, judgments, losses, liabilities, damages, costs and expenses of every kind and nature (including, but not limited to, reasonable attorneys' fees and litigation costs) (collectively, "Losses") imposed upon or incurred by the Buyer ("Buyer's Claim") as a result of or in connection with any of the following:

- (a) Any misrepresentation or breach of warranty made by the Seller under Article III of this Agreement; or
- (b) The breach of or default in the performance by the Seller of any covenant, agreement or obligation to be performed by the Seller pursuant to this Agreement or any agreement or instrument executed in connection herewith or pursuant hereto.

8.3 Indemnification by Buyer. Subject to the limitations set forth in Sections 8.1 and 8.4, the Buyer hereby agrees to defend, indemnify and hold harmless the Seller from and against any and all Losses imposed upon or incurred by the Seller (any of such losses by the Seller, a "Seller's Claim"), as a result of or in connection with any of the following:

- (a) Any misrepresentation or breach of warranty made by the Buyer under Article IV of this Agreement;
- (b) The breach of or default in the performance by the Buyer of any covenant, agreement or obligation to be performed by the Buyer pursuant to this Agreement or any agreement or instrument executed in connection herewith or pursuant hereto;
- (c) The conduct of the Company's and the Significant Subsidiary's business after the Closing;
- (d) The use by the Buyer, the Company or the Significant Subsidiary of the name "Tredegar" or any symbol or logo incorporating such name after the Closing Date; or
- (e) any claims made on or after the Closing Date with respect to matters set forth on Schedule 6.3.

8.4 Limitation of Liability. Neither the Buyer nor the Seller shall have any liability to indemnify the other unless and until the aggregate amount of its Losses exceeds \$200,000 (excluding Losses in connection with the matters set forth in Section 5.15), in which event the party seeking indemnity may recover all of its Losses, other than the initial \$200,000 (excluding Losses in connection with the matters set forth in Section 5.15), and with respect to Losses incurred in connection with the matters set forth in Section 5.15, the Buyer shall be entitled to recover the entire amount of such Losses, subject to, however, the limitations set forth in the following sentence. Notwithstanding anything to the contrary in the foregoing, recovery for Buyer's Claims shall be limited to \$6,000,000 in the aggregate.

8.5 Notice of Indemnity Claims. If a party intends to assert a Buyer's Claim or a Seller's Claim (a Buyer's Claim or a Seller's Claim being hereafter referred to as a "Indemnity Claim" in this Section 8.5), the party intending to assert an Indemnity Claim shall provide the party from whom indemnification is sought with notice of such Indemnity Claim within thirty (30) days after receiving notice of such Indemnity Claim. At the time the Indemnity Claim is made and thereafter, any party asserting the Indemnity Claim shall provide the party against which the Indemnity Claim is asserted with copies of any materials in its possession describing the facts or containing information providing the basis for the Indemnity Claim. If the Indemnity Claim involves a claim by a third party (a "Third Party Indemnity Claim"), the party against which the Third Party Indemnity Claim is asserted may assume at its expense the defense of the claim by the third party, provided that such party against which the Third Party Indemnity Claim is asserted agrees in writing with respect to such Third Party Indemnity Claim that it is obligated hereunder to defend, indemnify and hold harmless any party asserting the Third Party Indemnity Claim with respect to such Third Party Indemnity Claim; and provided, further, that the party asserting the Third Party Indemnity Claim shall be entitled to participate in the defense of such claim at its own expense. The failure of any party against which the Third Party Indemnity Claim is asserted to assume the defense of any such claim shall not affect any indemnification obligation under this Agreement.

8.6 Application of Article VIII. No provision of Article VIII, except Section 8.7, shall apply to any claim or liability to which Section 7.3 applies. Article VIII shall apply to tax claims and liabilities to which Section 7.3 does not apply. Article VIII shall not apply to any claim for intentional fraud or in respect of Retained Liabilities pursuant to the Assumption and Assignment Agreement.

8.7 Indemnity Amounts to be Computed on After-Tax Basis. The amount of any indemnification payable under Section 7.3 or any of the preceding provisions of this Article VIII shall be (i) net of any federal or state income tax benefit realized or the

then-present value (based on a discount rate of 5%) of any such income tax benefit to be realized by the indemnified party (or, where the Buyer is the indemnified party, the Company or the Significant Subsidiary) by reason of the facts and circumstances giving rise to the indemnification, and (ii) increased by the amount of any federal or state income tax required to be paid by the indemnified party on the accrual or receipt of the indemnification payment. For purposes of the preceding sentence, (1) the amount of any state income tax benefit or cost shall take into account the federal income tax effect of such benefit or cost, and (2) any deductible amount and any amount includible in income each shall be deemed to produce, in the year of deduction or inclusion, an income tax benefit or cost based on the highest marginal federal and relevant state income tax rates generally applicable to corporations, without regard to the actual taxable income and actual effective tax rate of the indemnified party (or any affiliated person).

8.8 Offset. Any amounts for which the Seller shall be liable under Section 8.2 hereof may, at the option of the Seller, first be satisfied through an offset by (i) the cancellation of an aggregate amount of accrued but unpaid dividends, if any, on the New Preferred, (ii) the surrender by the Seller for cancellation of shares of the New Preferred or (iii) a combination of (i) and (ii), in an aggregate amount of such dividends or the stated value of the shares of the New Preferred so surrendered, or both, equal to the required indemnity amount.

ARTICLE IX TERMINATION

9.1 Termination. This Agreement may be terminated and the transactions contemplated by this Agreement may be abandoned at any time, but prior to the Closing Date only as follows:

(a) by mutual written consent of the Buyer and the Seller;

(b) by the Buyer or the Seller, if the Closing Date shall not have occurred on or before March 31, 1996 (provided that the right to terminate this Agreement under this Section 9.1(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of or has resulted in the failure of the Closing Date to occur on or before such date); and

(c) by the Buyer or the Seller, if any court of competent jurisdiction in the United States or other United States governmental body shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and nonappealable.

9.2 Effect of Termination. (a) If this Agreement is terminated and the transactions contemplated by this Agreement are not consummated pursuant to Section 9.1, all further obligations of the parties under or pursuant to this Agreement shall terminate without further liability of either party to the other, except as otherwise provided in Section 9.2(b) below, provided that the Buyer's obligations contained in this Section 9.2(a) and the Buyer's and the Seller's obligations under Section 5.12 of this Agreement shall survive any such termination. Nothing contained in this Section 9.2 shall relieve any party from liability for any breach of this Agreement.

(b) In the event that this Agreement is terminated as a result of the failure to satisfy the conditions precedent to Closing set forth in Sections 6.1, 6.2 or 6.3(e) of this Agreement, then the Seller shall promptly repay the Deposit to the Buyer. In the event that this Agreement is terminated for any other reason, other than a breach of this Agreement by the Seller, then the Seller shall be entitled to retain the Deposit as partial damages (it being understood that the parties have agreed that such amount shall not be deemed full or liquidated damages, and the Seller shall retain any and all remedies it may have for any breach of this Agreement by the Buyer).

9.3 Amendment. This Agreement may not be amended except by an instrument in writing signed by all of the parties.

9.4 Extension; Waiver. At any time prior to the Closing Date, the parties may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document, certificate or writing delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of any party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE X MISCELLANEOUS

10.1 Entire Agreement. Except as set forth in Section 5.12 hereof, this Agreement and the documents referred to herein and to be delivered pursuant hereto constitute the entire agreement between the parties pertaining to the subject matter hereof, and supersede all prior and contemporaneous agreements, understandings, negotiations and discussions of the parties,

whether oral or written, and there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof, except as specifically set forth herein or therein.

10.2 Expenses. Whether or not the transactions contemplated by this Agreement are consummated, each of the parties hereto shall pay the fees and expenses of their respective counsel, investment bankers, financial advisors, accountants and other experts and the other expenses incident to the negotiation and preparation of this Agreement and consummation of the transactions contemplated hereby.

10.3 Governing Law. This Agreement shall be construed and interpreted according to the laws of the Commonwealth of Virginia, without regard to the conflicts of law rules thereof. Each of the Seller and the Buyer agrees that the non-exclusive jurisdiction for any action, suit or proceeding relating to this Agreement shall be in the United States District Court for the Eastern District of Virginia or, if such courts shall not have jurisdiction over the subject matter thereof, in the state courts of the Commonwealth of Virginia, and each of the Seller and the Buyer hereby irrevocably and unconditionally agrees to submit to the jurisdiction of such courts for purposes of any such action, suit or proceeding brought in such courts and not to object to the convenience of the forum.

10.4 Assignment. This Agreement and each party's respective rights hereunder may not be assigned at any time except as expressly set forth herein without the prior written consent of the other party, except that the Buyer may assign or grant a security interest in its rights hereunder to any financial institution providing senior credit financing to the Buyer to purchase the Company Common Stock, provided that such assignment or security interest shall be subject to all rights of the Seller under this Agreement.

10.5 Notices. All communications, notices and disclosures required or permitted by this Agreement shall be in writing and shall be deemed to have been given when delivered personally or by messenger or by overnight delivery service, or when mailed by registered or certified United States mail, postage prepaid, return receipt requested, or when sent via telecopy with confirming receipt, telex or other electronic transmission, in all cases addressed to the person for whom it is intended at his address set forth below or to such other address as a party shall have designated by notice in writing to the other party in the manner provided by this Section 10.5:

If to the Seller

or to the Parent: Tredegar Industries, Inc.
1100 Boulders Parkway
Richmond, Virginia 23225
Attention: Norman A. Scher
Telecopy Number: (804) 330-1010

With a copy to:

Hunton & Williams
Riverfront Plaza, East Tower
951 East Byrd Street
Richmond, Virginia 23219
Attention: C. Porter Vaughan, III, Esq.
Telecopy Number: (804) 788-8218

If to the Buyer:

Precise Technology, Inc.
c/o Mentmore Holdings Corporation
1430 Broadway, 13th floor
New York, New York 10018-3309
Attention: William L. Remley
Telecopy Number: (212) 391-1393

With a copy to:

Kelley, McCann & Livingstone
35th Floor, BP America Building
200 Public Square
Cleveland, Ohio 44114
Attention: Michael D. Schenker, Esq.
Telecopy Number: (216) 241-3707

10.6 Counterparts; Headings. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same Agreement. The Table of Contents and Article and Section headings in this Agreement are inserted for convenience of reference only and shall not constitute a part hereof.

10.7 Interpretation. Unless the context requires otherwise, all words used in this Agreement in the singular number shall extend to and include the plural, all words in the plural number shall extend to and include the singular and all words in any gender shall extend to and include all genders. All references to contracts, Contracts, agreements, leases, Employee Benefit Plans or other understandings or arrangements shall refer to oral as well as written matters.

10.8 Severability. If any provision, clause or part of this Agreement, or the application thereof under certain circum-

stances, is held invalid, the remainder of this Agreement, or the application of such provision, clause or part under other circumstances, shall not be affected thereby.

10.9 No Reliance. No third party is entitled to rely on any of the representations, warranties and agreements contained in this Agreement and the Seller and the Buyer assume no liability to any third party because of any reliance on the representations, warranties and agreements of the Seller and the Buyer contained in this Agreement.

IN WITNESS WHEREOF, the parties have caused this Stock Purchase Agreement to be duly executed as of the day and year first above written.

TREDEGAR INVESTMENTS, INC.

By: /s/ N. A. Scher
Name: N. A. Scher
Title: President

PRECISE TECHNOLOGY, INC.

By: /s/ William L. Remley
Name: William L. Remley
Title:

The Parent has executed and delivered this Stock Purchase Agreement as of the day and year first above written solely to evidence its agreement to its obligations under Sections 5.14 and 7.1(b) hereof.

TREDEGAR INDUSTRIES, INC.

By: /s/ N. A. Scher
Name: N. A. Scher
Title: Executive Vice President