

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

FORM 10-K

FOR ANNUAL AND TRANSACTION REPORTS PURSUANT TO SECTIONS 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

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

For the fiscal year ended December 31, 2004

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-10258

TREDEGAR CORPORATION

(Exact name of registrant as specified in its charter)

Virginia 54-1497771

(State or other jurisdiction (I.R.S. Employer  
of incorporation or organization) 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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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

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

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

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

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2004: \$492,409,575\*

Number of shares of Common Stock outstanding as of January 31, 2005: 38,607,611 (38,420,200 as of June 30, 2004)

\* In determining this figure, an aggregate of 7,892,638 shares of Common Stock beneficially owned by Floyd D. Gottwald, Jr., John D. Gottwald, William M. Gottwald and the members of their immediate families has been excluded because the shares are held by affiliates. The aggregate market value has been computed based on the

closing price in the New York Stock Exchange Composite Transactions on June 30, 2004, as reported by *The Wall Street Journal*.

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**Documents Incorporated By Reference**

Portions of the Tredegar Corporation (“Tredegar”) Proxy Statement for the 2005 Annual Meeting of Shareholders (the “Proxy Statement”) are incorporated by reference into Part III of this Form 10-K. We expect to file our Proxy Statement with the Securities and Exchange Commission and mail it to shareholders on or about March 25, 2005.

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Year Ended December 31, 2004**

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\* Items 11, 12 and 14 and portions of Item 10 are incorporated by reference from the Proxy Statement.

The Securities and Exchange Commission (the “SEC”) has not approved or disapproved of this report or passed upon its accuracy or adequacy.

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## PART I

### Item 1. **BUSINESS**

#### **Description of Business**

Tredegar Corporation (“Tredegar”) is engaged, through its subsidiaries, in the manufacture of plastic films and aluminum extrusions. We also operate Therics Inc. (“Therics”), which has developed and in 2004 launched an initial family of products used in bone grafting procedures. We sold our venture capital investment portfolio in the first half of 2003 and received tax refunds of about \$55 million in the first quarter of 2004 related to the sale (see pages 37-39 for more information).

#### **Film Products**

Tredegar Film Products Corporation and its subsidiaries (together, “Film Products”) manufacture plastic films, elastics, nonwovens and laminate materials primarily for personal and household care products and packaging and surface protection applications. These products are produced at various locations throughout the United States and at plants in The Netherlands, Hungary, Italy, China and Brazil. Film Products competes in all of its markets on the basis of product innovation, quality, price and service.

**Personal and Household Care Films.** Film Products is one of the largest global suppliers of apertured, breathable, elastic and embossed films, and nonwovens and laminate materials for personal care markets, including:

- Apertured film and nonwoven materials for use as topsheet in feminine hygiene products, baby diapers and adult incontinent products (including materials sold under the ComfortQuilt<sup>®</sup> name);
- Breathable, embossed and elastic materials for use as components for baby diapers, adult incontinent products and feminine hygiene products (including elastic components sold under the Fabriflex<sup>™</sup>, StretchTab<sup>™</sup> and Flexaire<sup>™</sup> names); and
- Absorbent transfer layers for baby diapers and adult incontinent products sold under the Aquidry<sup>™</sup> and Aquisoft<sup>™</sup> names.

In each of the last three years, personal care products accounted for more than 30% of Tredegar’s consolidated net sales.

Film Products also makes apertured films, breathable barrier films and laminates that regulate vapor or fluid transmission. These products are typically used in industrial, medical, agricultural and household markets, including disposable mops, facial wipes, filter layers for personal protective suits, facial masks and landscaping fabric.

**Packaging and Protective Films.** Film Products produces a broad line of packaging films with an emphasis on paper, as well as laminating films for food packaging applications. These products give our customers a competitive advantage by providing cost savings with thin-gauge films that are readily printable and convertible on conventional processing equipment. Major end uses include overwrap for bathroom tissue and paper towels, and retort pouches.

Film Products also produces films that are disposable, protective coversheets for photopolymers used in the manufacture of circuit boards. Other films sold under the UltraMask<sup>®</sup> and ForceField<sup>™</sup> names are used as protective films to protect flat panel display components such as glass during fabrication, shipping and handling.

**Raw Materials.** The primary raw materials used by Film Products are low density, linear low density and high density polyethylene and polypropylene resins, which are obtained from domestic and foreign suppliers at competitive prices. We believe there will be an adequate supply of polyethylene and polypropylene resins in the immediate future. Film Products also buys nonwoven fabrics based on these same resins, and we believe there will be an adequate supply of these materials in the immediate future.

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**Customers.** Film Products sells to many branded product producers throughout the world. Its largest customer is The Procter & Gamble Company (“P&G”). Net sales to P&G totaled \$226 million in 2004, \$207 million in 2003 and \$243 million in 2002 (these amounts include film sold to third parties that converted the film into materials used in products manufactured by P&G).

P&G and Tredegar have had a successful long-term relationship based on cooperation, product innovation and continuous process improvement. The loss or significant reduction in sales associated with P&G would have a material adverse effect on our business.

**Research and Development and Intellectual Property.** Film Products has technical centers in Terre Haute, Indiana; Lake Zurich, Illinois; Chieti, Italy; and Shanghai, China; and holds 220 issued patents (75 of which are issued in the U.S.) and 103 trademarks (5 of which are issued in the U.S.). Expenditures for research and development (“R&D”) have averaged \$7.6 million per year over the past three years.

On September 13, 2004, we announced that our technical centers in Terre Haute, Indiana and Lake Zurich, Illinois would be moved to Richmond, Virginia, where a substantial portion of Film Products’ marketing, sales and senior management are located. We expect the move to be completed by the end of 2005. The technical facility in Terre Haute will continue to operate at reduced staffing levels. Technical operations at the plant in Lake Zurich will be discontinued. The centralized location of R&D, marketing, sales and senior management should help improve product development time and reduce expenses. Pretax cash expenditures associated with the restructuring are expected of approximately \$8 million (consisting primarily of severance, relocation and hiring expenses, leasehold improvements and equipment costs). Once complete, the restructuring is expected to reduce annual operating expenses by approximately \$2 million and result in a net reduction of approximately 20 positions.

### Aluminum Extrusions

The William L. Bonnell Company, Inc. and its subsidiaries (together, “Aluminum Extrusions”) produce soft-alloy aluminum extrusions primarily for building and construction, distribution, transportation, machinery and equipment, electrical and consumer durables markets.

Aluminum Extrusions manufactures mill (unfinished), anodized (coated) and painted aluminum extrusions for sale directly to fabricators and distributors that use our extrusions to produce window components, curtain walls and storefronts, tub and shower doors, industrial and agricultural machinery and equipment, ladders, bus bars, automotive parts, snowmobiles and tractor-trailer shapes, among other products. Sales are made primarily in the United States and Canada, principally east of the Rocky Mountains. Aluminum Extrusions competes primarily on the basis of product quality, service and price.

Aluminum Extrusions sales volume by market segment over the last two years is shown below:

% of Aluminum Extrusions Sales Volume by Market Segment		
	2004	2003
<b>Building and construction:</b>		
Commercial	41	39
Residential	21	23
Distribution	13	14
Transportation	10	10
Machinery and equipment	7	6
Electrical	5	5
Consumer durables	3	3
<b>Total</b>	<b>100</b>	<b>100</b>

**Raw Materials.** The primary raw materials used by Aluminum Extrusions consist of aluminum ingot, aluminum scrap and various alloys, which are purchased from domestic and foreign producers in open-market purchases and under short-term contracts. We believe there will be an adequate supply of aluminum and other required raw materials and supplies in the immediate future.

**Intellectual Property.** Aluminum Extrusions holds two U.S. patents and three U.S. trademarks.

### **Therics**

Located in Princeton, New Jersey, Therics currently employs 32 people. Therics began developing tissue-engineered products in 1996. Its primary focus is on commercializing products made from the TheriForm<sup>®</sup> process, a unique microfabrication technology used to create scaffolds in a variety of shapes and forms with precise internal architecture that permits tissue in-growth.

Therics' initial synthetic bone graft implants, which have received clearance from the U.S. Food and Drug Administration (the "FDA"), are made from beta-tricalcium phosphate ("b -TCP"). b -TCP has proven effective as a reliable bone substitute in a variety of orthopaedic and neurosurgical applications. We believe there will be adequate supply of b -TCP in the immediate future.

Therics introduced its initial line of implants used in bone grafting procedures in 2004. The initial feedback from orthopaedic surgeons, neurosurgeons and others in the marketplace has generally been positive. Therics is working with selected surgeons and using patient-based case studies to improve existing products and develop more advanced product line extensions. Therics currently distributes through a network of independent distributors and is presently considering potential research and marketing collaborations with a variety of orthopaedic companies in an effort to broaden its scope and reach.

According to Knowledge Enterprises, Inc. (The Worldwide Orthopaedic Market, 2003-2004), global sales for the orthobiologics market, which includes bone graft substitutes, allograft distribution/processing, autogenous bone and soft tissue replacement products, growth factors and viscoelastics, were \$1.37 billion in 2003 (a 29% increase over 2002) and one of the fastest growing segments in the orthopaedics industry.

Therics relies on a combination of patent, trademark, copyright and trade secret laws to protect the company's proprietary technologies and products. Therics owns or holds exclusive rights to 36 issued patents (34 of which are issued in the U.S.) and has two U.S. trademarks. Therics has more than 34 U.S. and foreign patent applications pending and nine trademark applications pending. Therics spent approximately \$7.8 million in 2004, \$11.2 million in 2003 and \$12.5 million in 2002 on R&D activities.

Therics had revenues of \$380,000 and an operating loss of \$9.8 million in 2004, no revenues and an operating loss of \$11.7 million in 2003 and revenues of \$208,000 and an operating loss of \$13.1 million in 2002. Revenues in 2004 relate to the sale of Therics' initial line of implants used in bone grafting procedures. Revenues recognized by Therics prior to 2004 relate entirely to payments received for R&D support. As of December 31, 2004, Tredegar had invested approximately \$74 million in Therics compared with \$65 million as of December 31, 2003. Therics' identifiable assets included in Tredegar's consolidated balance sheet were \$8.6 million at December 31, 2004, including goodwill and intangible assets of \$4.4 million. Therics also has future rental commitments under noncancelable operating leases through 2011 totaling \$9.7 million at December 31, 2004, with partially offsetting sublease rental commitments relating to excess space totaling about \$1 million.

## **General**

**Patents, Licenses and Trademarks.** Tredegar considers patents, licenses and trademarks to be of significance for Film Products and Therics. We routinely apply for patents on significant developments in each of these businesses. Our patents have remaining terms ranging from 1 to 17 years. We also have licenses under patents owned by third parties.

**Research and Development.** Tredegar spent approximately \$15.3 million in 2004, \$18.8 million in 2003 and \$20.3 million in 2002 on R&D activities related to continuing operations.

**Backlog.** Backlogs are not material to our operations.

**Government Regulation.** Laws concerning the environment that affect or could affect our domestic operations include, among others, the Clean Water Act, the Clean Air Act, the Resource Conservation Recovery Act, the Occupational Safety and Health Act, the National Environmental Policy Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), as amended, regulations promulgated under these acts, and any other federal, state or local laws or regulations governing environmental matters. We believe that we are in substantial compliance with all applicable laws, regulations and permits. In order to maintain substantial compliance with such standards, we may be required to incur expenditures, the amounts and timing of which are not presently determinable but which could be significant, in constructing new facilities or in modifying existing facilities.

**Employees.** Tredegar employed approximately 3,100 people at December 31, 2004.

**Available Information and Corporate Governance Documents.** Our Internet address is [www.tredegar.com](http://www.tredegar.com). We make available, free of charge through our web site, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the SEC. In addition, our Corporate Governance Guidelines, Code of Conduct and the charters of our Audit, Executive Compensation and Nominating and Governance Committees are available on our web site and are available in print, without charge, to any shareholder upon request by contacting Tredegar's Corporate Secretary at 1100 Boulders Parkway, Richmond, Virginia 23225. The information on our website is not, and shall not be deemed to be, a part of this report or incorporated into other filings we make with the SEC.

## **Item 2. PROPERTIES**

### **General**

Most of the improved real property and the other assets used in our operations are owned, and none of the owned property is subject to an encumbrance that is material to our consolidated operations. We consider the plants, warehouses and other properties and assets owned or leased by us to be in generally good condition.

We believe that the capacity of our plants is adequate to meet our immediate needs. Our plants generally have operated at 50-95% of capacity. Our corporate headquarters, which is leased, is located at 1100 Boulders Parkway, Richmond, Virginia 23225.

Our principal plants and facilities are listed below:

**Film Products**

Locations in the United States

LaGrange, Georgia <sup>(1)</sup>  
Lake Zurich, Illinois (technical center & production facility) <sup>(2)</sup>  
Pottsville, Pennsylvania  
Terre Haute, Indiana (technical center & production facility) <sup>(2)</sup>

Locations in Foreign Countries

Chieti, Italy (technical center)  
Guangzhou, China  
Kerkrade, The Netherlands  
Rétság, Hungary  
Roccamontepiano, Italy  
São Paulo, Brazil  
Shanghai, China

**Principal Operations**

Production of plastic films, nonwovens and laminate materials

**Aluminum Extrusions**

Locations in the United States

Carthage, Tennessee  
Kentland, Indiana  
Newnan, Georgia

Locations in Canada

Aurora, Ontario <sup>(3)</sup>  
Pickering, Ontario  
Richmond Hill, Ontario  
Ste Thérèse, Québec  
Woodbridge, Ontario

**Principal Operations**

Production of aluminum extrusions, fabrication and finishing

- (1) On January 10, 2005, we announced that we are exploring the sale of the Film Products' plant in LaGrange, Georgia. This plant produces blown films used for adult incontinent and baby diaper backsheet, feminine hygiene pad pouch packaging, and other packaging and industrial applications. Annual revenues for the products that would be included in a sale are about \$25 million. The proposed transaction is not expected to have a material impact on our financial results.
- (2) On September 13, 2004, we announced that our technical centers in Terre Haute, Indiana and Lake Zurich, Illinois would be moved to Richmond, Virginia, where a substantial portion of Film Products' marketing, sales and senior management are located. More information on this restructuring is provided on page 2.
- (3) On April 13, 2004, we announced that the aluminum extrusions plant in Aurora, Ontario would be closed and that its business would be transferred to other extrusion facilities in Ontario. We expect the plant to close in the first quarter of 2005. The shutdown plan includes moving the Aurora plant's largest press to the plant in Pickering, Ontario, and investing \$8 million to upgrade the press and enlarge the facility. This consolidation is expected to reduce annual operating costs by approximately \$2 million.

**Therics**

Therics leases space in Princeton, New Jersey.

**Item 3. LEGAL PROCEEDINGS**

A consent order was entered into by the Environmental Protection Division, Department of Natural Resources, State of Georgia and The William L. Bonnell Company relating to alleged violations of the conditions and limitations contained in the National Pollutant Discharge Elimination System Permit No. GA0000507 (the "Permit") for our wastewater treatment facility in Newnan, Georgia. The consent order was in effect through December 31, 2003. We agreed to pay penalties until the Permit issues associated with our wastewater treatment facility were resolved. We believe that the issues have been resolved and have made aggregate payments of \$160,000 under the consent order.

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.



## PART II

### Item 5. MARKET FOR TREDEGAR'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Prices of Common Stock and Shareholder Data

Our common stock is traded on the New York Stock Exchange ("NYSE") under the ticker symbol TG. We have no preferred stock outstanding. There were 38,597,522 shares of common stock held by 4,146 shareholders of record on December 31, 2004.

The following table shows the reported high and low closing prices of our common stock by quarter for the past two years.

	2004		2003	
	High	Low	High	Low
First quarter	\$ 17.80	\$ 13.20	\$ 15.08	\$ 10.60
Second quarter	16.13	13.00	15.67	11.96
Third quarter	18.38	14.75	16.76	14.03
Fourth quarter	20.25	16.68	16.52	14.62

#### Dividend Information

We have paid a dividend every quarter since becoming a public company in July 1989. During 2002, 2003 and 2004, our quarterly dividend was 4 cents per share.

All decisions with respect to payment of dividends will be made by the Board of Directors based upon earnings, financial condition, anticipated cash needs and such other considerations as the Board deems relevant. See Note 8 beginning on page 60 for minimum shareholders' equity required and aggregate dividends permitted.

#### Issuer Purchases of Equity Securities

During 2004, we did not purchase any shares of our common stock in the open market. During 2003, we purchased 406,400 shares of our common stock in the open market for \$5.2 million (an average price of \$12.72 per share). During 2002, we purchased 110,700 shares of our common stock in the open market for \$1.4 million (an average price of \$12.91 per share). Under a standing authorization from our board of directors, we may purchase an additional 3.4 million shares in the open market or in privately negotiated transactions at prices management deems appropriate.

#### Annual Meeting

Our annual meeting of shareholders will be held on April 28, 2005, beginning at 9:30 a.m. EDT at the University of Richmond's Jepson Alumni Center in Richmond, Virginia. We expect to mail formal notice of the annual meeting, proxies and proxy statements to shareholders on or about March 25, 2005.

## **Inquiries**

Inquiries concerning stock transfers, dividends, dividend reinvestment, consolidating accounts, changes of address, or lost or stolen stock certificates should be directed to:

National City Bank  
Dept. 5352  
Corporate Trust Operations  
P.O. Box 92301  
Cleveland, Ohio 44193-0900  
Phone: 800-622-6757  
E-mail: [shareholder.inquiries@nationalcity.com](mailto:shareholder.inquiries@nationalcity.com)

All other inquiries should be directed to:

Tredegar Corporation  
Investor Relations Department  
1100 Boulders Parkway  
Richmond, Virginia 23225  
Phone: 800-411-7441  
E-mail: [invest@tredegar.com](mailto:invest@tredegar.com)  
Web site: [www.tredegar.com](http://www.tredegar.com)

## **Quarterly Information**

We do not generate or distribute quarterly reports to shareholders. Information on quarterly results can be obtained from our web site and from quarterly reports on Form 10-Q filed with the SEC.

## **Legal Counsel**

Hunton & Williams LLP  
Richmond, Virginia

## **Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP  
Richmond, Virginia

## **Item 6. SELECTED FINANCIAL DATA**

The tables that follow on pages 8-14 present certain selected financial and segment information for the eight years ended December 31, 2004.

## EIGHT-YEAR SUMMARY

Tredegear Corporation and Subsidiaries

Years Ended December 31	2004	2003	2002	2001	2000	1999	1998	1997
(In thousands, except per-share data)								
<b>Results of Operations (a):</b>								
Sales	\$ 861,165	\$ 738,651	\$ 753,724	\$ 779,157	\$ 879,475	\$ 828,015	\$ 705,024	\$ 586,466
Other income (expense), net	15,604 (b)	7,853	546	1,255	1,914	972	1,749	3,135
	876,769	746,504	754,270	780,412	881,389	828,987	706,773	589,601
Cost of goods sold	717,120 (b)	606,242	582,658	618,323	706,817	648,254	553,184	457,896
Freight	22,398	18,557	16,319	15,580	17,125	15,221	10,946	8,045
Selling, general & administrative expenses	60,030 (b)	53,341	52,252	47,954	47,321	44,675	37,127	36,659
Research and development expenses	15,265	18,774	20,346	20,305	15,305	11,500	5,995	6,475
Amortization of intangibles	330	268	100	4,914	5,025	3,430	205	50
Interest expense	3,171	6,785	9,352	12,671	17,319	9,088	1,318	1,952
Asset impairments and costs associated with exit and disposal activities	22,973 (b)	11,426 (c)	3,884 (d)	16,935 (e)	23,791 (f)	4,628 (g)	664 (h)	—
Unusual items	—	1,067 (c)	(6,147) (d)	(971) (e)	(762) (f)	—	(765) (h)	(2,250) (i)
	841,287	716,460	678,764	735,711	831,941	736,796	608,674	508,827
Income from continuing operations before income taxes	35,482	30,044	75,506	44,701	49,448	92,191	98,099	80,774
Income taxes	9,222 (b)	10,717	26,881	13,950 (e)	18,135	32,728	32,094 (h)	28,339
Income from continuing operations (a)	26,260	19,327	48,625	30,751	31,313	59,463	66,005	52,435
Discontinued operations (a):								
Income (loss) from venture capital investment activities	2,921	(46,569)	(42,428)	(16,627)	83,640	(4,626)	394	8,883
Income (loss) from operations of Molecumetics	—	891	(8,728)	(5,768)	(3,577)	(2,189)	(2,243)	(2,872)
Income from discontinued energy segment	—	—	—	1,396	—	—	4,713	—
Income (loss) from discontinued operations (a)	2,921	(45,678)	(51,156)	(20,999)	80,063	(6,815)	2,864	6,011
Net income (loss)	\$ 29,181	\$ (26,351)	\$ (2,531)	\$ 9,752	\$ 111,376	\$ 52,648	\$ 68,869	\$ 58,446
Diluted earnings (loss) per share:								
Continuing operations (a)	\$ .68	\$ .50	\$ 1.25	\$ .79	\$ .80	\$ 1.54	\$ 1.71	\$ 1.33
Discontinued operations (a)	.08	(1.19)	(1.32)	(.54)	2.06	(.18)	.07	.15
Net income (loss)	\$ .76	\$ (.69)	\$ (.07)	\$ .25	\$ 2.86	\$ 1.36	\$ 1.78	\$ 1.48

Refer to notes to financial tables on page 14.

**EIGHT-YEAR SUMMARY**

## Tredegar Corporation and Subsidiaries

Years Ended December 31	2004	2003	2002	2001	2000	1999	1998	1997
(In thousands, except per-share data)								
<b>Share Data:</b>								
Equity per share	\$ 12.45	\$ 11.72	\$ 12.08	\$ 12.53	\$ 13.07	\$ 9.88	\$ 8.46	\$ 7.34
Cash dividends declared per share	.16	.16	.16	.16	.16	.16	.15	.11
Weighted average common shares outstanding during the period	38,295	38,096	38,268	38,061	37,885	36,992	36,286	36,861
Shares used to compute diluted earnings per share during the period	38,507	38,441	38,869	38,824	38,908	38,739	38,670	39,534
Shares outstanding at end of period	38,598	38,177	38,323	38,142	38,084	37,661	36,661	37,113
Closing market price per share:								
High	20.25	16.76	24.72	21.70	32.00	32.94	30.67	24.65
Low	13.00	10.60	12.25	15.30	15.00	16.06	16.13	12.54
End of year	20.21	15.53	15.00	19.00	17.44	20.69	22.50	21.96
Total return to shareholders (j)	31.2%	4.6%	(20.2)%	9.9%	(14.9)%	(7.3)%	3.1%	65.0%
<b>Financial Position:</b>								
Total assets	769,474	753,025	837,962	865,031	903,768	792,487	457,178	410,937
Cash and cash equivalents	22,994	19,943	109,928	96,810	44,530	25,752	25,409	120,065
Income taxes recoverable from sale of venture capital portfolio	—	55,000	—	—	—	—	—	—
Debt	103,452	139,629	259,280	264,498	268,102	270,000	25,000	30,000
Shareholders' equity (net book value)	480,442	447,399	462,932	477,899	497,728	372,228	310,295	272,546
Equity market capitalization (k)	780,066	592,889	574,845	724,706	664,090	779,112	824,873	814,940

Refer to notes to financial tables on page 14.

**SEGMENT TABLES**

Tredegar Corporation and Subsidiaries

**Net Sales (1)**

<b>Segment</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
(In thousands)								
Film Products	\$ 413,257	\$ 365,501	\$ 376,904	\$ 382,740	\$ 380,202	\$ 342,300	\$ 286,965	\$ 298,862
Aluminum Extrusions	425,130	354,593	360,293	380,387	479,889	461,241	395,455	266,585
Therics	380	—	208	450	403	161	—	—
Total ongoing operations (n)	838,767	720,094	737,405	763,577	860,494	803,702	682,420	565,447
Divested operations (a):								
Fiberlux	—	—	—	—	1,856	9,092	11,629	10,596
Other (m)	—	—	—	—	—	—	29	2,378
Total net sales	838,767	720,094	737,405	763,577	862,350	812,794	694,078	578,421
Add back freight	22,398	18,557	16,319	15,580	17,125	15,221	10,946	8,045
Sales as shown in Consolidated								
Statements of Income	\$ 861,165	\$ 738,651	\$ 753,724	\$ 779,157	\$ 879,475	\$ 828,015	\$ 705,024	\$ 586,466

Refer to notes to financial tables on page 14.

**SEGMENT TABLES**

## Tredegar Corporation and Subsidiaries

**Operating Profit**

Segment	2004	2003	2002	2001	2000	1999	1998	1997
(In thousands)								
<b>Film Products:</b>								
Ongoing operations	\$ 43,259	\$ 45,676	\$ 72,307	\$ 61,787	\$ 47,112	\$ 59,554	\$ 53,786	\$ 50,463
Plant shutdowns, asset impairments and restructurings	(10,438) (b)	(5,746) (c)	(3,397) (d)	(9,136) (e)	(22,163) (f)	(1,170) (g)	—	—
Unusual items	—	—	6,147 (d)	—	—	—	—	—
<b>Aluminum Extrusions:</b>								
Ongoing operations	22,637	15,117	27,304	25,407	52,953	56,501	47,091	32,057
Plant shutdowns, asset impairments and restructurings	(10,553) (b)	(644) (c)	(487) (d)	(7,799) (e)	(1,628) (f)	—	(664) (h)	—
Gain on sale of land	—	1,385	—	—	—	—	—	—
Other	7,316 (b)	—	—	—	—	—	—	—
<b>Therics:</b>								
Ongoing operations	(9,763)	(11,651)	(13,116)	(12,861)	(8,024)	(5,235)	—	—
Plant shutdowns, asset impairments and restructurings	(2,041) (b)	(3,855) (c)	—	—	—	(3,458) (g)	—	—
Unusual items	—	(1,067) (c)	—	—	—	—	—	—
<b>Divested operations (a):</b>								
Fiberlux	—	—	—	—	(264)	57	1,433	845
Other (m)	—	—	—	—	—	—	(428)	(267)
Unusual items	—	—	—	—	762 (f)	—	765 (h)	2,250 (i)
<b>Total</b>	<b>40,417</b>	<b>39,215</b>	<b>88,758</b>	<b>57,398</b>	<b>68,748</b>	<b>106,249</b>	<b>101,983</b>	<b>85,348</b>
Interest income	350	1,183	1,934	2,720	2,578	1,419	2,279	4,959
Interest expense	3,171	6,785	9,352	12,671	17,319	9,088	1,318	1,952
Gain on sale of corporate assets	7,560	5,155	—	—	—	712	—	—
Corporate expenses, net	9,674	8,724 (c)	5,834	2,746 (e)	4,559	7,101	4,845	7,581
<b>Income from continuing operations</b>								
before income taxes	35,482	30,044	75,506	44,701	49,448	92,191	98,099	80,774
Income taxes	9,222	10,717	26,881	13,950 (e)	18,135	32,728	32,094 (h)	28,339
<b>Income from continuing operations</b>								
<b>26,260</b>	<b>19,327</b>	<b>48,625</b>	<b>30,751</b>	<b>31,313</b>	<b>59,463</b>	<b>66,005</b>	<b>52,435</b>	
<b>Income (loss) from discontinued operations (a)</b>								
<b>2,921</b>	<b>(45,678)</b>	<b>(51,156)</b>	<b>(20,999)</b>	<b>80,063</b>	<b>(6,815)</b>	<b>2,864</b>	<b>6,011</b>	
<b>Net income (loss)</b>								
<b>\$ 29,181</b>	<b>\$ (26,351)</b>	<b>\$ (2,531)</b>	<b>\$ 9,752</b>	<b>\$ 111,376</b>	<b>\$ 52,648</b>	<b>\$ 68,869</b>	<b>\$ 58,446</b>	

Refer to notes to financial tables on page 14.

**SEGMENT TABLES**

## Tredegar Corporation and Subsidiaries

**Identifiable Assets**

Segment	2004	2003	2002	2001	2000	1999	1998	1997
(In thousands)								
Film Products	\$ 472,810	\$ 422,321	\$ 379,635	\$ 367,291	\$ 367,526	\$ 360,517	\$ 132,241	\$ 123,613
Aluminum Extrusions	210,894	185,336	176,631	185,927	210,434	216,258	201,518	101,855
Therics	8,613	8,917	10,643	9,931	9,609	9,905	—	—
Subtotal	692,317	616,574	566,909	563,149	587,569	586,680	333,759	225,468
General corporate	54,163	61,508	52,412	40,577	30,214	22,419	23,905	21,357
Income taxes recoverable from sale of venture capital investment portfolio	—	55,000	—	—	—	—	—	—
Cash and cash equivalents	22,994	19,943	109,928	96,810	44,530	25,752	25,409	120,065
Identifiable assets from ongoing operations	769,474	753,025	729,249	700,536	662,313	634,851	383,073	366,890
Divested operations (a):								
Fiberlux	—	—	—	—	—	7,859	7,811	6,886
Other (m)	—	—	—	—	—	—	—	983
Discontinued operations (a):								
Venture capital	—	—	108,713	158,887	236,698	145,028	61,098	33,628
Molecumetics	—	—	—	5,608	4,757	4,749	5,196	2,550
Total	\$ 769,474	\$ 753,025	\$ 837,962	\$ 865,031	\$ 903,768	\$ 792,487	\$ 457,178	\$ 410,937

Refer to notes to financial tables on page 14.

**SEGMENT TABLES**

## Tredegar Corporation and Subsidiaries

**Depreciation and Amortization**

Segment	2004	2003	2002	2001	2000	1999	1998	1997
(In thousands)								
Film Products	\$ 21,967	\$ 19,828	\$ 20,085	\$ 22,047	\$ 23,122	\$ 18,751	\$ 11,993	\$ 10,947
Aluminum Extrusions	10,914	10,883	10,506	11,216	9,862	9,484	8,393	5,508
Therics	1,300	1,641	463	2,262	1,782	1,195	—	—
Subtotal	34,181	32,352	31,054	35,525	34,766	29,430	20,386	16,455
General corporate	241	270	353	329	315	253	254	313
Total ongoing operations	34,422	32,622	31,407	35,854	35,081	29,683	20,640	16,768
Divested operations (a):								
Fiberlux	—	—	—	—	151	498	544	515
Other (m)	—	—	—	—	—	—	—	135
Discontinued operations (a):								
Venture capital	—	—	—	—	18	22	21	—
Molecumetics	—	—	527	2,055	1,734	1,490	1,260	996
Total	\$ 34,422	\$ 32,622	\$ 31,934	\$ 37,909	\$ 36,984	\$ 31,693	\$ 22,465	\$ 18,414

**Capital Expenditures, Acquisitions and Investments**

Segment	2004	2003	2002	2001	2000	1999	1998	1997
(In thousands)								
Film Products	\$ 44,797	\$ 57,203	\$ 24,063	\$ 24,775	\$ 53,161	\$ 25,296	\$ 18,456	\$ 15,354
Aluminum Extrusions	10,007	8,293	4,799	8,506	21,911	16,388	10,407	6,372
Therics	275	219	1,621	2,340	1,730	757	—	—
Subtotal	55,079	65,715	30,483	35,621	76,802	42,441	28,863	21,726
General corporate	572	93	60	519	384	606	115	28
Capital expenditures for ongoing operations	55,651	65,808	30,543	36,140	77,186	43,047	28,978	21,754
Divested operations (a):								
Fiberlux	—	—	—	—	425	812	1,477	530
Other (m)	—	—	—	—	—	—	—	5
Discontinued operations (a):								
Venture capital	—	—	—	—	86	—	54	—
Molecumetics	—	—	793	2,850	2,133	1,362	3,561	366
Total capital expenditures	55,651	65,808	31,336	38,990	79,830	45,221	34,070	22,655
Acquisitions and other	1,420	1,579	—	1,918	6,316	215,227	72,102	13,469
Novalux investment	5,000	—	—	—	—	—	—	—
Venture capital investments	—	2,807	20,373	24,504	93,058	81,747	35,399	20,801
Total	\$ 62,071	\$ 70,194	\$ 51,709	\$ 65,412	\$ 179,204	\$ 342,195	\$ 141,571	\$ 56,925

Refer to notes to financial tables on page 14.



## NOTES TO FINANCIAL TABLES

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(In thousands, except per-share amounts)

- (a) In 2004, discontinued operations include a gain of \$2,921 after-taxes primarily related to the reversal of a business and occupancy tax contingency accrual upon favorable resolution. The accrual was originally recorded in connection with our venture capital investment operation. In 2003, we sold substantially all of our venture capital investment portfolio. In 2002, we ceased operations at Molecumetics, one of our biotechnology units, and sold its tangible assets. The operating results associated with the venture capital investment portfolio and Molecumetics have been reported as discontinued operations. In 2003, discontinued operations also include a gain of \$891 after-taxes on the sale of intellectual property of Molecumetics and a loss on the divestiture of the venture capital investment portfolio of \$46,269 after-taxes. Discontinued operations in 2002 also include a loss on the disposal of Molecumetics of \$4,875 after-taxes. In 2001, discontinued operations include a gain of \$1,396 for the reversal of an income tax contingency accrual upon favorable conclusion of IRS examinations through 1997. The accrual was originally recorded in conjunction with the sale of The Elk Horn Coal Corporation. We divested our coal subsidiary, The Elk Horn Coal Corporation, and our remaining oil and gas properties in 1994. As a result of these events, we report the Energy segment as discontinued operations. In 1998, discontinued operations include gains for the reimbursement of payments made by us to the United Mine Workers of America Combined Benefit Fund (the "Fund") and the reversal of a related accrued liability established to cover future payments to the Fund. On April 10, 2000, we sold Fiberlux. The operating results of Fiberlux were historically reported as part of the Plastics segment on a combined basis with Film Products.
- (b) Plant shutdowns, asset impairments and restructurings for 2004 include a charge of \$10,127 related to the planned shutdown of the aluminum extrusions plant in Aurora, Ontario, a charge of \$3,022 related to the sale of the films business in Argentina, charges of \$2,572 related to accelerated depreciation from plant shutdowns and restructurings in Film Products, charges of \$2,459 related to severance and other costs associated with plant shutdowns in Film Products, charges of \$1,547 for severance and other employee-related costs associated with restructurings in Therics (\$735), Film Products (\$532) and Aluminum Extrusions (\$280), a charge of \$1,306 related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey, a charge of \$1,278 (of this amount, \$59 for employee relocation is included in "Selling, general & administrative expenses" in the consolidated statements of income) related to severance and other employee-related costs associated with the restructuring of the research and development operations in Film Products and charges of \$575 in Film Products and \$146 in Aluminum Extrusions related to asset impairments. Income taxes in 2004 include a tax benefit of \$4,000 related to the reversal of income tax contingency accruals upon favorable conclusion of IRS and state examinations through 2000. The other pretax gain of \$7,316 included in the Aluminum Extrusions section of the operating profit by segment table is comprised of the present value of an insurance settlement of \$8,357 (future value of \$8,455) associated with environmental costs related to prior years, partially offset by accruals for expected future environmental costs of \$1,041. The company received \$5,143 of the \$8,455 insurance settlement in 2004 and recognized receivables at present value for future amounts due (\$1,497 due in February of 2005 and \$1,717 due in February 2006). The gain from the insurance settlement is included in "Other income (expense), net" in the consolidated statements of income, while the accruals for expected future environmental costs are included in "Cost of goods sold."
- (c) Plant shutdowns, asset impairments and restructurings for 2003 include charges of \$4,514 for severance costs in connection with restructurings in Film Products (\$1,922), Aluminum Extrusions (\$256), Therics (\$1,155) and corporate headquarters (\$1,181, included in "Corporate expenses, net" in the operating profit by segment table), charges of \$2,776 for asset impairments in the films business, charges of \$2,700 related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey, a charge of \$611 primarily related to severance costs associated with the shutdown of the films plant in New Bern, North Carolina, a charge of \$388 related to an early retirement program in our aluminum business and charges of \$437 for additional costs incurred related to plant shutdowns in our films business. Unusual items for 2003 include a charge of \$1,067 related to an adjustment for depreciation and amortization at Therics based on our decision to suspend divestiture efforts.
- (d) Plant shutdowns, asset impairments and restructurings for 2002 include a charge of \$1,457 for asset impairments in the films business, a charge of \$1,007 for additional costs related to the shutdown of the films plant in Carbondale, Pennsylvania, a charge of \$541 for additional costs related to the shutdown of the films plant in Tacoma, Washington, a charge of \$487 for additional costs related to the shutdown of the aluminum extrusions plant in El Campo, Texas, and a charge of \$392 for additional costs related to the 2000 shutdown of the films plant in Manchester, Iowa. Unusual items for 2002 include a net gain of \$5,618 for payments received from P&G related to terminations and revisions to contracts and related asset write-downs, and a gain of \$529 related to the sale of assets.
- (e) Plant shutdowns, asset impairments and restructurings for 2001 include a charge of \$7,799 for the shutdown of the aluminum extrusions plant in El Campo, Texas, a charge of \$3,386 for the shutdown of the films plant in Tacoma, Washington, a charge of \$2,877 for the shutdown of the films plant in Carbondale, Pennsylvania, a charge of \$1,505 for severance costs related to further rationalization in the films business, and a charge of \$1,368 for impairment of our films business in Argentina. Unusual items in 2001 include a gain of \$971 (included in "Corporate expenses, net" in the operating profit by segment table) for interest received on tax overpayments. Income taxes in 2001 include a tax benefit of \$1,904 related to the reversal of income tax contingency accruals upon favorable conclusion of IRS examinations through 1997.

- (f) Plant shutdowns, asset impairments and restructurings for 2000 include a charge of \$17,870 related to excess capacity in the films business, a charge of \$1,628 related to restructuring at our aluminum extrusions plant in El Campo, Texas, and a charge of \$4,293 for the shutdown of the films plant in Manchester, Iowa. Unusual items in 2000 include a gain of \$762 for the sale of Fiberlux.
- (g) Plant shutdowns, asset impairments and restructurings for 1999 include a charge of \$3,458 related to a write-off of in-process research and development expenses associated with the Therics acquisition and a charge of \$1,170 for the write-off of excess packaging film capacity.
- (h) Plant shutdowns, asset impairments and restructurings for 1998 include a charge of \$664 related to the shutdown of the powder-coat paint line in our aluminum extrusions plant in Newnan, Georgia. Unusual items for 1998 include a gain of \$765 on the sale of APPX Software. Income taxes in 1998 include a tax benefit of \$2,001 related to the sale, including a tax benefit for the excess of APPX Software's income tax basis over its financial reporting basis.
- (i) Unusual items for 1997 include a gain of \$2,250 related to the redemption of preferred stock received in connection with the 1996 divestiture of Molded Products.
- (j) Total return to shareholders is computed as the sum of the change in stock price during the year plus dividends per share, divided by the stock price at the beginning of the year.
- (k) Equity market capitalization is the closing market price per share for the period times the shares outstanding at the end of the period.
- (l) Net sales represent gross sales less freight. Net sales is the measure used by the chief operating decision maker of each segment for purposes of assessing performance.
- (m) Other includes primarily APPX Software (sold in 1998 - see (h)).
- (n) Net sales include sales to P&G totaling \$226,122 in 2004, \$207,049 in 2003, and \$242,760 in 2002. These amounts include plastic film sold to others who converted the film into materials used in products manufactured by P&G.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

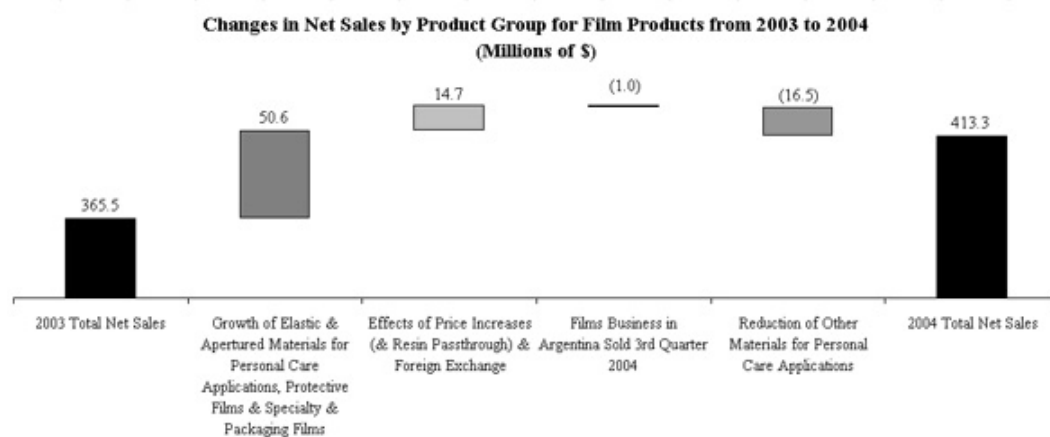
***Executive Summary***

Tredegar is a manufacturer of plastic films and aluminum extrusions. We also have developed and are marketing an initial line of bone graft substitutes through our Therics subsidiary. Descriptions of our businesses are provided on pages 1-4.

In Film Products, operating profit from ongoing operations was \$43.3 million in 2004 compared with \$45.7 million in 2003. The decline was primarily due to higher resin costs and the loss of certain domestic backsheet business at the end of the first quarter of 2003 (see the business segment review beginning on page 34 for more information), partially offset by the positive effects of sales growth for new value-added products. Average prices of low density polyethylene resin (a primary raw material for Film Products) in the U.S. increased by approximately 27% during the second half of 2004 (see the chart on page 28 for historical prices since 2000). Resin prices in Europe and Asia have exhibited similar trends. We estimate that resin price increases in the fourth quarter resulted in a negative operating profit impact of about \$2 million compared with the third quarter of 2004. This is in addition to the \$1 million adverse impact we estimate occurred between the second and third quarters.

To address fluctuating resin prices, we have pass-through or cost-sharing agreements covering about 65% of our sales, but many have a 90-day lag. We are implementing price increases for many customers that are currently not subject to pass-through arrangements. Most new customer contracts contain resin pass-through arrangements. However, if resin prices continue to rise at a faster rate than selling prices, the delayed pass-through of costs will exert downward pressure on near-term profits.

We remain optimistic about the global growth prospects in Film Products, especially sales of new apertured, elastic, protective and other specialty films. The chart below shows the growth that we have achieved in these areas during the past year.



We believe much of our sales growth is the result of investments made over the past two years. Aggregate capital expenditures in 2003 and 2004 totaled \$102 million, and we expect to spend another \$50 million in 2005, with about \$10 million earmarked for a production line that will manufacture a new material that enhances the fit of personal care products. The new line is already contracted to SCA, a \$12 billion global personal care market leader headquartered in Sweden. Approximately one-third of our capital expenditures during 2003 and 2004 and planned capital expenditures during 2005 relate to customer-specific opportunities that are covered by capital indemnification, take-or-pay or similar arrangements. Excluding these opportunities, we estimate that our ongoing capital expenditure requirement in Film Products is about \$35 million annually.

On January 10, 2005, we announced that we are exploring the sale of the films plant in LaGrange, Georgia. This plant produces blown films used for adult incontinent and baby diaper backsheets, feminine hygiene pad pouch packaging, and other packaging and industrial applications. Annual revenues for the products that would be included in a sale are about \$25 million. The proposed transaction is not expected to have a material impact on our financial results. On July 23, 2004, a subsidiary of Tredegar purchased the assets of Yaheng Perforated Film Material Co., Ltd. ("Yaheng") for approximately \$1.4 million. Yaheng, based in Shanghai, China, has 21 employees and manufactures apertured nonwovens used primarily in personal care markets.

In Aluminum Extrusions, operating profit from ongoing operations increased to \$22.6 million in 2004 (volume of 243.4 million pounds) from \$15.1 million in 2003 (volume of 228.2 million pounds). The \$7.5 million or 50% increase in operating profit on 6.7% volume growth is primarily due to operating leverage and pricing improvements, partially offset by the adverse effects of appreciation of the Canadian Dollar (about \$2.4 million). Based on existing operating levels, we expect future annual operating profits to change at 3 - 4 times the percentage change in volume. Volume in 2004 was up in most markets after declining by about 30% from the last cyclical peak around 1999. Volume in our largest market, commercial construction, improved by about 13% in 2004 compared with 2003. Our outlook for continued volume growth in 2005 remains favorable. Historically, cyclical upturns in the aluminum extrusions industry last several years with overall cross-cycle volume growth in the 3% range. We believe that our focus on end markets and products that require customization, customer service and quality make us less vulnerable to price competition from low-cost suppliers of stock-type products, including offshore manufacturers. Our most attractive end markets include residential and non-residential windows, curtain walls, louvers & vents, agricultural equipment, ladders, walkway covers, pre-engineered structures, pleasure boats, custom trailers, and displays.

We continue to focus on reducing costs and aligning our structure to meet the needs of our customers. Three areas that we believe will generate significant savings are the shutdown of the films plant in New Bern, North Carolina (the "New Bern Plant") (which occurred in the fourth quarter of 2004), the restructuring over the next 12 months of the R&D function in Film Products, and the shutdown of the aluminum extrusions plant in Aurora, Ontario (the "Aurora Plant") (expected in the first quarter of 2005). Annual cost savings from these moves are expected of about \$4 million for the shutdown of the New Bern Plant, \$2 million for the restructuring of the R&D function, and \$2 million for the shutdown of Aurora Plant. Related incremental cash expenditures to achieve these savings are about \$7 million, \$8 million and \$8 million, respectively.

More information on Film Products and Aluminum Extrusions is provided in the business segment review beginning on page 34.

At Therics, sales and marketing efforts are evolving more slowly than expected, and we took steps in early January 2005 to reduce its expected loss rate from approximately \$2.5 million to \$2 million per quarter. We are exploring potential collaborations with other companies aimed at accelerating market penetration across a broader array of market segments.

We sold our venture capital investment portfolio in the first quarter of 2003 for cash proceeds of approximately \$21.5 million, and its activities have been reported as discontinued operations. The sale generated income taxes recoverable of approximately \$55 million, which we received in the first quarter of 2004. At December 31, 2004, we had \$91 million of available borrowings under our credit facility. Key terms for the facility are summarized in the financial condition review on pages 23-27.

### **Critical Accounting Policies**

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial position in the preparation of financial statements in conformity with generally accepted accounting principles. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe the following discussion addresses our most critical accounting policies. These policies require management to exercise judgments that are often difficult, subjective and complex due to the necessity of estimating the effect of matters that are inherently uncertain.

#### **Impairment and Useful Lives of Long-lived Identifiable Assets and Goodwill**

We regularly assess our long-lived identifiable assets for impairment when events or circumstances indicate that their carrying value may not be recoverable from future cash flows. Any necessary impairment charges are recorded when we do not believe the carrying value of the long-lived asset will be recoverable. We also reassess the useful lives of our long-lived assets based on changes in our business and technologies.

We assess goodwill for impairment when events or circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis (December 1 of each year). We have made determinations as to what our reporting units are and what amounts of goodwill and intangible assets should be allocated to those reporting units.

In assessing the recoverability of long-lived identifiable assets and goodwill, we must make assumptions regarding estimated future cash flows, discount rates and other factors to determine if impairment tests are met or the fair value of the respective assets. If these estimates or their related assumptions change in the future, we may be required to record additional impairment charges. Based upon assessments performed, we recorded asset impairment losses for continuing operations related to long-lived identifiable assets of \$14.1 million in 2004, \$2.8 million in 2003 and \$1.5 million in 2002.

#### **Pension Benefits**

We have noncontributory and contributory defined benefit (pension) plans that have significant net pension income developed from actuarial valuations. Inherent in these valuations are key assumptions including discount rates, expected return on plan assets and rate of future compensation increases. We are required to consider current market conditions, including changes in interest rates and plan asset investment returns, in determining these assumptions. Actuarial assumptions may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of net pension income recorded in future periods.

The discount rate is used to determine the present value of future payments. In general, our liability increases as the discount rate decreases and vice versa. We reduced our discount rate in each of the last three years (the rate was 6.00% at the end of 2004, 6.25% at the end of 2003 and 6.75% at the end of 2002) due to the decline in market interest rates. The compensation increase assumption affects the estimate of future payments, and was 4% at the end of 2004 and 2003 and 4.5% at the end of 2002. Compensation increases were lowered in 2003 as a result of expected lower inflation. A lower expected return on plan assets increases the amount of expense and vice versa. Decreases in the level of actual plan assets will also serve to increase the amount of pension expense. During 2004 and 2003, the value of our plan assets increased due to improved general market conditions after declining in 2002, 2001 and 2000. Last year we decreased our expected long-term return on plan assets to 8.4% and have maintained that rate based on current market and economic conditions and asset mix (our expected return was 8.6% in 2003 and 9% in 2002 and prior years).

We currently expect net pension income to decline in 2005 by approximately \$2 million compared to 2004 after declining by \$800,000 in 2004 compared to 2003. We expect our minimum cash-funding requirement to be about \$600,000 in 2005.

## **Income Taxes**

Many deductions for tax return purposes cannot be taken until the expenses are actually paid, rather than when the expenses are recorded for book purposes. In these circumstances, we accrue for the tax benefit expected to be received in future years if, in our judgment, it is more likely than not that we will receive such benefits. In addition, the amount and timing of certain current deductions (which reduce taxes currently payable or generate income tax refunds) require interpretation of tax laws. In these circumstances, we estimate and accrue income tax contingencies for differences in interpretation that may exist with tax authorities. On a quarterly basis, we review our judgments regarding income tax contingency accruals and the likelihood the benefits of a deferred tax asset will be realized. During the periodic reviews, we must consider a variety of factors, including the nature and amount of the tax income and expense items, the current tax statutes, the current status of audits performed by tax authorities and the projected future earnings. We believe the realization of our net deferred tax assets is reasonably assured and that our income tax contingency accruals are adequate. If circumstances change, our valuation allowances for deferred tax assets, income tax contingency accruals and net earnings are adjusted accordingly in that period.

### **Recently Issued Accounting Standards**

In December 2004, the Financial Accounting Standards Board (“FASB”) revised Statement of Financial Accounting Standards (“SFAS”) No. 123, *Share-Based Payment*. This statement requires that the cost of employee services received in exchange for equity instruments be measured based on the fair value of the award on the grant date. The statement also requires that the cost be recognized over the employee service period required to receive the award. The statement applies to awards granted after the effective date and to awards modified, repurchased or cancelled after that date. The statement is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. Early adoption is permitted. The adoption of this standard will have no impact on cash flow. The primary impact of adoption on Tredegar will be the recognition of compensation expense for stock options granted. Currently, we disclose the pro forma effects of treating stock option grants as compensation expense under the fair value-based method (see pages 51-53). We expect to continue to use the Black-Scholes options-pricing model to determine the estimated fair value of option grants but are still evaluating our transition method. We believe that the pro forma effects that have been disclosed are not materially different from compensation expense that would have been recognized if this standard had been previously adopted.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs – An Amendment of ARB No. 43, Chapter 4*. This statement clarifies that abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) should be expensed as current-period charges. In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The statement is effective for inventory costs incurred during the fiscal years beginning after June 15, 2005. Early adoption is permitted. The adoption of this standard will have no impact on cash flow, and we do not expect it to have a significant impact on amounts reported in the consolidated statement of income and balance sheet.

In October 2004, the American Jobs Creation Act of 2004 (“AJCA”) was signed into law. In December 2004, the FASB issued Staff Position No. 109-1 (“FSP 109-1”), *Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004* and Staff Position No. 109-2 (“FSP 109-2”), *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004*. FSP 109-1 clarifies that the manufacturer’s tax deduction provided for under the AJCA should be accounted for as a special deduction in accordance with SFAS No. 109 and not as a tax rate reduction. FSP 109-2 provides accounting and disclosure guidance for the repatriation of certain foreign earnings to a U.S. taxpayer as provided for in the AJCA. We do not expect that the tax benefits resulting from the AJCA will have a material impact on our financial statements.

### **Results of Operations**

#### **2004 versus 2003**

**Revenues.** Overall, sales for 2004 increased 17% compared with 2003. Net sales (sales less freight) for Film Products and Aluminum Extrusions increased primarily due to higher sales volume and mix, including sales of new value-added products in Film Products, and higher selling prices driven by higher raw material costs. For more information on net sales, see the business segment review beginning on page 34.

**Operating Costs and Expenses.** Gross profit (sales less cost of goods sold and freight) as a percentage of sales decreased to 14.1% from 15.4% in 2003. At Film Products, the lower gross profit margin was driven primarily by higher resin costs and the loss of certain domestic backsheet business at the end of the first quarter of 2003 (see the business segment review beginning on page 34 for more information), partially offset by higher overall gross profit. For more information on resin costs, see the executive summary beginning on page 15. At Aluminum Extrusions, the gross profit margin increased primarily due to higher volume, operating leverage (generally constant fixed costs until full capacity utilization is achieved) and selling price increases above raw material cost increases, partially offset by appreciation of the Canadian dollar.

As a percentage of sales, selling, general and administrative (“SG&A”) expenses decreased to 7.0% compared with 7.2% in 2003 primarily due to higher sales. Overall SG&A expenses were up by \$6.7 million partially due to the classification of certain costs at Therics as operating versus R&D (see below) consistent with the commercialization of the company’s initial line of bone graft substitutes. SG&A expenses also increased in equivalent U.S. Dollars as a result of the appreciation of the Euro, Hungarian Forint and Canadian Dollar.

R&D expenses declined to \$15.3 million in 2004 from \$18.8 million in 2003. R&D spending at Therics declined to \$7.8 million in 2004 from \$11.2 million in 2003 due to cost reduction efforts and the classification of certain costs as operating versus R&D consistent with the commercialization of the company’s initial line of bone graft substitutes. R&D spending at Film Products was \$7.5 million in 2004 compared with \$7.6 million in 2003.

Losses associated with plant shutdowns, asset impairments and restructurings in 2004 totaled \$23 million (\$15.2 million after taxes) and included:

- A fourth quarter charge of \$84,000 (\$56,000 after taxes), a third-quarter charge of \$828,000 (\$537,000 after taxes), a second-quarter charge of \$994,000 (\$647,000 after taxes) and a first-quarter charge of \$666,000 (\$432,000 after taxes) related to accelerated depreciation from plant shutdowns and restructurings in Film Products;
- A fourth-quarter charge of \$569,000 (of this amount, \$59,000 for employee relocation is included in SG&A expenses in the consolidated statements of income) (\$369,000 after taxes) and a third-quarter charge of \$709,000 (\$461,000 after taxes) related to severance for 30 people and other employee-related costs associated with the restructuring of the R&D operations in Film Products (we anticipate recognizing additional charges associated with this restructuring over the next 12 months of approximately \$2.8 million (\$1.8 million after taxes)), including costs associated with relocating R&D functions to Richmond, Virginia;
- A fourth-quarter charge of \$639,000 (\$415,000 after taxes), a third-quarter charge of \$617,000 (\$401,000 after taxes), a second-quarter charge of \$300,000 (\$195,000 after taxes) and a first-quarter charge of \$537,000 (\$349,000 after taxes) primarily related to severance (63 people) and other employee-related costs associated with the shutdown of the New Bern Plant;
- A third-quarter charge of \$357,000 (\$329,000 after taxes) and a second-quarter charge of \$2.7 million (\$1.9 million after taxes) for the loss on the sale of the films business in Argentina (proceeds net of transaction costs were \$803,000 (\$401,000 net of cash included in business sold));
- A fourth-quarter charge of \$352,000 (\$228,000 after taxes), a third-quarter charge of \$195,000 (\$127,000 after taxes) and a first-quarter charge of \$9.6 million (\$6.2 million after taxes) related to the planned shutdown of the Aurora Plant, including asset impairment charges of \$7.1 million and severance and other employee-related costs of \$2.5 million (these costs are contractually-related for about 100 people and have been immediately accrued and we anticipate recognizing additional shutdown-related costs of about \$2 million in the first quarter of 2005);
- A third-quarter charge of \$170,000 (\$111,000 after taxes) for additional costs incurred related to a plant shutdown in Film Products;
- A second-quarter charge of \$300,000 (\$195,000 after taxes), partially offset by a fourth-quarter gain of \$104,000 (\$68,000 after taxes), related to the loss on the sale of the previously shutdown films manufacturing facility in Manchester, Iowa (the “Manchester Plant”);
- A fourth quarter charge of \$427,000 (\$277,000 after taxes) and a second-quarter charge of \$879,000 (\$571,000 after taxes) related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey;

- Second-quarter charges of \$575,000 (\$374,000 after taxes) in Film Products and \$146,000 (\$95,000 after taxes) in Aluminum Extrusions related to asset impairments; and
- Fourth quarter charges of \$1.4 million (\$912,000 after taxes) related to severance and other employee-related costs associated with restructurings in Therics (\$590,000 before taxes), Film Products (\$532,000 before taxes) and Aluminum Extrusions (\$280,000 before taxes) and a second-quarter charge of \$145,000 (\$94,000 after taxes) related to severance at Therics (an aggregate of 24 people were affected by these restructurings).

Remaining liabilities for exit and disposal activities at December 31, 2004 (\$8.5 million), primarily include the shutdown of the Aurora Plant, the relocation of R&D functions in Film Products to Richmond, Virginia, the recent staff reductions at Therics and the estimated loss on the sub-lease at Therics.

Gain on sale of corporate assets in 2004 includes a fourth-quarter gain on the sale of land of \$1 million (\$649,000 after taxes and proceeds of \$1.3 million), a second-quarter gain on the sale of land of \$413,000 (\$268,000 after taxes and proceeds of \$647,000) and a first-quarter gain on the sale of public equity securities of \$6.1 million (\$4 million after taxes and proceeds of \$7.2 million). There were no public equity securities held at December 31, 2004. These gains are included in "Other income (expense), net" in the consolidated statements of income and separately shown in the operating profit by segment table on page 11.

Income taxes in 2004 include a third-quarter tax benefit of \$4 million related to the reversal of income tax contingency accruals upon the favorable conclusion of IRS and state examinations through 2000.

The other gain of \$7.3 million (\$4.8 million after taxes) included in the Aluminum Extrusions section of the operating profit by segment table on page 11 is comprised of the present value of an insurance settlement of \$8.4 million (future value of \$8.5 million) associated with environmental matters related to prior years, partially offset by accruals for expected future environmental costs of \$1 million. The company received \$5.2 million of the \$8.5 million insurance settlement in September of 2004 and recognized receivables at present value for future amounts due (\$1.5 million due in February of 2005 and \$1.8 million due in February 2006). The gain from the insurance settlement is included in "Other income (expense), net" in the consolidated statements of income, while the accruals for expected future environmental costs are included in "Cost of goods sold."

For more information on costs and expenses, see the business segment review beginning on page 34.

**Interest Income and Expense.** Interest income, which is included in "Other income (expense), net" in the consolidated statements of income, was \$350,000 in 2004 and \$1.2 million in 2003. Interest income was down primarily due to lower average cash and cash equivalents balances (excess cash was used to repay debt in conjunction with our debt refinancing in October 2003). Our policy permits investment of excess cash in marketable securities that have the highest credit ratings and maturities of less than one year with the primary objectives being safety of principal and liquidity.



Interest expense declined to \$3.2 million in 2004 compared with \$6.8 million in 2003. Average debt outstanding and interest rates were as follows:

(In Millions)	2004	2003
Floating-rate debt with interest charged on a rollover basis at one-month LIBOR plus a credit spread:		
Average outstanding debt balance	\$ 105.2	\$ 108.8
Average interest rate	2.7%	2.0%
Floating-rate debt fixed via interest rate swaps in the second quarter of 2001 and maturing in the second quarter of 2003:		
Average outstanding debt balance	\$ —	\$ 28.9
Average interest rate	—	5.4%
Fixed-rate and other debt:		
Average outstanding debt balance	\$ 5.6	\$ 7.2
Average interest rate	6.0%	6.4%
Total debt:		
Average outstanding debt balance	\$ 110.8	\$ 216.9
Average interest rate	2.8%	2.6%

**Income Taxes.** The effective tax rate from continuing operations was 26.0% in 2004, down from 35.7% in 2003. The decrease is primarily due to a tax benefit of \$4 million related to the reversal of income tax contingency accruals upon favorable conclusion of IRS and state examinations through 2000, partially offset by tax benefits of about \$600,000 not recognized on 2004 operating losses of certain foreign subsidiaries that may not be recoverable in the carryforward period.

**Discontinued Operations.** On March 7, 2003, Tredegar Investments, Inc. (“Tredegar Investments”) reached definitive agreements to sell substantially all of its venture capital investment portfolio. For more information on the sale (including a summary of venture capital investment activities from 2002 through disposal in 2003), see the business segment review beginning on page 37. The results for venture capital investment activities have been reported as discontinued operations and include an after-tax gain of \$2.9 million in 2004 primarily related to the reversal of business and occupancy tax contingency accruals upon favorable resolution.

#### **2003 versus 2002**

**Revenues.** Overall, sales for 2003 decreased 2% compared with 2002. Net sales (sales less freight) for Film Products and Aluminum Extrusions declined primarily due to lower sales volume, partially offset by higher selling prices driven by higher raw material costs. For more information on net sales, see the business segment review beginning on page 34.

**Operating Costs and Expenses.** Gross profit (sales less cost of goods sold and freight) as a percentage of sales decreased to 15.4% in 2003 from 20.5% in 2002. In Film Products, an overall lower gross profit margin was driven primarily by the loss of certain domestic backsheet business (lower overall contribution to cover fixed costs), higher raw material prices and higher manufacturing costs on certain new products. In Aluminum Extrusions, the gross profit margin declined primarily due to the impact of the Canadian Dollar appreciating against the U.S. Dollar, higher energy costs, lower volume and higher insurance costs. For more information on the loss of certain domestic backsheet business, see the business segment review for Film Products beginning on page 34.

As a percentage of sales, SG&A expenses increased to 7.2% compared with 6.9% in 2002, primarily due to lower sales, the appreciation of the Canadian Dollar and Euro against the U.S. Dollar, higher employee-related costs, and expenses associated with commencing the implementation of a new information system in Film Products.

R&D expenses declined to \$18.8 million in 2003 (\$11.2 million for Therics and \$7.6 million for Film Products) from \$20.3 million in 2002 (\$12.5 million for Therics and \$7.8 million for Film Products). The decline was primarily due to cost reduction efforts at Therics.

Losses associated with plant shutdowns, asset impairments and restructurings in 2003 totaled \$11.4 million (\$7.4 million after taxes) and included:

- A fourth-quarter charge of \$875,000 (\$560,000 after taxes) for asset impairments in the films business, including charges of \$466,000 (\$298,000 after taxes) relating to accelerated depreciation of assets at the New Bern Plant;
- A fourth-quarter charge of \$611,000 (\$391,000 after taxes) for approximately 50% of the total severance costs and other employee-related costs in connection with the shutdown of the New Bern Plant;
- A third-quarter charge of \$945,000 (\$605,000 after taxes) relating to accelerated depreciation of assets at the New Bern Plant;
- A third-quarter charge of \$299,000, a second quarter charge of \$53,000 and a first-quarter charge of \$85,000 (collectively \$280,000 after taxes) for additional costs incurred related to the shutdown of the films plants in Tacoma, Washington, Carbondale, Pennsylvania and the Manchester Plant;
- A third-quarter charge of \$322,000 (\$206,000 after taxes) for severance and other employee-related costs in connection with restructurings in Film Products;
- A third-quarter charge of \$2.2 million (\$1.4 million after taxes) and a second-quarter charge of \$549,000 (\$357,000 after taxes) related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey;
- A third-quarter charge of \$256,000 (\$163,000 after taxes) for severance and other employee-related costs in connection with restructurings in Aluminum Extrusions;
- A second-quarter charge of \$3.9 million (\$2.5 million after taxes) for severance and other employee-related costs in connection with restructurings in Film Products (\$1.6 million before taxes), corporate headquarters (\$1.2 million before taxes and included in "Corporate expenses, net" in the operating profit by segment table on page 11) and Therics (\$1.2 million before taxes);
- A second-quarter charge of \$956,000 (\$612,000 after taxes) for asset impairments in the films business, including charges of \$312,000 (\$200,000 after taxes) related to accelerated depreciation of assets at the New Bern Plant; and
- A second-quarter charge of \$388,000 (\$248,000 after taxes) related to an early retirement program in Aluminum Extrusions.

The loss from unusual items in 2003 of \$1.1 million (\$694,000 after taxes) relates to a first-quarter charge to adjust depreciation and amortization at Therics based on Tredegar's decision to suspend divestiture efforts. Results for 2003 also included a fourth-quarter gain of \$1.4 million (\$886,000 after taxes) on the sale of land at the facility in Richmond Hill, Ontario (total proceeds of approximately \$1.8 million), and gains totaling \$5.2 million (\$3.3 million after taxes) on the sale of corporate assets. The gains from the sale of corporate assets included:

- A fourth-quarter gain of \$2.6 million (\$1.6 million after taxes) from the sale of 547,500 shares of Illumina, Inc. common stock (NASDAQ: ILMN) for total proceeds of \$3.8 million;
- A fourth-quarter gain of \$355,000 (\$229,000 after taxes) from the sale of 64,150 shares of Vascular Solutions, Inc. common stock (NASDAQ: VASC) for total proceeds of \$403,000;
- A third-quarter gain of \$942,000 (\$608,000 after taxes) from the sale of 200,000 shares of VASC for total proceeds of \$1.1 million; and
- A third-quarter gain of \$1.3 million and fourth-quarter gain of \$15,000 (collectively \$841,000 after taxes) from the sale of corporate real estate (total proceeds of approximately \$1.8 million).

The gains from the sale of land and corporate assets are included in "Other income (expense), net" in the consolidated statements of income and separately shown in the segment operating profit table on page 11.

For more information on costs and expenses, see the business segment review beginning on page 34.

**Interest Income and Expense.** Interest income, which is included in "Other income (expense), net" in the consolidated statements of income, was \$1.2 million in 2003 and \$1.9 million in 2002. Despite a higher average cash and cash equivalents balance, interest income was down due to lower average tax equivalent yield earned on cash equivalents (1% in 2003 and 1.9% in 2002).

Interest expense was \$6.8 million in 2003 (including a charge of \$737,000 for the write-off of deferred financing costs associated with credit facilities replaced) compared with \$9.4 million in 2002. Capitalized interest costs were \$593,000 in 2003 compared with \$674,000 in 2002. Average debt outstanding and interest rates for 2003 and 2002 were as follows:



(In Millions)	2003	2002
Floating-rate debt with interest charged on a rollover basis at one-month LIBOR plus a credit spread:		
Average outstanding debt balance	\$ 180.8	\$ 175.0
Average interest rate	2.0%	2.5%
Floating-rate debt fixed via interest rate swaps in the second quarter of 2001 and maturing in the second quarter of 2003:		
Average outstanding debt balance	\$ 28.9	\$ 75.0
Average interest rate	5.4%	5.4%
Fixed-rate and other debt:		
Average outstanding debt balance	\$ 7.2	\$ 7.3
Average interest rate	6.4%	7.2%
Total debt:		
Average outstanding debt balance	\$ 216.9	\$ 257.3
Average interest rate	2.6%	3.5%

**Income Taxes.** The effective tax rate from continuing operations was 35.7% in 2003 and 35.6% in 2002.

**Discontinued Operations.** Discontinued operations in 2002 include results for venture capital investment activities and Molecumetics. For more information, see the business segment review beginning on page 37.

### Financial Condition

#### Assets

Tredegear's total assets increased to \$769.5 million at December 31, 2004, from \$753 million at December 31, 2003. In the first quarter of 2004, we received tax refunds of about \$55 million related to the sale of the venture capital portfolio and used \$50 million to repay revolver debt in April 2004. Other significant changes in balance sheet items since December 31, 2003, are summarized below:

- Accounts receivable increased by \$33.2 million (39%) due primarily to higher net sales for all businesses (net sales for the fourth quarter of 2004 were up \$43.4 million compared to the fourth quarter of 2003) and foreign currency effects (about \$3.5 million).
  - Days sales outstanding remains in the 50-day range in Film Products and 45-day range in Aluminum Extrusions.
- Inventories increased by \$15.8 million (32%) due primarily to higher raw material prices (low-density polyethylene resin prices are up around 18 cents per pound (about 30%) in the U.S. and Europe since the fourth quarter of 2003, and aluminum is also up about 18 cents per pound (about 25%) since that time), sales volume and foreign currency effects (about \$2.5 million).
  - Inventory days are in the 45-day range in Film Products and 35-day range in Aluminum Extrusions consistent with the end of last year.
- Income taxes recoverable declined by \$61.5 million due primarily to the receipt in the first quarter of 2004 of income tax refunds related to the sale of the venture capital portfolio (about \$55 million).
- Other assets increased by \$5.4 million primarily due to the \$5 million investment in Novalux during the third quarter of 2004. Our ownership interest in Novalux is approximately 18% (15% on a fully diluted basis). Novalux, based in Sunnyvale, California, is developing and commercializing a laser technology for use in a variety of applications, including flat panel displays for home theaters. We are already participating in the growing flat panel display market with our surface protection films. The investment in Novalux, which is included in "Other assets and deferred charges" in the consolidated balance sheet, is being accounted for under the cost method, with an impairment loss recognized and a new cost basis established for any write-down to estimated fair value.

- Net property, plant and equipment was up \$19.2 million due primarily to capital expenditures in excess of depreciation of \$21.6 million and foreign exchange translation of \$9.1 million, partially offset by the \$7.1 million asset impairment recognized in the first quarter of 2004 on the planned shutdown of the Aurora Plant and other asset impairments and disposals during the year in Film Products totaling \$3.3 million.

### **Liabilities, Credit and Long-Term Obligations**

Total liabilities were \$289.0 million at December 31, 2004, down from \$305.6 million at December 31, 2003, primarily due to debt reduction (\$36.2 million), partially offset by an increase in accounts payable (up \$17.2 million or 37%) due to higher inventories and the timing of payments.

Debt outstanding at December 31, 2004 of \$103.5 million consisted of \$97.4 million borrowed under our credit facility (comprised of a term loan of \$64.4 million and revolving credit borrowings of \$33 million) and other debt of \$6.1 million. The credit agreement, dated October 17, 2003, consists of a \$125 million three-year revolving credit facility and a \$75 million three-year term loan (required term loan payments of \$10.6 million have been made since origination). At December 31, 2004, available credit under the revolving credit facility was \$91 million. Remaining term loan installments are due as follows:

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#### **Term Loan Quarterly Repayment Schedule (In Thousands)**

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Installment due each quarter on March 31, June 30 and September 30, 2005	\$ 3,125
Installment due each quarter on December 31, 2005, and March 31 and June 30, 2006	3,750
Final payment due on September 30, 2006	43,750

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The credit spread over LIBOR and commitment fees charged on the unused amount under the credit agreement at various indebtedness-to-adjusted EBITDA levels is as follows:

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#### **Pricing Under Credit Agreement (Basis Points)**

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Indebtedness-to-Adjusted EBITDA Ratio	Credit Spread Over LIBOR		Commitment Fee
	Revolver (\$33 Million Outstanding at 12/31/04)	Term Loan (\$64 Million Outstanding at 12/31/04)	
> 2x but <= 3x	150	150	30
> 1x but <= 2x	125	125	25
<= 1x	100	100	20

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At December 31, 2004, we had no interest rate swaps outstanding and the interest cost on debt was priced at one-month LIBOR plus the applicable credit spread of 125 basis points.

The computations of adjusted EBITDA, adjusted EBIT, the leverage ratio and interest coverage ratio as defined in the credit agreement are presented below along with the related most restrictive covenants. Adjusted EBITDA and adjusted EBIT as defined in the credit agreement are not intended to represent cash flow from operations as defined by GAAP and should not be considered as either an alternative to net income or to cash flow.

Computations of Adjusted EBITDA, Adjusted EBIT, Leverage Ratio and  
Interest Coverage Ratio as Defined in Credit Agreement Along with Related Most  
Restrictive Covenants  
For the Year Ended December 31, 2004 (In Thousands)

Computations of adjusted EBITDA and adjusted EBIT as defined in Credit Agreement:	
Net income	\$ 29,181
Plus:	
After-tax losses related to discontinued operations	—
Total income tax expense for continuing operations	9,222
Interest expense	3,171
Depreciation and amortization expense for continuing operations	34,422
All non-cash losses and expenses, plus cash losses and expenses not to exceed \$10,000, for continuing operations that are classified as unusual, extraordinary or which are related to plant shutdowns, asset impairments and/or restructurings (cash-related of \$10,262)	23,811
Minus:	
After-tax income related to discontinued operations	(2,921)
Total income tax benefits for continuing operations	—
Interest income	(350)
All non-cash gains and income, plus cash gains and income not to exceed \$10,000, for continuing operations that are classified as unusual, extraordinary or which are related to plant shutdowns, asset impairments and/or restructurings (all cash-related of \$15,917)	(10,000)
Plus or minus, as applicable, pro forma EBITDA adjustments associated with acquisitions and asset dispositions	(22)
Adjusted EBITDA as defined in Credit Agreement	86,514
Less: Depreciation and amortization expense for continuing operations (including pro forma for acquisitions and asset dispositions)	(34,430)
Adjusted EBIT as defined in Credit Agreement	\$ 52,084
Indebtedness:	
Total debt	\$ 103,452
Face value of letters of credit	6,391
Indebtedness	\$ 109,843
Shareholders' equity at December 31, 2004	\$ 480,442
Computations of leverage and interest coverage ratios as defined in Credit Agreement:	
Leverage ratio (pro forma indebtedness-to-adjusted EBITDA)	1.27x
Interest coverage ratio (adjusted EBIT-to-interest expense)	16.43x
Most restrictive covenants as defined in Credit Agreement:	
Maximum permitted aggregate amount of dividends that can be paid by Tredegar during the term of the Credit Agreement	\$ 100,000
Minimum adjusted shareholders' equity permitted (increases by 50% of net income generated after September 30, 2003)	\$ 344,248
Maximum leverage ratio permitted:	
Ongoing	3.00x
Pro forma for acquisitions	2.50x
Minimum interest coverage ratio permitted	2.50x

Noncompliance with any one or more of the debt covenants may have an adverse effect on financial condition or liquidity in the event such noncompliance cannot be cured or should we be unable to obtain a waiver from the lenders. Renegotiation of the covenant through an amendment to the credit agreement may effectively cure the noncompliance, but may have an effect on financial condition or liquidity depending upon how the covenant is renegotiated.

We are obligated to make future payments under various contracts as set forth below:

(In Millions)	Payments Due by Period							Total
	2005	2006	2007	2008	2009	Remainder		
Debt	\$ 13.1	\$ 88.9	\$ .4	\$ .3	\$ .3	\$ .5	\$ 103.5	
Operating leases:								
Therics	1.4	1.5	1.6	1.6	1.6	2.0	9.7	
Other	1.5	1.4	1.1	.9	.2	.6	5.7	
Capital expenditure commitments								
*	16.1	—	—	—	—	—	16.1	
Total	\$ 32.1	\$ 91.8	\$ 3.1	\$ 2.8	\$ 2.1	\$ 3.1	\$ 135.0	

\*Represents contractual obligations for plant construction and purchases of real property and equipment. See Note 13 on page 66.

We believe that existing borrowing availability, our current cash balances and our cash flow from operations will be sufficient to satisfy our working capital, capital expenditure and dividend requirements for the foreseeable future.

From time to time, we enter into transactions with third parties in connection with the sale of assets or businesses in which we agree to indemnify the buyers or third parties involved in the sale for certain liabilities or risks related to the assets or business. Also, in the ordinary course of our business, we may enter into agreements with third parties for the sale of goods or services that may contain indemnification provisions. In the event that an indemnification claim is asserted, liability for indemnification would be subject to an assessment of the underlying facts and circumstances under the terms of the applicable agreement. Further, any indemnification payments may be limited or barred by a monetary cap, a time limitation, or a deductible or basket. For these reasons, we are unable to estimate the maximum potential amount of the potential future liability under the indemnity provisions of these agreements. We do, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable. We disclose contingent liabilities if the probability of loss is reasonably possible and significant.

### **Shareholders' Equity**

At December 31, 2004, we had 38,597,522 shares of common stock outstanding and a total market capitalization of \$780.1 million, compared with 38,176,821 shares of common stock outstanding and a total market capitalization of \$592.9 million at December 31, 2003.

During 2004, we did not purchase any shares of our common stock in the open market. During 2003, we purchased 406,400 shares of our common stock in the open market for \$5.2 million (an average price of \$12.72 per share). During 2002, we purchased 110,700 shares of our common stock in the open market for \$1.4 million (an average price of \$12.91 per share). Since becoming an independent company in 1989, we have purchased a total of 20.8 million shares for \$122.8 million (an average price of \$5.90 per share). Under a standing authorization from our board of directors, we may purchase an additional 3.4 million shares in the open market or in privately negotiated transactions at prices management deems appropriate.

### **Cash Flows**

The discussion below supplements the information presented in the consolidated statements of cash flows on page 47.

In 2004, cash provided by operating activities was \$93.8 million compared with \$76.4 million in 2003. The increase is due primarily to the income tax refund related to the sale of the venture capital portfolio (see the business segment review beginning on page 34) partially offset by higher primary working capital (accounts receivable, inventories and accounts payable) needed to support higher sales.

Cash used in investing activities was \$50.3 million in 2004 compared with \$36.5 million in 2003. The change is primarily attributable to proceeds from the sale of venture capital investments, net of investments made, of \$18.7 million in 2003, and the \$5 million investment in Novalux made in the third quarter of 2004, partially offset by lower capital expenditures of \$10.2 million. See the business segment review beginning on page 34 regarding capital expenditures in 2004 and 2003.

Net cash used in financing activities was \$40.5 million in 2004 compared to \$129.9 million in 2003. In 2004, we used \$50 million from tax refunds related to the sale of the venture capital portfolio to pay down debt. Additional net borrowings of \$13.8 million related primarily to capital expenditures and higher primary working capital needed to support higher sales. Net cash used in financing activities in 2003 was driven by scheduled debt payments and debt payments made in conjunction with our refinancing in 2003.

In 2003, net cash provided by operating activities was \$76.4 million compared with \$65.3 million in 2002. The increase is due to a decrease in the level of primary working capital partially offset by lower income from ongoing operations. Accounts receivable declined mainly from volume shortfall payments and contract terminations and revisions in Film Products accrued at the end of 2002 and received in 2003 (about \$15 million in accounts receivable at the end of 2002 versus none at the end of 2003). Accounts payable increased due to the timing of payments. Inventories increased primarily due to the appreciation of the Euro and the Canadian Dollar.

Net cash used in investing activities was \$36.5 million in 2003 compared to \$42.1 million in 2002. This decrease was due to positive cash flow from venture capital activities in 2003 versus negative cash flow in 2002 and higher proceeds from the sale of corporate assets and property disposals (see Note 15 on page 69 for more information), partially offset by higher capital expenditures and acquisitions (up \$36.1 million).

Net cash used in financing activities was \$129.9 million in 2003 compared to \$10.1 million in 2002. This increase was driven by scheduled debt payments and debt payments made in conjunction with our refinancing in 2003 (see pages 24-26 for more information).

In 2002, net cash provided by operating activities was \$65.3 million compared to \$74.9 million in 2001. The decrease is due to an increase in working capital in 2002 versus a decrease in working capital in 2001, partially offset by higher income from manufacturing operations (up \$8.3 million). The increase in working capital in 2002 was mainly due to higher receivables, primarily from volume shortfall payments and contract terminations and revisions in Film Products (up \$14.7 million). The decrease in working capital in 2001 was mainly due to lower receivables (down \$17.4 million), primarily from a 15% drop in volume in Aluminum Extrusions in the fourth quarter of 2001.

Net cash used in investing activities was \$42.1 million in 2002 compared to \$13.4 million in 2001. The increase was driven by negative cash flow from venture capital activities in 2002 versus positive cash flow in 2001, partially offset by lower capital expenditures and acquisitions (down \$9.6 million).

Net cash used in financing activities was about the same in 2002 and 2001.

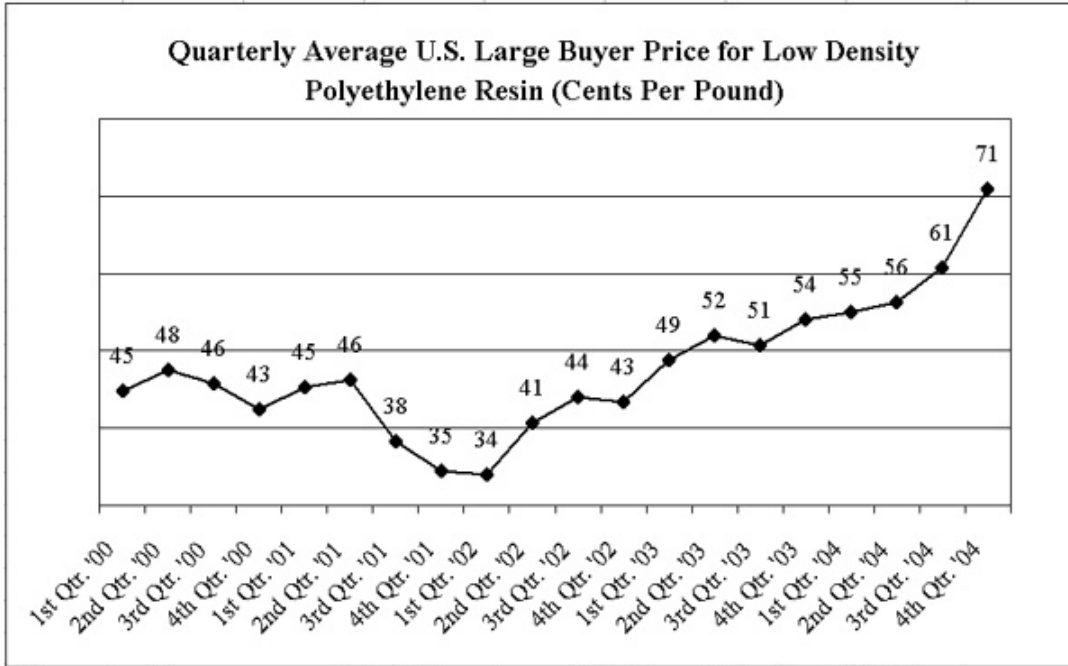


**Quantitative and Qualitative Disclosures about Market Risk**

Tredegar has exposure to the volatility of interest rates, polyethylene and polypropylene resin prices, aluminum ingot and scrap prices, energy prices, foreign currencies and emerging markets. See the section on liabilities, credit and long-term obligations beginning on page 24 regarding credit agreements and interest rate exposures.

Changes in resin prices, and the timing of those changes, could have a significant impact on profit margins in Film Products. Profit margins in Aluminum Extrusions are sensitive to fluctuations in aluminum ingot and scrap prices as well as natural gas prices. There is no assurance of our ability to pass through higher raw material and energy costs to our customers.

We estimate that resin price increases in the fourth quarter resulted in a negative operating profit impact of about \$2 million compared with the third quarter of 2004. This is in addition to the \$1 million adverse impact we estimate occurred between the second and third quarters of 2004. The significant increases in the U.S. since 2002 in prices of low density polyethylene resin (a primary raw material for Film Products) are shown in the chart below.

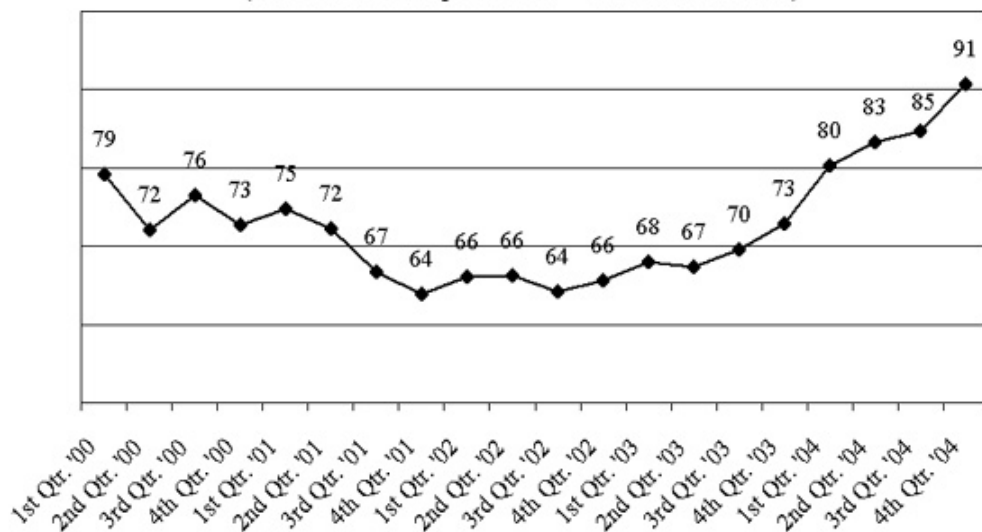


Source: Quarterly averages computed by Tredegar using monthly data provided by Chemical Data Inc.

Resin prices in Europe and Asia have exhibited similar trends. The price of resin is driven by several factors including supply and demand and the price of natural gas, oil and ethylene. To address fluctuating resin prices, we have pass-through or cost-sharing agreements covering about 65% of our sales, but many have a 90-day lag. We are implementing price increases for many customers that are currently not subject to pass-through arrangements. Most new customer contracts contain resin pass-through arrangements. However, if resin prices continue to rise at a faster rate than selling prices, the delayed pass-through of costs will exert downward pressure on near-term profits.

In the normal course of business, we enter into fixed-price forward sales contracts with certain customers for the sale of fixed quantities of aluminum extrusions at scheduled intervals. In order to hedge our exposure to aluminum price volatility (see the chart below) under these fixed-price arrangements, which generally have a duration of not more than 12 months, we enter into a combination of forward purchase commitments and futures contracts to acquire or hedge aluminum, based on the scheduled deliveries. See Note 6 on page 58 for more information.

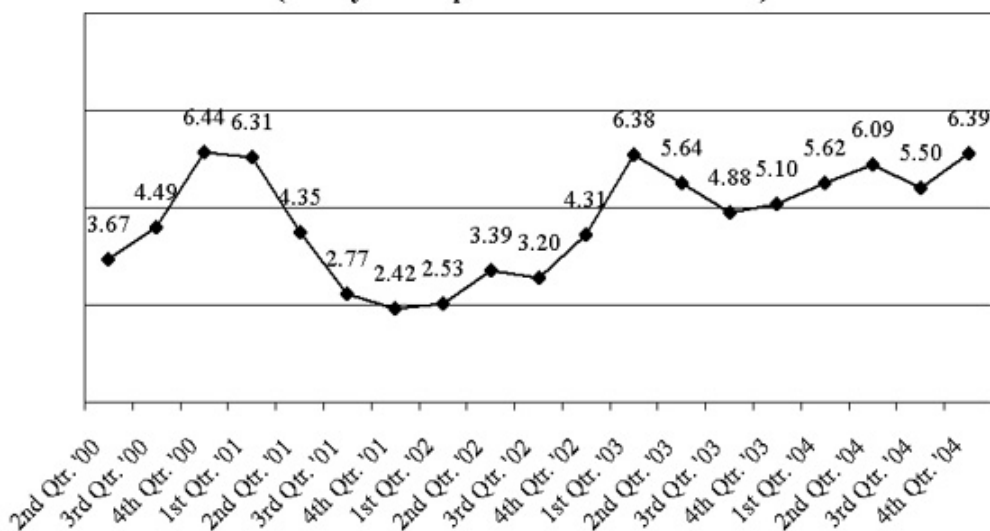
**Quarterly Average Price of Aluminum  
(U.S. Midwest Spot Price - Cents Per Pound)**



Source: Quarterly averages computed by Tredegar using daily closing data provided by Bloomberg.

In Aluminum Extrusions, we hedge from time-to-time a portion of our exposure to natural gas price volatility by entering into fixed-price forward purchase contracts with our natural gas suppliers. As of December 31, 2004, we had forward contracts with natural gas suppliers covering 18% of our estimated future needs through March 31, 2005, with an average fixed price of \$5.97 per mmBtu. We estimate that, in an unhedged situation, every \$1 per mmBtu per month change in the market price of natural gas has a \$150,000 impact on the monthly operating profit of Aluminum Extrusions. Substantially higher prices of natural gas in 2003 resulted in a reduction in operating profit in Aluminum Extrusions of approximately \$3.2 million in 2003 compared with 2002.

**Quarterly Average Price of Natural Gas  
(Henry Hub Spot Price - \$ Per mmBtu)**



Source: Quarterly averages computed by Tredegar using daily closing data provided by Bloomberg.

We sell to customers in foreign markets through our foreign operations and through exports from U.S. plants. The percentage of sales and total assets for manufacturing operations related to foreign markets for 2004 and 2003 are as follows:

Tredegar Corporation - Manufacturing Operations Percentage of Net Sales and Total Assets Related to Foreign Markets						
	2004			2003		
	% of Total Net Sales*		% Total Assets - Foreign Operations*	% of Total Net Sales*		% Total Assets - Foreign Operations*
	Exports From U.S.	Foreign Operations		Exports From U.S.	Foreign Operations	
Canada	3	18	13	4	17	13
Europe	2	14	17	4	12	15
Latin America	2	2	1	3	2	2
Asia	4	3	5	3	2	4
Total % exposure to foreign markets	11	37	36	14	33	34

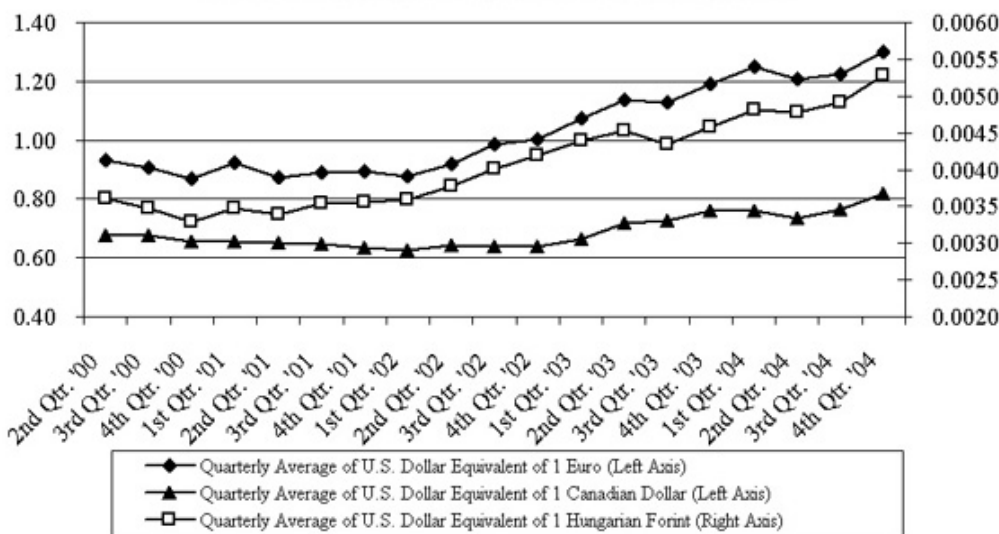
\* The percentages for foreign markets are relative to Tredegar's total net sales and total assets from manufacturing operations (consolidated net sales and total assets from continuing operations excluding cash and cash equivalents, Therics and in 2003, income taxes recoverable from the sale of the venture capital portfolio).

We attempt to match the pricing and cost of our products in the same currency (except in Canada where about 70% of our sales of aluminum extrusions are U.S. Dollar-based) and generally view the volatility of foreign currencies (see the chart below) and emerging markets, and the corresponding impact on earnings and cash flow, as part of the overall risk of operating in a global environment. Exports from the U.S. are generally denominated in U.S. Dollars. Our foreign currency exposure on income from foreign operations in Europe primarily relates to the Euro and the Hungarian Forint.

The relatively high percentage of U.S. Dollar-priced sales in Canada is partly due to the shifting of a large portion of the customers previously served by the aluminum extrusions plant in El Campo, Texas, in 2001. The resulting mismatch between the currency denomination of sales and costs causes lower U.S. Dollar translated profits when the Canadian Dollar appreciates since our costs are higher in U.S. Dollar equivalent terms while sales are mostly unaffected (the opposite effect occurs when the Canadian Dollar depreciates in value relative to the U.S. Dollar). We estimate that the appreciation of the Canadian Dollar relative to the U.S. Dollar had an adverse impact on operating profit of \$2.4 million in 2004 compared with 2003. In Film Products, where we have been able to better match the currency of our sales and costs, we estimate that the appreciation of the Euro and Hungarian Forint relative to the U.S. Dollar had a positive impact on operating profit of about \$1 million in 2004 compared with 2003.

We are continuing to review the loading of our aluminum extrusions plants in North America to optimize production mix and minimize cost in light of the increase in the U.S. Dollar equivalent cost structure of our plants in Canada.

### Quarterly Average Exchange Rates of Euro, Hungarian Forint and Canadian Dollar Relative to the U.S. Dollar



Source: Quarterly averages computed by Tredegar using daily closing data provided by Bloomberg.

#### Forward-looking and Cautionary Statements

From time to time, we may make statements that may constitute “forward-looking statements” within the meaning of the “safe-harbor” provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on our then current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those addressed in the forward-looking statements. Factors that may cause such a difference include, but are not limited to the following:

#### General

- **Our future performance is influenced by costs incurred by our operating companies including, for example, the cost of energy and raw materials.** There is no assurance that we will be able to offset fully or on a timely basis the effects of higher raw material costs through price increases. Further, there is no assurance that cost control efforts will be sufficient to offset any additional future declines in revenue or increases in energy, raw material or other costs.
- **As part of our business strategy, we expect to pursue acquisitions of businesses or investments that we believe have unique and sustainable technologies, products and services in attractive end markets.** The success of this strategy will depend upon our ability to identify, acquire and finance on acceptable terms such businesses and on our ability to manage such businesses and achieve planned synergies and operating results, none of which can be assured.

#### Film Products

- **Film Products is highly dependent on sales associated with one customer, P&G.** P&G comprised 27% of Tredegar’s net sales in 2004, 29% in 2003 and 33% in 2002. The loss or significant reduction of sales associated with P&G would have a material adverse effect on our business, as would delays in P&G rolling out products utilizing new technologies developed by Tredegar. While we have undertaken efforts to expand our customer base, there can be no assurance that such efforts will be successful, or that they will offset any delay or loss of sales and profits associated with P&G.
- **Growth of Film Products depends on our ability to develop and deliver new products at competitive prices, especially in the personal care market.** Personal care products are now being made with a variety of new materials, replacing traditional backsheet and other components. While we have substantial technical resources, there can be no assurance that our new products can be brought to market successfully, or if brought to market successfully, at the same level of profitability and market share of replaced films. A shift in customer preferences away from our technologies, our inability to develop and deliver new profitable products, or delayed acceptance of our new products in domestic or foreign markets, could have a material adverse effect on our business.

- **Film Products operates in a field where our significant customers and competitors have substantial intellectual property portfolios**. The continued success of this business depends on our ability not only to protect our own technologies and trade secrets, but also to develop and sell new products that do not infringe upon existing patents. Although we are not currently involved in any patent litigation, an unfavorable outcome of any such action could have a significant adverse impact on Film Products.
- **As Film Products expands its personal care business, we have greater credit risk that is inherent in broadening our customer base.**

### Aluminum Extrusions

- **Sales volume and profitability of Aluminum Extrusions is cyclical and highly dependent on economic conditions of end-use markets in the United States and Canada, particularly in the construction, distribution and transportation industries. Our market segments are also subject to seasonal slowdowns during the winter months.** From 1992 to the second quarter of 2000, profits in Aluminum Extrusions grew as a result of positive economic conditions in the markets we serve and manufacturing efficiencies. However, a slowdown in these markets in the second half of 2000 resulted in a 13% decline in sales volume and 28% decline in ongoing operating profit compared with the second half of 1999. The aluminum extrusions industry continued to be affected by poor economic conditions in 2001 and 2002. In 2001, our sales volume declined 20% and operating profit declined 52% compared with 2000. Our sales volume declined 23% and operating profit declined 49% in 2002 compared with 2000. The decline in ongoing operating profit during these periods at approximately two to three times the rate of the decline in sales volume illustrates the operating leverage inherent in our operations (fixed operating costs). Moreover, in 2003 higher energy and insurance costs and the appreciation of the Canadian Dollar against the U.S. Dollar had an adverse impact on operating profits. Any benefits associated with cost reductions and productivity improvements may not be sufficient to offset the adverse effects on profitability from pricing and margin pressure and higher bad debts that usually accompany a downturn.

In 2004, operating profit from ongoing operations in Aluminum Extrusions increased to \$22.6 million from \$15.1 million in 2003. The \$7.5 million or 50% increase in operating profit on 6.7% volume growth is primarily due to operating leverage and pricing improvements. Based on existing operating levels, we expect future annual operating profits to change at 3 - 4 times the percentage change in volume.

- **The markets for our products are highly competitive with product quality, service, delivery performance and price being the principal competitive factors.** Aluminum Extrusions has over 1,700 customers in a variety of end-use markets within the broad categories of building and construction, distribution, transportation, machinery and equipment, electrical and consumer durables. No single customer exceeds 3% of Aluminum Extrusion's net sales. Due to the diverse customer mix across many end-use markets, we believe the industry generally tracks the real growth of the overall economy (historical cross-cycle volume growth has been in the 3% range).

During improving economic conditions, excess industry capacity is absorbed and pricing pressure becomes less of a factor in many of our end-use markets. Conversely, during an economic slowdown, excess industry capacity often drives increased pricing pressure in many end-use markets as competitors protect their position with key customers. Because the business is susceptible to these changing economic conditions, Aluminum Extrusions targets complex, customized, service-intensive business with more challenging requirements which is competitively more defensible compared to higher volume, standard extrusion applications.

Foreign imports, primarily from China, currently represent less than 5% of the North American aluminum extrusion market. Foreign competition to date has been primarily large volume, standard extrusion profiles that impact some of our less strategic end-use markets. Market share erosion in other end-use markets remains possible.

There can be no assurance that we will be able to maintain current margins and profitability. Our continued success and prospects depend on our ability to retain existing customers and participate in overall industry cross-cycle growth.

## **Therics**

- ***Therics has incurred losses since inception, and we are unsure when, or if, it will become profitable.*** We are in the initial stages of commercializing certain orthobiologic products that have received FDA clearances. There can be no assurance that any of these products can be brought to market successfully.

The commercialization of new future products will require significant research, development, preclinical and clinical testing, and regulatory approvals. Where potential new products do not advance beyond early product development or do not demonstrate preclinical or clinical efficacy, they will not likely be commercialized. In addition, there can be no assurance that the FDA and other regulatory authorities will clear our products in a timely manner.

- ***Our ability to develop and commercialize products will depend on our ability to internally develop preclinical, clinical, regulatory, manufacturing and sales, distribution and marketing capabilities, or enter into arrangements with third parties to provide those functions.*** We may not be successful in developing these capabilities or entering into agreements with third parties on favorable terms. To the extent we rely on third parties for these capabilities, our control over such activities may be reduced which could make us dependent upon these parties. The inability to develop or contract for these capabilities would significantly impair our ability to develop and commercialize products and thus our ability to become profitable.

Related factors that may impair our ability to develop and commercialize products include our reliance on pre-clinical and clinical data concerning our products and product introductions by competing companies.

Likewise, in the event we are unable to manufacture our products efficiently or demonstrate to the relevant markets the value of our products or their advantages over competitive products, our ability to commercialize products and thus our operating results will be negatively affected.

Sales and marketing efforts are evolving more slowly than expected. We have been relying to a significant degree on a sales force consisting of independent sales agents for the sale and marketing of our products. Market acceptance of our products, and thus our ability to become profitable, is largely dependent upon the competency of this sales force, whether they perform their duties in line with our expectations and their continued willingness to carry our products. We are exploring potential collaborations with other companies aimed at accelerating market penetration across a broader array of market segments, but we may not be able to enter into any such collaboration nor may such collaboration be successful even if we enter into one.

- ***Our ability to develop and commercialize products will depend on market acceptance of those products.*** We are dependent upon the willingness of the medical community to learn about and try our products and then switch from currently used products to our products. In the event the community is reluctant or unwilling to utilize our products, our ability to generate profits will be significantly impaired. Commercial success is also dependent upon third party payor acceptance of our products.
- ***Our ability to develop and commercialize certain products is dependent upon sufficient sources of supply for various raw materials.*** We may not be successful in procuring the types and quantities of raw materials necessary to commercialize certain orthobiologic products, which would significantly impair our ability to become profitable.
- ***Future sales and profits are dependent upon obtaining and maintaining all necessary regulatory approvals.*** We have received clearances from the FDA for certain products as medical devices, which approvals must be maintained in order to commercialize these products. Similar FDA approval will need to be obtained for any new products in order to market those products. In addition, depending upon where we intend to engage in marketing activities, we may need to obtain the necessary approvals from the regulatory agencies of the applicable jurisdictions. Moreover, our manufacturing practices are regulated and periodically reviewed by the FDA. Failure to obtain and maintain the necessary regulatory approvals would significantly impair our ability to market our products and thus our ability to generate profits. Likewise, the marketing of our products and our profit generating capability would be impaired in the event approval of one or more of our products is limited or restricted by the FDA, either in conjunction with or subsequent to approval.

- ***We are highly dependent on several principal members of our management and scientific staff.*** The loss of key personnel (or the inability to recruit key personnel) could have a material adverse effect on Therics' business and results of operations, and could inhibit product research and development, commercialization and sales and marketing efforts. Failure to retain and recruit executive management in key areas, including sales and marketing and product research and development, could prevent us from achieving our business objectives.
- ***We are dependent upon certain license rights, patents and other proprietary rights.*** Future success is dependent in part on our ability to maintain and enforce license, patent and other proprietary rights. Complex legal and technical issues define the strength and value of our intellectual property portfolio. While we own or license certain patents, the issuance of a patent does not establish conclusively either validity or enforceability.
- ***The patent positions of biotechnology firms generally are highly uncertain and involve complex legal and factual questions that can determine who has the right to develop a particular product.*** No clear policy has emerged regarding the breadth of claims covered by biotechnology patents in the U.S. The biotechnology patent situation outside the U.S. is even more uncertain and is currently undergoing review and revision in many countries. Changes in, or different interpretations of, patent laws in the U.S. and other countries might allow others to use our discoveries or to develop and commercialize our products without any compensation to us.
- ***Our business exposes us to potential product liability claims.*** The testing, manufacturing, marketing and sale of our products subject us to product liability risk, an inherent risk for our industry. A successful product liability action against us may have a material adverse effect on our business. Moreover, present insurance coverage may not be adequate to cover potential future product liability claims.

#### **Business Segment Review**

Net sales (sales less freight) and operating profit from ongoing operations are the measures of sales and operating profit used by the chief operating decision maker of each segment for purposes of assessing performance.

#### **Film Products**

**Net Sales.** Net sales in Film Products were \$413.3 million in 2004, \$365.5 million in 2003 and \$376.9 million in 2002. Net sales in 2002 include revenue related to volume shortfall payments of \$9.3 million (none in 2003 and 2004). While we continue to have volume shortfall agreements in place for certain products, the majority of payments received in 2002 relate to older supply agreements for which volume commitments have expired. Total volume was 278.7 million pounds in 2004, 274.2 million pounds in 2003 and 303.2 million pounds in 2002. Total volume related to the business in Argentina sold in the third quarter of 2004 was 9.4 million pounds in 2004, 10.8 million pounds in 2003 and 10 million pounds in 2002.

See the executive summary beginning on page 15 for discussion of net sales and operating results for Film Products in 2004 compared with 2003.

Excluding the effects of volume shortfall payments, net sales and volume declines in 2003 compared with 2002 were primarily due to the loss of certain domestic backsheet business with P&G. Domestic backsheet net sales excluding volume shortfall payments were approximately \$45 million in 2003 and \$95 million in 2002.

We lost share in domestic backsheet as the market transitioned from products made from film to products made from laminates of film and nonwovens. We did not anticipate this market change and fell behind on the technology curve. Once initial business was lost, economies of scale began to increasingly favor the competition resulting in additional lost business. We have made a number of changes in response to losing this business, including increasing our marketing resources, conducting our own consumer research and selling to the broader marketplace. We also are continuously focused on reducing the cost of our products in light of competitive pricing pressures. While we continue to sell backsheet products on a global basis, our primary prospects for growth relate to:

- Apertured films and nonwoven materials used as topsheets in feminine hygiene products (for example, our new apertured topsheet product for P&G's sanitary napkin business);
- Elastic materials used in baby diapers (for example, our elastic fastening components improve overall comfort and fit);
- Materials used in adult incontinent products (for example, our elastic materials and transfer layers meet the growing need for adult incontinent products that improve the lifestyles of an aging population);
- Films used for surface protection (for example, our protective film is used to protect automobiles and flat panel display components such as glass during fabrication, shipping and handling);
- Films used for packaging (for example, our thin-gauge high density polyethylene film used as overwrap for tissue and towel products provides customers with cost savings and is readily printable and convertible on conventional processing equipment); and
- Continued global expansion efforts.

Excluding domestic backsheet sales, net sales in Film Products grew at a compounded annual growth rate of approximately 12% from 2000-2004 (7% on a volume basis).

**Operating Profit.** Operating profit in Film Products for 2004, 2003 and 2002 was as follows:

	(In Millions)		
	2004	2003	2002
Operating profit as reported	\$ 32.9	\$ 39.9	\$ 75.1
Volume shortfall payments	—	—	9.3
Unusual items:			
Gain (loss) on terminations and revisions of contracts with P&G:			
Proceeds from contract terminations and revisions	—	—	11.7
Related asset write-downs	—	—	(6.1)
Gain (loss) on terminations and revisions of contracts with P&G	—	—	5.6
Losses associated with plant shutdowns, asset impairments and restructurings and other unusual items	(10.4)	(5.8)	(2.9)
	(10.4)	(5.8)	2.7
Operating profit excluding volume shortfall payments, losses associated with plant shutdowns, asset impairments and restructurings and unusual items	\$ 43.3	\$ 45.7	\$ 63.1

See the executive summary beginning on page 15 for discussion of net sales and operating results for Film Products in 2004 compared to 2003.

The decline in operating profit from ongoing operations excluding volume shortfall payments was \$17.4 million or 28% in 2003 compared with 2002, and was almost entirely due to the loss of the domestic backsheet business with P&G discussed above.

**Identifiable Assets.** Identifiable assets in Film Products increased to \$472.8 million at December 31, 2004, from \$422.3 million at December 31, 2003, due primarily to capital expenditures in excess of depreciation of \$22.9 million (see the depreciation, amortization and capital expenditures section below for more information), higher accounts receivable and inventories supporting higher sales and appreciation of the Euro and Hungarian Forint relative to the U.S. Dollar. See discussion regarding assets on page 23 for further information.



Identifiable assets in Film Products increased to \$422.3 million at December 31, 2003, from \$379.6 million at December 31, 2002, due primarily to capital expenditures in excess of depreciation of \$37.4 million (see the depreciation, amortization and capital expenditures section below for more information) and appreciation of the Euro relative to the U.S. Dollar.

**Depreciation, Amortization and Capital Expenditures.** Depreciation and amortization for Film Products was \$22 million in 2004, up from \$19.8 million in 2003 due to the relatively high level of capital expenditures in 2003 and 2004. We project depreciation expense for Film Products to increase to about \$27 million in 2005.

Depreciation and amortization for Film Products was \$19.8 million in 2003, down from \$20.1 million in 2002. Depreciation expense in 2003 does not fully reflect significantly higher capital expenditures in 2003 since a large portion of the related assets were not placed in service by the end of the year.

Capital expenditures in Film Products in 2004 totaled \$44.8 million and reflect the normal replacement of machinery and equipment and:

- Expansion of production capacity at our films plant in Kerkrade, The Netherlands, including capacity for the new apertured topsheet product for P&G's sanitary napkin business;
- Construction of a new films plant in Guangzhou, China, including production capacity for apertured film used in feminine hygiene products;
- Expansion of production capacity at our films plant in Shanghai, China, including capacity for breathable film used in personal care products and protective clothing;
- Expansion of production capacity at our films plant in Lake Zurich, Illinois, including capacity for elastic materials used in diapers and photopolymer films used for surface protection;
- Expansion of production capacity at our plant in Pottsville, Pennsylvania, including capacity for polyethylene film used for packaging and masking film used for surface protection; and
- A new global information system.

Capital expenditures in Film Products in 2003 totaled \$57.2 million and reflect the normal replacement of machinery and equipment and:

- Machinery and equipment purchased to upgrade lines and expand capacity at our films plant in Kerkrade, The Netherlands, including adding capacity for the new apertured topsheet product for P&G's sanitary napkin business;
- Expansion of capacity at our films plant in Shanghai, China;
- Construction of a new films plant in Guangzhou, China;
- Expansion of our polypropylene and masking film capacity at our plant in Pottsville, Pennsylvania; and
- Commencing the design and implementation of a new global information system.

See the executive summary beginning on page 15 for further discussion of historical and projected capital expenditures (including information on related capital indemnification, take-or-pay or similar arrangements) for Film Products.

### **Aluminum Extrusions**

**Net Sales and Operating Profit.** Net sales in Aluminum Extrusions increased by 20% in 2004 (higher raw material-driven selling prices and higher volume) and declined 2% in 2003 (lower volume). Annual volume was 243.4 million pounds in 2004, 228.2 million pounds in 2003 and 234.3 million pounds in 2002 (see our market segments in the table on page 2).

See the executive summary beginning on page 15 for discussion of net sales and operating results for Aluminum Extrusions in 2004 compared with 2003.

Ongoing operating profit in Aluminum Extrusions declined by \$12.2 million or 45% in 2003 due to appreciation of the Canadian Dollar against the U.S. Dollar (unfavorable impact of \$3.8 million), higher energy costs (up \$3.2 million), lower volume (unfavorable impact of \$1.7 million) and higher insurance costs (up \$1.6 million).

**Identifiable Assets.** Identifiable assets in Aluminum Extrusions increased to \$210.9 million at December 31, 2004, from \$185.3 million at December 31, 2003, due primarily to higher accounts receivable and inventories supporting higher sales and appreciation of the Canadian Dollar relative to the U.S. Dollar. See discussion regarding assets on page 23 for further information.

Identifiable assets in Aluminum Extrusions increased to \$185.3 million at December 31, 2003, from \$176.6 million at December 31, 2002, due primarily to the appreciation of the Canadian Dollar relative to the U.S. Dollar (positive impact of \$6.8 million on the U.S. Dollar reported carrying value of property, plant and equipment).

**Depreciation, Amortization and Capital Expenditures.** Depreciation and amortization for Aluminum Extrusions was \$10.9 million in 2004, \$10.9 million in 2003 and \$10.5 million in 2002.

Capital expenditures totaled \$10 million in 2004, \$8.3 million in 2003 and \$4.8 million in 2002, and reflect the normal replacement of machinery and equipment. In addition, on November 21, 2003, we announced the acquisition of Apolo Tool and Die Manufacturing Inc. ("Apolo") of Woodbridge, Ontario. The purchase price consisted of cash consideration of \$1.6 million (including transaction costs of \$110,000 and net cash acquired of \$343,000). Apolo's key capabilities include bending, CNC machining, drilling, mitering, punching, riveting, sawing and welding of aluminum extrusions and other materials. The company also has in-house tool and die design and manufacturing capability to support its fabrication services.

We project capital expenditures to be \$13 million in 2005. We expect ongoing capital expenditures in Aluminum Extrusions in the \$10 million range, with the excess in 2005 primarily relating to the shutdown of the Aurora Plant and the move of its largest press to our facility in Pickering, Ontario, including upgrading the press and enlarging the facility.

### **Therics**

At Therics, sales and marketing efforts are evolving more slowly than expected, and we took steps in early January 2005 to reduce its expected loss rate from approximately \$2.5 million to \$2 million per quarter. We are exploring potential collaborations with other companies aimed at accelerating market penetration across a broader array of market segments.

### **Molecumetics**

Operations at Molecumetics ceased on July 2, 2002, and results have been reported as discontinued operations. Cash flows relating to Molecumetics have not been separately disclosed in the consolidated statements of cash flows.

For the year ended December 31, 2002, the operating loss for Molecumetics was \$5.9 million (\$3.9 million after taxes), while revenues were \$515,000. In addition to the operating loss, discontinued operations include a gain from the sale of intellectual property of \$1.4 million (\$891,000 after taxes) in 2003 and a loss on the disposal of \$7.5 million (\$4.9 million after taxes) in 2002. This loss on disposal is comprised of an impairment loss for assets of \$4.9 million, severance and other employee-related costs of \$1.4 million for 45 employees and estimated miscellaneous disposal costs of \$1.2 million. The tangible assets were sold during the fourth quarter of 2002 for proceeds of \$800,000.

### **Venture Capital Investment Activities**

On March 7, 2003, Tredegar Investments reached definitive agreements to sell substantially all of its portfolio of private equity partnership interests to GS Vintage Funds II, which are investment partnerships managed by Goldman Sachs Asset Management's Private Equity Group. On the same date and in a separate transaction, Tredegar Investments also agreed to sell to W Capital Partners, an independent private equity manager, the subsidiary funds that hold substantially all of Tredegar Investments' direct venture capital investments. The sale of these fund interests included the assumption by the buyer of Tredegar Investments' obligations to make additional capital contributions to those funds in the future.

The sale to W Capital Partners of the subsidiary funds that hold the direct investments occurred on March 7, 2003. The sale of the private equity fund interests occurred in a series of closings.

Net proceeds from the sales totaled approximately \$21.5 million. Additionally, in the first quarter of 2004 we received income tax recoveries of approximately \$55 million from the carry-back of 2003 capital losses generated by these sales against gains realized in 2000 by Tredegar Investments.

The agreements governing these transactions contain customary contingent indemnification provisions that Tredegar believes will not have a material effect on its financial position or results of operations.

The operating results from venture capital investment activities have been reported as discontinued operations. Cash flows from venture capital investment activities have not been separately disclosed in the consolidated statements of cash flows. A summary of venture capital investment activities from 2002 through disposal in 2003 is provided below:

	(In Thousands)	
	2003	2002
Carrying value of venture capital investments, beginning of period	\$ 93,765	\$ 155,084
Venture capital investment activity for period: (pre-tax amounts):		
New investments	2,807	20,373
Proceeds from the sale of investments, including broker receivables at end of period	(21,504)	(8,918)
Realized gains	—	4,454
Realized losses, write-offs and write-downs	(70,256)	(65,154)
(Decrease) increase in unrealized gain on available-for-sale securities	(917)	(12,074)
Carrying value of public securities retained by Tredegar Investments*	(3,895)	—
Carrying value of venture capital investments, end of period	\$ —	\$ 93,765
Summary of amounts reported as discontinued operations in the consolidated statements of income:		
Pretax gains (losses), net	\$ (70,256)	\$ (60,700)
Operating expenses (primarily management fee expenses)	(599)	(5,594)
Loss before income taxes	(70,855)	(66,294)
Income tax benefits	24,286	23,866
Loss from venture capital investment activities	\$ (46,569)	\$ (42,428)

\* At December 31, 2003, Tredegar Investments held 596,492 shares of Vascular Solutions, Inc. (NASDAQ: VASC) and 265,955 shares of Illumina, Inc. (NASDAQ: ILMN). These securities, which were related to Tredegar Investments' earlier venture capital investment activities, were sold in 2004 for \$7.2 million, including gains recognized of \$6.1 million (\$4 million after taxes). At December 31, 2003, these securities were classified as available-for-sale, included in the consolidated balance sheets in "Other assets and deferred charges" (\$5.4 million market value) and stated at market value with unrealized gains reported directly in shareholders' equity net of related deferred income taxes.

Discontinued operations in 2004 include an after-tax gain associated with venture capital investment activities of \$2.9 million primarily related to the reversal of business and occupancy tax contingency accruals upon favorable resolution.

**Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

See discussion of quantitative and qualitative disclosures about market risk beginning on page 28 in Management's Discussion and Analysis.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See the index on page 43 for references to management's report on internal control over financial reporting, report of the independent registered public accounting firm, the consolidated financial statements and selected quarterly financial data.

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

None.

**Item 9A. CONTROLS AND PROCEDURES**

***Evaluation of Disclosure Controls and Procedures***

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, we carried out an evaluation, with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2004, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

***Management's Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles in the United States of America and includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring (including internal auditing practices) and actions taken to correct deficiencies as identified.

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

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on their evaluation under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2004.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included on pages 43-44.

**Item 9B. OTHER INFORMATION**

None.

**PART III**

**Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF TREDEGAR**

The information concerning directors and persons nominated to become directors of Tredegar included in the Proxy Statement under the heading "Election of Directors" is incorporated herein by reference.

The information included in the Proxy Statement under the headings "Stock Ownership" and "Audit Committee Matters" is incorporated herein by reference.

Set forth below are the names, ages and titles of our executive officers:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Norman A. Scher	67	President and Chief Executive Officer
Nancy M. Taylor	45	Senior Vice President of Strategy and Special Projects
Thomas G. Cochran	43	Vice President and President, Tredegar Film Products Corporation
Tammy H. Cummings	41	Vice President, Human Resources
D. Andrew Edwards	46	Vice President, Chief Financial Officer and Treasurer
Michael W. Giancaspro	49	Vice President, Business Development
Larry J. Scott	54	Vice President, Audit
W. Hildebrandt Surgner, Jr.	39	Vice President, General Counsel and Corporate Secretary

**Norman A. Scher.** Mr. Scher was elected President and Chief Executive Officer effective September 10, 2001. Mr. Scher served as Executive Vice President and Chief Financial Officer from July 10, 1989 until September 10, 2001.

From July 10, 1989 until May 22, 1997, he served as Treasurer.

**Nancy M. Taylor.** Ms. Taylor was elected Senior Vice President, Strategy and Special Projects effective November 1, 2004. Ms. Taylor served as Managing Director, European Operations, of Tredegar Film Products from January 1, 2003 until November 1, 2004. Ms. Taylor served as Vice President, Administration and Corporate Development from September 10, 2001 until February 12, 2003. Ms. Taylor served as Secretary from February 24, 1994 until February 12, 2003. She served as Vice President, Law, from November 18, 1998 until September 10, 2001, and served as General Counsel from May 22, 1997 until July 25, 2000.

**Thomas G. Cochran.** Mr. Cochran was elected Vice President on November 28, 2001. Mr. Cochran has served as President of Tredegar Film Products since February 22, 2000. Mr. Cochran was the Managing Director of Tredegar Film Products' European operations from January, 1998 until May, 1999, and Business Development Manager of those operations from September, 1996 until December, 1997. Mr. Cochran was President of Brudi, Inc., a former subsidiary of Tredegar, from January, 1995 until August, 1996.

**Tammy H. Cummings.** Ms. Cummings was elected Vice President, Human Resources, on August 28, 2003. Ms. Cummings served as Director of Human Resources from June 1, 2002 until August 28, 2003. Prior to her employment with Tredegar, she served as Vice President, Human Resources/Organization Development for Luck Stone Corporation from 1998 until 2002 and served as Human Resources Director of Luck Stone Corporation from 1996 until 1998.

**D. Andrew Edwards.** Mr. Edwards was elected Vice President, Chief Financial Officer and Treasurer on August 28, 2003. Mr. Edwards has served as Vice President, Finance since November 18, 1998. Mr. Edwards has served as Treasurer since May 22, 1997. From October 19, 1992 until July 10, 2000, Mr. Edwards served as Controller.

**Michael W. Giancaspro.** Mr. Giancaspro was elected Vice President, Business Development, effective September 1, 2003. Prior to his current employment with Tredegar, Mr. Giancaspro served as Director of Finance and Treasurer at the Association for the Preservation of Virginia Antiquities from September 2002 until July 2003, and as Executive Vice President of Aim Technologies from October 2000 until August 2002. Mr. Giancaspro served as Vice President, Corporate Development, of Tredegar from January 1998 until April 2000, and Vice President, Corporate Planning, of Tredegar from February 1992 to January 1998.

**Larry J. Scott.** Mr. Scott was elected Vice President, Audit, on May 24, 2000. Mr. Scott served as Director of Internal Audit from February 24, 1994 until May 24, 2000.

**W. Hildebrandt Surgner, Jr.** Mr. Surgner was elected Corporate Secretary on February 12, 2003. He was elected Vice President and General Counsel on December 16, 2002. Prior to his employment with Tredegar, he served as Senior Counsel to Philip Morris U.S.A. in 2002 and served as Counsel to Philip Morris U.S.A. from 1999 until 2001. In this capacity, Mr. Surgner was employed by Philip Morris Management Corporation. He was an Associate at the law firm of Hunton & Williams LLP from 1994 until 1999.

We have adopted a Code of Conduct that applies to all of our directors, officers and employees (including our Chief Executive Officer, Chief Financial Officer and principal accounting officer) and have posted the Code of Conduct on our web site. We intend to satisfy the disclosure requirement under Item 10 of Form 8-K relating to amendments to or waivers from any provision of our Code of Conduct applicable to Chief Executive Officer, Chief Financial Officer and principal accounting officer by posting this information on our web site. Our Internet address is [www.tredegar.com](http://www.tredegar.com). The information on our website is not, and shall not be deemed to be, a part of this report or incorporated into other filings we make with the SEC.

Because our common stock is listed on the NYSE, our chief executive officer is required to make, and he has made, an annual certification to the NYSE stating that he was not aware of any violation by us of the corporate governance listing standards of the NYSE. Our chief executive officer made his annual certification to that effect to the NYSE as of May 12, 2004. In addition, we have filed, as exhibits to this Annual Report on Form 10-K, the certifications of our principal executive officer and principal financial officer required under Section 302 of the Sarbanes Oxley Act of 2002 to be filed with the SEC regarding the quality of our public disclosure.

**Item 11. EXECUTIVE COMPENSATION**

The information included in the Proxy Statement under the headings “Compensation of Directors” and “Compensation of Executive Officers” is incorporated herein by reference.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information included in the Proxy Statement under the heading “Stock Ownership” and “Equity Compensation Plan Table” is incorporated herein by reference.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Thomas G. Slater, Jr., a member of our board of directors, is a partner of the law firm of Hunton & Williams LLP, which we engage for legal services.

**Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The following is incorporated herein by reference:

- Information on accounting fees and services included in the Proxy Statement under the heading “Audit Fees;” and
- Information on the Audit Committee’s procedures for pre-approving certain audit and non-audit services included in the Proxy Statement under the heading “Audit Committee Matters.”

PART IV

Item 15. **EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) List of documents filed as a part of the report:

(1) Financial statements:

Tredegar Corporation  
Index to Financial Statements and Supplementary Data

	Page
<a href="#">Management's Report on Internal Control Over Financial Reporting</a>	39-40
<a href="#">Report of Independent Registered Public Accounting Firm</a>	43-44
Financial Statements:	
<a href="#">Consolidated Statements of Income for the Years Ended December 31, 2004, 2003 and 2002</a>	45
<a href="#">Consolidated Balance Sheets as of December 31, 2004 and 2003</a>	46
<a href="#">Consolidated Statements of Cash Flows for the Years Ended December 31, 2004, 2003 and 2002</a>	47
<a href="#">Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2004, 2003 and 2002</a>	48
<a href="#">Notes to Financial Statements</a>	49-73
<a href="#">Selected Quarterly Financial Data (Unaudited)</a>	74

(2) Financial statement schedules:

None.

(3) Exhibits:

See Exhibit Index on pages 81-82.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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To the Board of Directors and Shareholders of  
Tredegar Corporation

We have completed an integrated audit of Tredegar Corporation's 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated Financial Statements

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Tredegar Corporation and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



## Internal Control Over Financial Reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004 based on criteria established in *Internal Control – Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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

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

PricewaterhouseCoopers LLP  
Richmond, Virginia  
March 14, 2005

**CONSOLIDATED STATEMENTS OF INCOME**

Tredegar Corporation and Subsidiaries

Years Ended December 31	2004	2003	2002
<b>(In thousands, except per-share amounts)</b>			
<b>Revenues:</b>			
Sales	\$ 861,165	\$ 738,651	\$ 753,724
Other income (expense), net	15,604	7,853	546
	<b>876,769</b>	746,504	754,270
<b>Costs and expenses:</b>			
Cost of goods sold	717,120	606,242	582,658
Freight	22,398	18,557	16,319
Selling, general and administrative	60,030	53,341	52,252
Research and development	15,265	18,774	20,346
Amortization of intangibles	330	268	100
Interest	3,171	6,785	9,352
Asset impairments and costs associated with exit and disposal activities	22,973	11,426	3,884
Unusual items	—	1,067	(6,147)
Total	<b>841,287</b>	716,460	678,764
Income from continuing operations before income taxes	35,482	30,044	75,506
Income taxes	9,222	10,717	26,881
Income from continuing operations	<b>26,260</b>	19,327	48,625
Discontinued operations:			
Gain (loss) from venture capital investment activities (including an after-tax gain on a tax-related item of \$2,275 in 2004 and an after-tax loss on the sale of the venture capital investment portfolio of \$46,269 in 2003)	2,921	(46,569)	(42,428)
Income (loss) from operations of Molecumetics (including loss on disposal of \$4,875 in 2002)	—	891	(8,728)
Income (loss) from discontinued operations	<b>2,921</b>	(45,678)	(51,156)
<b>Net income (loss)</b>	<b>\$ 29,181</b>	\$ (26,351)	\$ (2,531)
<b>Earnings (loss) per share:</b>			
Basic:			
Continuing operations	\$ .69	\$ .51	\$ 1.27
Discontinued operations	.08	(1.20)	(1.34)
Net income (loss)	\$ .77	\$ (.69)	\$ (.07)
Diluted:			
Continuing operations	\$ .68	\$ .50	\$ 1.25
Discontinued operations	.08	(1.19)	(1.32)
Net income (loss)	\$ .76	\$ (.69)	\$ (.07)

See accompanying notes to financial statements.

**CONSOLIDATED BALANCE SHEETS**

Tredegar Corporation and Subsidiaries

 December 31 2004 2003

(In thousands, except share amounts)

<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 22,994	\$ 19,943
Accounts and notes receivable, net	117,314	84,110
Income taxes recoverable	—	61,508
Inventories	65,360	49,572
Deferred income taxes	10,181	10,998
Prepaid expenses and other	4,689	5,015
<b>Total current assets</b>	<b>220,538</b>	<b>231,146</b>
Property, plant and equipment, at cost:		
Land and land improvements	12,637	12,739
Buildings	90,830	80,581
Machinery and equipment	518,258	486,767
<b>Total property, plant and equipment</b>	<b>621,725</b>	<b>580,087</b>
Less accumulated depreciation	305,033	282,611
<b>Net property, plant and equipment</b>	<b>316,692</b>	<b>297,476</b>
Other assets and deferred charges	89,261	83,855
Goodwill and other intangibles (other intangibles of \$1,939 in 2004 and \$1,297 in 2003)	142,983	140,548
<b>Total assets</b>	<b>\$ 769,474</b>	<b>\$ 753,025</b>

**Liabilities and Shareholders' Equity**

Current liabilities:		
Accounts payable	\$ 63,852	\$ 46,706
Accrued expenses	38,141	42,456
Income taxes payable	1,446	—
Current portion of long-term debt	13,125	8,750
<b>Total current liabilities</b>	<b>116,564</b>	<b>97,912</b>
Long-term debt	90,327	130,879
Deferred income taxes	71,141	66,276
Other noncurrent liabilities	11,000	10,559
<b>Total liabilities</b>	<b>289,032</b>	<b>305,626</b>

Commitments and contingencies (Notes 13 and 16)

Shareholders' equity:

Common stock (no par value):		
Authorized 150,000,000 shares;		
Issued and outstanding - 38,597,522 shares in 2004 (including restricted stock) and 38,176,821 in 2003	109,450	104,991
Common stock held in trust for savings restoration plan (57,489 shares in 2004 and 53,871 in 2003)	(1,274)	(1,212)
Unearned compensation on restricted stock (120,000 shares in 2004)	(1,402)	—
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	—	2,770
Foreign currency translation adjustment	19,562	9,997
Gain on derivative financial instruments	884	444
Minimum pension liability	(1,156)	(880)
Retained earnings	354,378	331,289
<b>Total shareholders' equity</b>	<b>480,442</b>	<b>447,399</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 769,474</b>	<b>\$ 753,025</b>

*See accompanying notes to financial statements.*

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Tredegar Corporation and Subsidiaries

Years Ended December 31	2004	2003	2002
<b>(In thousands)</b>			
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 29,181	\$ (26,351)	\$ (2,531)
Adjustments for noncash items:			
Depreciation	34,092	32,354	31,834
Amortization of intangibles	330	268	100
Deferred income taxes	1,947	37,370	7,690
Accrued pension income and postretirement benefits	(3,999)	(4,812)	(9,101)
Loss on venture capital investments	—	70,256	60,700
Gain on sale of corporate assets	(7,560)	(5,155)	—
Loss on equipment writedowns and divestitures	13,811	2,456	12,514
Allowance for doubtful accounts	—	—	1,207
Changes in assets and liabilities, net of effects from acquisitions and divestitures:			
Accounts and notes receivable	(31,711)	14,649	(15,718)
Inventories	(13,962)	(2,294)	1,641
Income taxes recoverable	61,538	(48,737)	(7,453)
Prepaid expenses and other	(258)	(763)	(1,579)
Accounts payable and accrued expenses	12,269	7,801	(12,686)
Other, net	(1,858)	(661)	(1,345)
Net cash provided by operating activities	93,820	76,381	65,273
<b>Cash flows from investing activities:</b>			
Capital expenditures	(55,651)	(65,808)	(31,336)
Acquisitions (net of cash acquired of \$343 in 2003)	(1,420)	(1,579)	—
Novalux investment in 2004 and venture capital investments in 2003 and 2002	(5,000)	(2,807)	(20,373)
Proceeds from the sale of venture capital investments	—	21,504	8,918
Proceeds from the sale of corporate assets and property disposals	10,209	9,602	2,020
Other, net	1,553	2,600	(1,317)
Net cash used in investing activities	(50,309)	(36,488)	(42,088)
<b>Cash flows from financing activities:</b>			
Dividends paid	(6,154)	(6,103)	(6,134)
Debt principal payments	(72,750)	(255,000)	(5,218)
Borrowings	36,573	135,349	—
Repurchases of Tredegar common stock	—	(5,170)	(1,429)
Proceeds from exercise of stock options	1,871	1,046	2,714
Net cash used in financing activities	(40,460)	(129,878)	(10,067)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>3,051</b>	<b>(89,985)</b>	<b>13,118</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>19,943</b>	<b>109,928</b>	<b>96,810</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 22,994</b>	<b>\$ 19,943</b>	<b>\$ 109,928</b>
<b>Supplemental cash flow information:</b>			
Interest payments (net of amount capitalized)	\$ 3,264	\$ 6,709	\$ 9,301
Income tax payments (refunds), net	\$ (50,006)	\$ (1,701)	\$ (3,660)

See accompanying notes to financial statements.

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

Tredegar Corporation and Subsidiaries

	Accumulated Other Comprehensive Income (Loss)										Total Shareholders' Equity
	Common Stock		Retained Earnings	Trust for Savings Restoration Plan	Unearned Restricted Stock Compensation	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation	Gain (Loss) on Derivative Financial Instruments	Minimum Pension Liability		
	Shares	Amount									
(In thousands, except share and per-share data)											
Balance December 31, 2001	38,142,404	\$ 107,104	\$ 372,408	\$ (1,212)	\$ —	\$ 8,314	\$ (6,007)	\$ (2,708)	\$ —	\$ 477,899	
Comprehensive income (loss):											
Net loss	—	—	(2,531)	—	—	—	—	—	—	(2,531)	
Other comprehensive income (loss):											
Available-for-sale securities adjustment, net of reclassification adjustment (net of tax of \$4,346)	—	—	—	—	—	(7,728)	—	—	—	(7,728)	
Foreign currency translation adjustment (net of tax of \$940)	—	—	—	—	—	—	1,585	—	—	1,585	
Derivative financial instruments adjustment (net of tax of \$1,041)	—	—	—	—	—	—	—	1,866	—	1,866	
Minimum pension liability adjustment (net of tax of \$1,821)	—	—	—	—	—	—	—	—	(3,310)	(3,310)	
Comprehensive loss										(10,118)	
Cash dividends declared (\$.16 per share)	—	—	(6,134)	—	—	—	—	—	—	(6,134)	
Repurchases of Tredegar common stock	(110,700)	(1,429)	—	—	—	—	—	—	—	(1,429)	
Issued upon exercise of stock options (including related income tax benefits of \$1,250) & other	291,321	2,714	—	—	—	—	—	—	—	2,714	
Balance December 31, 2002	38,323,025	108,389	363,743	(1,212)	—	586	(4,422)	(842)	(3,310)	462,932	
Comprehensive income (loss):											
Net loss	—	—	(26,351)	—	—	—	—	—	—	(26,351)	
Other comprehensive income (loss):											
Available-for-sale securities adjustment, net of reclassification adjustment (net of tax of \$1,228)	—	—	—	—	—	2,184	—	—	—	2,184	
Foreign currency translation adjustment (net of tax of \$7,788)	—	—	—	—	—	—	14,419	—	—	14,419	
Derivative financial instruments adjustment (net of tax of \$715)	—	—	—	—	—	—	—	1,286	—	1,286	
Minimum pension liability adjustment (net of tax of \$1,347)	—	—	—	—	—	—	—	—	2,430	2,430	
Comprehensive loss										(6,032)	
Cash dividends declared (\$.16 per share)	—	—	(6,103)	—	—	—	—	—	—	(6,103)	
Repurchases of Tredegar common stock	(406,400)	(5,170)	—	—	—	—	—	—	—	(5,170)	
Issued upon exercise of stock options (including related income tax benefits of \$726) & other	260,196	1,772	—	—	—	—	—	—	—	1,772	
Balance December 31, 2003	38,176,821	104,991	331,289	(1,212)	—	2,770	9,997	444	(880)	447,399	
Comprehensive income (loss):											
Net income	—	—	29,181	—	—	—	—	—	—	29,181	
Other comprehensive income (loss):											
Available-for-sale securities adjustment, net of reclassification adjustment (net of tax of \$1,556)	—	—	—	—	—	(2,770)	—	—	—	(2,770)	
Foreign currency translation adjustment (net of tax of \$4,500)	—	—	—	—	—	—	8,404	—	—	8,404	
Reclassification of foreign currency translation loss realized on the sale of the films business in Argentina (net of tax of \$625)	—	—	—	—	—	—	1,161	—	—	1,161	
Derivative financial instruments adjustment (net of tax of \$247)	—	—	—	—	—	—	—	440	—	440	
Minimum pension liability adjustment (net of tax of \$149)	—	—	—	—	—	—	—	—	(276)	(276)	
Comprehensive income										36,140	
Cash dividends declared (\$.16 per share)	—	—	(6,154)	—	—	—	—	—	—	(6,154)	
Repurchases of Tredegar common stock	—	—	—	—	—	—	—	—	—	—	
Restricted stock grant, net of forfeitures	120,000	1,674	—	—	(1,674)	—	—	—	—	—	
Restricted stock amortization	—	—	—	—	272	—	—	—	—	272	
Issued upon exercise of stock options (including related income tax benefits of \$868) & other	300,701	2,785	—	—	—	—	—	—	—	2,785	
Tredegar common stock purchased by trust for savings restoration plan	—	—	62	(62)	—	—	—	—	—	—	
Balance December 31, 2004	38,597,522	\$ 109,450	\$ 354,378	\$ (1,274)	\$ (1,402)	\$ —	\$ 19,562	\$ 884	\$ (1,156)	\$ 480,442	

See accompanying notes to financial statements.

Tredegar Corporation and Subsidiaries

(In thousands, except Tredegar share and per-share amounts and unless otherwise stated)

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Organization and Nature of Operations.** Tredegar Corporation and subsidiaries (“Tredegar”) are engaged in the manufacture of plastic films and aluminum extrusions. We also have developed and are marketing an initial line of bone graft substitutes through our Therics subsidiary. See Note 17 regarding discontinued operations.

**Basis of Presentation.** The consolidated financial statements include the accounts and operations of Tredegar and all of its majority-owned subsidiaries. Intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Foreign Currency Translation.** The financial statements of foreign subsidiaries, where the local currency is the functional currency, are translated into U.S. Dollars using exchange rates in effect at the period end for assets and liabilities and average exchange rates during each reporting period for results of operations. Adjustments resulting from the translation of these financial statements are reflected as a separate component of shareholders’ equity.

The financial statements of foreign subsidiaries where the U.S. Dollar is the functional currency, and which have certain transactions in a local currency, are remeasured as if the functional currency were the U.S. Dollar. The remeasurement of local currencies into U.S. Dollars creates translation adjustments that are included in income.

Transaction and remeasurement gains or losses included in income were not material in 2004, 2003 and 2002. These amounts do not include the effects between reporting periods that exchange rate changes have on income of our foreign locations that result from translation into U.S. Dollars.

**Cash and Cash Equivalents.** Cash and cash equivalents consist of cash on hand in excess of daily operating requirements and highly liquid investments with original maturities of three months or less. At December 31, 2004 and 2003, Tredegar had cash and cash equivalents of \$22,994 and \$19,943, respectively, including funds held in foreign locations of \$21,410 and \$16,188, respectively.

Our policy permits investment of excess cash in marketable securities that have the highest credit ratings and maturities of less than one year. The primary objectives of the policy are safety of principal and liquidity.

**Accounts and Notes Receivable.** Accounts receivable are stated at cash due from customers less allowances for doubtful accounts and sales returns. Accounts receivable are non-interest bearing and arise from the sale of product to customers under typical industry trade terms (average days sales outstanding are in the 50-day range for our plastic films business and 45-day range for our aluminum extrusions business). Notes receivable are not significant. Past due amounts are determined based on established terms and charged-off when deemed uncollectible. The allowance for doubtful accounts is determined based on our assessment of probable losses taking into account past due amounts, customer credit profile, historical experience and current economic conditions. Other receivables include insurance recoveries due within one year and value-added taxes related to certain foreign subsidiaries.

**Inventories.** Inventories are stated at the lower of cost or market, with cost determined on the last-in, first-out (“LIFO”) basis, the weighted average cost or the first-in, first-out basis. Cost elements included in work-in-process and finished goods inventories are raw materials, direct labor and manufacturing overhead.

**Property, Plant and Equipment.** Accounts include costs of assets constructed or purchased, related delivery and installation costs and interest incurred on significant capital projects during their construction periods. Expenditures for renewals and betterments also are capitalized, but expenditures for repairs and maintenance are expensed as incurred. The cost and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts, and gains or losses thereon are included in income.

Property, plant and equipment include capitalized interest of \$762 in 2004, \$593 in 2003 and \$674 in 2002.

Depreciation is computed primarily by the straight-line method based on the estimated useful lives of the assets, which range from 15 to 40 years for buildings and land improvements and 3 to 25 years for machinery and equipment.

**Goodwill and Other Intangibles.** The excess of the purchase price over the fair value of identifiable net assets of acquired companies is allocated to goodwill. We assess goodwill for impairment when events or circumstances indicate the carrying value may not be recoverable, or, at a minimum, on an annual basis as of December 1 of each year. Impairment reviews may result in recognition of losses. We have made determinations as to what our reporting units are and what amounts of goodwill, intangible assets, other assets and liabilities should be allocated to those reporting units.

The components of goodwill and other intangibles at December 31, 2004 and 2003, and related amortization periods are as follows:

December 31	2004	2003	Amortization Periods
<b>Carrying value of goodwill:</b>			
Film Products	\$ 103,788	\$ 102,962	Not amortized
Aluminum Extrusions	33,764	32,797	Not amortized
Therics	3,492	3,492	Not amortized
<b>Total carrying value of goodwill</b>	<b>141,044</b>	139,251	
<b>Carrying value of other intangibles:</b>			
Film Products (cost basis of \$1,575 & \$603, respectively)	990	124	Not more than 17 yrs.
Therics (cost basis of \$2,236 in both years)	949	1,173	10 years
<b>Total carrying value of other intangibles</b>	<b>1,939</b>	1,297	
<b>Total carrying value of goodwill and other intangibles</b>	<b>\$ 142,983</b>	\$ 140,548	

A reconciliation of the beginning and ending balances of goodwill and other intangibles for each of the three years in the period ended December 31, 2004 is as follows:

	2004	2003	2002
<b>Goodwill and other intangibles:</b>			
Net carrying value, beginning of year	\$ 140,548	\$ 137,339	\$ 136,488
Amortization	(330)	(268)	(100)
Increase due to foreign currency translation and other	2,765	3,477	951
<b>Net carrying value, end of year</b>	<b>142,983</b>	140,548	137,339
Goodwill and other intangibles related to Therics classified as non-current assets held for sale in the consolidated balance sheets	—	—	(5,057)
<b>Total carrying value of goodwill and other intangibles</b>	<b>\$ 142,983</b>	\$ 140,548	\$ 132,282

**Impairment of Long-Lived Assets.** We review long-lived assets for possible impairment when events indicate that impairment may exist. For assets to be held and used in operations, if events indicate that an asset may be impaired, we estimate the future unlevered pre-tax cash flows expected to result from the use of the asset and its eventual disposition. Assets are grouped for this purpose at the lowest level for which there are identifiable and independent cash flows. If the sum of these undiscounted pre-tax cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of the impairment loss is based on the estimated fair value of the asset, generally determined on a discounted after-tax cash flow basis.

Assets to be disposed of are reported at the lower of their carrying amount or estimated fair value less cost to sell, with an impairment loss recognized for any writedown required.



**Pension Costs and Postretirement Benefit Costs Other than Pensions.** Pension costs and postretirement benefit costs other than pensions are accrued over the period employees provide service to the company. Our policy is to fund our pension plans at amounts not less than the minimum requirements of the Employee Retirement Income Security Act of 1974 and to fund postretirement benefits other than pensions when claims are incurred.

**Postemployment Benefits.** We periodically provide certain postemployment benefits purely on a discretionary basis. Related costs for these programs are accrued when it is probable that benefits will be paid. All other postemployment benefits are either accrued under current benefit plans or are not material to our financial position or results of operations.

**Revenue Recognition.** Revenue from the sale of products, which is shown net of estimated sales returns and allowances, is recognized when delivery of product to the customer has occurred, the price of the product is fixed and determinable, and collectibility is reasonably assured. Amounts billed to customers related to freight have been classified as sales in the accompanying consolidated statements of income. The cost of freight has been classified as a separate line in the accompanying consolidated statements of income.

**Research & Development (“R&D”) Costs.** R&D costs are expensed as incurred and include primarily salaries, wages, employee benefits, equipment depreciation, facility costs and the cost of materials consumed relating to R&D efforts. R&D costs include a reasonable allocation of indirect costs.

**Income Taxes.** Income taxes are recognized during the period in which transactions enter into the determination of income for financial reporting purposes, with deferred income taxes being provided at enacted statutory tax rates on the differences between the financial reporting and tax bases of assets and liabilities (see Note 14). We accrue U.S. federal income taxes on unremitted earnings of our foreign subsidiaries.

**Earnings Per Share.** Basic earnings per share is computed using the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed using the weighted average common and potentially dilutive common equivalent shares outstanding, determined as follows:

	2004	2003	2002
Weighted average shares outstanding used to compute basic earnings (loss) per share	38,294,996	38,096,001	38,267,780
Incremental shares attribute to stock options and restricted stock	211,688	345,009	601,452
Shares used to compute diluted earnings (loss) per share	38,506,684	38,441,010	38,869,232

Incremental shares attributable to stock options and restricted stock are computed using the average market price during the related period. During 2004, 2003 and 2002, 2,073,990, 2,425,575 and 2,052,610 of average out-of-the-money options to purchase shares were excluded from the calculation of incremental shares attributable to stock options and restricted stock.

**Stock-Based Employee Compensation Plans.** Stock options, stock appreciation rights (“SARs”) and restricted stock grants are accounted for using the intrinsic value method under APB Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations whereby:

- No compensation cost is recognized for fixed stock option or restricted stock grants unless the quoted market price of the stock at the measurement date (ordinarily the date of grant or award) is in excess of the amount the employee is required to pay; and
- Compensation cost for SARs is recognized and adjusted up through the date of exercise or forfeiture based on the estimated number of SARs expected to be exercised multiplied by the difference between the market price of our stock and the amount the employee is required to pay.

Had compensation cost for stock option grants been determined in 2004, 2003 and 2002 based on the fair value at the grant dates, our income and diluted earnings per share from continuing operations would have been reduced to the pro forma amounts indicated below:

	2004	2003	2002
<b>Income from continuing operations:</b>			
As reported	\$ 26,260	\$ 19,327	\$ 48,625
Stock option-based employee compensation cost, net of tax, based on the fair value method	(2,133)	(2,194)	(2,268)
<b>Pro forma income from continuing operations</b>	<b>\$ 24,127</b>	<b>\$ 17,133</b>	<b>\$ 46,357</b>
<b>Basic earnings per share from continuing operations:</b>			
As reported	\$ .69	\$ .51	\$ 1.27
Pro forma	.63	.45	1.21
<b>Diluted earnings per share from continuing operations:</b>			
As reported	\$ .68	\$ .50	\$ 1.25
Pro forma	.63	.45	1.19

Compensation cost related to stock-based compensation (restricted stock grants) included in determining net income from continuing operations was \$272 in 2004, \$95 in 2003 and \$203 in 2002.

The fair value of each option was estimated as of the grant date using the Black-Scholes options-pricing model. The assumptions used in this model for valuing Tredegar stock options granted during 2004, 2003 and 2002 are as follows:

	2004	2003	2002
Dividend yield	1.2%	1.0%	.9%
Volatility percentage	45.0%	45.0%	45.0%
Weighted average risk-free interest rate	3.1%	4.0%	4.7%
<b>Holding period (years):</b>			
Officers	n/a	7.0	7.0
Management	5.0	5.0	5.0
Other employees	3.0	n/a	3.0
<b>Weighted average market prices at date of grant (market price equals exercise price):</b>			
Officers and management	\$ 13.97	\$ 16.44	\$ 18.71
Other employees	13.95	n/a	18.90

Tredegar Stock options granted during 2004, 2003 and 2002, and related estimated fair value at the date of grant, are as follows:

	2004	2003	2002
<b>Stock options granted (number of shares):</b>			
Officers	n/a	10,000	181,000
Management	176,950	5,000	345,200
Other employees	161,675	n/a	98,300
<b>Total</b>	<b>338,625</b>	<b>15,000</b>	<b>624,500</b>
<b>Estimated weighted average fair value of options per share at date of grant (exercise price equaled market price on date of grant)</b>			
Officers	n/a	\$ 7.93	\$ 9.14
Management	\$ 5.54	6.51	8.02
Other employees	4.32	n/a	6.20
<b>Total estimated fair value of stock options granted</b>	<b>\$ 1,679</b>	<b>\$ 112</b>	<b>\$ 5,033</b>

The table above excludes stock options granted to a consultant in 2004. The estimated fair value related to that grant of \$50 was expensed in 2004 in conjunction with services rendered. Additional disclosure of Tredegar stock options is included in Note 10.

Therics stock options granted in 2004 and assumptions used in determining related pro forma compensation expense are as follows (there were no significant grants of Therics stock options in 2003 and 2002):

Assumptions Used in Determining Pro Forma Comp. Expense for Therics Stock Options Granted in 2004 & Other Data

Assumptions used in Black-Scholes options-pricing model:	Other assumptions and items:	
Dividend yield	0.0%	
Volatility percentage (a)	95%	
Weighted average risk-free interest rate	4.1%	
Holding period (years)	7.0	
Weighted average estimated fair value per share of underlying stock at date of grant (b)	\$ .090	
Weighted average estimated fair value of options per share at date of grant	\$ .074	
	Vesting period (years)	0.4 - 4
	Therics stock options granted:	
	3rd quarter 2004	7,906,149
	1st quarter 2004	30,809,000
	Aggregate estimated fair value of options at date of grant:	
	3rd quarter 2004	\$ 584
	1st quarter 2004	\$ 2,271
	Therics voting stock issued and outstanding at 12/31/04 (all held by Tredegar)	202,829,760
	Therics stock options outstanding at 12/31/04 (all held by Therics employees)	40,498,133

(a) Volatility estimated for Therics based on Orthovita, Inc. (NASDAQ: VITA), a comparable company.

(b) Estimated fair value of underlying stock equaled the stock option exercise price at date of grant.

**Financial Instruments.** We use derivative financial instruments for the purpose of hedging aluminum price volatility and interest rate exposures that exist as part of ongoing business operations. Our derivative financial instruments are designated as and qualify as cash flow hedges and are recognized in the balance sheet at fair value. A change in the fair value of the derivative that is highly effective as and that is designated and qualifies as a cash flow hedge is recorded in other comprehensive income. Gains and losses reported in other comprehensive income are reclassified to earnings in the periods in which earnings are affected by the variability of cash flows of the hedged transaction. Such gains and losses are reported on the same line as the underlying hedged item. Any hedge ineffectiveness (which represents the amount by which the changes in the fair value of the derivative exceed the variability in the cash flows of the forecasted transaction) is recorded in current period earnings. There was no hedge ineffectiveness recognized in earnings.

Our policy requires that we formally document all relationships between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking various hedge transactions. We also formally assess (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, we discontinue hedge accounting prospectively.

As a policy, we do not engage in speculative or leveraged transactions, nor do we hold or issue financial instruments for trading purposes.

The cash flows related to financial instruments are classified in the statements of cash flows in a manner consistent with those of the transactions being hedged.

**Comprehensive Income.** Comprehensive income, which is included in the consolidated statement of shareholders' equity, is defined as net income and other comprehensive income. Other comprehensive income includes changes in unrealized gains and losses on available-for-sale securities, foreign currency translation adjustments, unrealized gains and losses on derivative financial instruments and minimum pension liability adjustments, all recorded net of deferred income taxes directly in shareholders' equity.

The available-for-sale securities adjustment included in the consolidated statement of shareholders' equity is comprised of the following components:

	2004	2003	2002
Available-for-sale securities adjustment:			
Unrealized net holding gains (losses) arising during the period	\$ 1,872	\$ 7,294	\$ (9,419)
Income taxes	(655)	(2,626)	3,391
Reclassification adjustment for net losses (gains) realized in income	(6,134)	(3,851)	(2,656)
Income taxes	2,147	1,367	956
Available-for-sale securities adjustment	\$ (2,770)	\$ 2,184	\$ (7,728)

**Recently Issued Accounting Standards.** In December 2004, the Financial Accounting Standards Board ("FASB") revised Statement of Financial Accounting Standards ("SFAS") No. 123, *Share-Based Payment*. This statement requires that the cost of employee services received in exchange for equity instruments be measured based on the fair value of the award on the grant date. The statement also requires that the cost be recognized over the employee service period required to receive the award. The statement applies to awards granted after the effective date and to awards modified, repurchased or cancelled after that date. The statement is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. Early adoption is permitted. The adoption of this standard will have no impact on cash flow. The primary impact of adoption on Tredegar will be the recognition of compensation expense for stock options granted. Currently, we disclose the pro forma effects of treating stock option grants as compensation expense under the fair value-based method (see the relevant section above). We expect to continue to use the Black-Scholes options-pricing model to determine the estimated fair value of option grants but are still evaluating our transition method. We believe that the pro forma effects that have been disclosed are not materially different from compensation expense that would have been recognized if this standard had been previously adopted.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs – An Amendment of ARB No. 43, Chapter 4*. This statement clarifies that abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) should be expensed as current-period charges. In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The statement is effective for inventory costs incurred during the fiscal years beginning after June 15, 2005. Early adoption is permitted. The adoption of this standard will have no impact on cash flow, and we do not expect it to have a significant impact on amounts reported in the consolidated statement of income and balance sheet.

In October 2004, the American Jobs Creation Act of 2004 (“AJCA”) was signed into law. In December 2004, the FASB issued Staff Position No. 109-1 (“FSP 109-1”), *Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004* and Staff Position No. 109-2 (“FSP 109-2”), *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004*. FSP 109-1 clarifies that the manufacturer’s tax deduction provided for under the AJCA should be accounted for as a special deduction in accordance with SFAS No. 109 and not as a tax rate reduction. FSP 109-2 provides accounting and disclosure guidance for the repatriation of certain foreign earnings to a U.S. taxpayer as provided for in the AJCA. We do not expect that the tax benefits resulting from the AJCA will have a material impact on our financial statements.

## 2 ACQUISITIONS AND INVESTMENTS

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On July 23, 2004, a subsidiary of Tredegar purchased the assets of Yaheng Perforated Film Material Co., Ltd. (“Yaheng”) for approximately \$1,420. Yaheng, based in Shanghai, China, has 21 employees and manufactures apertured nonwovens used primarily in personal care markets. The purchase price was allocated to accounts receivable (\$26), inventories (\$45), property, plant and equipment (\$288), patents (\$822), employment agreements (\$150), goodwill (\$215), deferred income tax liabilities (\$56) and accrued expenses (\$70). Property, plant and equipment is being depreciated on a straight-line basis over approximately 10 years, patents are being amortized on a straight-line basis over approximately 7 years, and employment agreements are being amortized on a straight-line basis over approximately 3 years.

On November 21, 2003, Tredegar announced that its aluminum extrusions subsidiary, the William L. Bonnell Company, had acquired Apolo Tool and Die Manufacturing Inc. (“Apolo”) of Woodbridge, Ontario. The purchase price consisted of cash consideration of \$1,579 (including transaction costs of \$110 and net cash acquired of \$343). Apolo’s key capabilities include bending, CNC machining, drilling, mitering, punching, riveting, sawing and welding of aluminum extrusions and other materials. The company also has in-house tool and die design and manufacturing capability to support its fabrication services. There was no goodwill (the excess of the purchase price over the estimated fair value of identifiable net assets acquired) associated with the Apolo acquisition.

The operating results for the acquired businesses have been included in the consolidated statements of income since the date acquired. Pro forma results for these acquisitions are immaterial.

In August of 2004, we invested \$5,000 in Novalux, Inc., representing an ownership interest of approximately 18% (15% on a fully diluted basis). Novalux, based in Sunnyvale, California, is developing and commercializing a laser technology for use in a variety of applications, including flat panel displays for home theaters. We are already participating in the growing flat panel display market with our surface protection films. The investment in Novalux, which is included in “Other assets and deferred charges” in the consolidated balance sheet, is being accounted for under the cost method, with an impairment loss recognized and a new cost basis established for any write-down to estimated fair value.

Information by business segment and geographic area for the last three years is provided below. There are no accounting transactions between segments and no allocations to segments. Net sales (sales less freight) and operating profit from ongoing operations are the measures of sales and operating profit used by the chief operating decision maker of each segment for purposes of assessing performance. Film Products' net sales to The Procter & Gamble Company ("P&G") totaled \$226,122 in 2004, \$207,049 in 2003 and \$242,760 in 2002. These amounts include plastic film sold to others that convert the film into materials used in products manufactured by P&G.

	<i>Net Sales</i>		
	2004	2003	2002
Film Products	\$ 413,257	\$ 365,501	\$ 376,904
Aluminum Extrusions	425,130	354,593	360,293
Therics	380	—	208
Total net sales	838,767	720,094	737,405
Add back freight	22,398	18,557	16,319
Sales as shown in consolidated statements of income	\$ 861,165	\$ 738,651	\$ 753,724
	<i>Operating Profit</i>		
	2004	2003	2002
Film Products:			
Ongoing operations	\$ 43,259	\$ 45,676	\$ 72,307
Plant shutdowns, asset impairments and restructurings (a)	(10,438)	(5,746)	(3,397)
Unusual items (a)	—	—	6,147
Aluminum Extrusions:			
Ongoing operations	22,637	15,117	27,304
Plant shutdowns, asset impairments and restructurings (a)	(10,553)	(644)	(487)
Gain on sale of land (a)	—	1,385	—
Other (a)	7,316	—	—
Therics:			
Ongoing operations	(9,763)	(11,651)	(13,116)
Restructurings (a)	(2,041)	(3,855)	—
Unusual items (a)	—	(1,067)	—
Total	40,417	39,215	88,758
Interest income	350	1,183	1,934
Interest expense	3,171	6,785	9,352
Gain on sale of corporate assets (a)	7,560	5,155	—
Corporate expenses, net (a)	9,674	8,724	5,834
Income from operations continuing operations before income taxes	35,482	30,044	75,506
Income taxes (a)	9,222	10,717	26,881
Income from continuing operations	26,260	19,327	48,625
Income (loss) from discontinued operations (a)	2,921	(45,678)	(51,156)
Net income (loss)	\$ 29,181	\$ (26,351)	\$ (2,531)

(a) See Note 15 for more information on losses associated with plant shutdowns, asset impairments and restructurings, unusual items, gains from sale of assets and other items, and Note 17 for more information on discontinued operations.

(b) The difference between total consolidated sales as reported in the consolidated statements of income and segment and geographic net sales reported in this note is freight of \$22,398 in 2004, \$18,557 in 2003 and

\$16,319 in 2002.

- (c) Information on exports and foreign operations are provided on the next page. Cash and cash equivalents includes funds held in foreign locations of \$21,410, \$16,188 and \$16,550 at December 31, 2004, 2003, and 2002, respectively. Export sales relate almost entirely to Film Products. Foreign operations in The Netherlands, Hungary, China, Italy, Brazil and Argentina (operations in Argentina were sold in the third quarter of 2004) also relate to Film Products. Sales from our locations in The Netherlands, Hungary and Italy are primarily to customers located in Europe. Sales from our locations in China (Guangzhou and Shanghai) are primarily to customers located in China, but also include other customers in Asia. Foreign operations in Canada relate to Aluminum Extrusions. Sales from our locations in Canada are primarily to customers located in the U.S. and Canada. Certain previously reported amounts have been reclassified to conform to the current presentation.

December 31	Identifiable Assets		
	2004	2003	2002
Film Products	\$472,810	\$422,321	\$379,635
Aluminum Extrusions	210,894	185,336	176,631
Therics	8,613	8,917	10,643
Subtotal	692,317	616,574	566,909
General corporate	54,163	61,508	52,412
Income taxes recoverable from sale of venture capital investment portfolio	—	55,000	—
Cash and cash equivalents (c)	22,994	19,943	109,928
Continuing operations	769,474	753,025	729,249
Discontinued operations:			
Venture capital	—	—	108,713
Molecumetics	—	—	—
Total	\$769,474	\$753,025	\$837,962

	Depreciation and Amortization			Capital Expenditures		
	2004	2003	2002	2004	2003	2002
Film Products	\$ 21,967	\$ 19,828	\$ 20,085	\$ 44,797	\$ 57,203	\$ 24,063
Aluminum Extrusions	10,914	10,883	10,506	10,007	8,293	4,799
Therics	1,300	1,641	463	275	219	1,621
Subtotal	34,181	32,352	31,054	55,079	65,715	30,483
General corporate	241	270	353	572	93	60
Continuing operations	34,422	32,622	31,407	55,651	65,808	30,543
Discontinued operations:						
Venture capital	—	—	—	—	—	—
Molecumetics	—	—	527	—	—	793
Total	\$ 34,422	\$ 32,622	\$ 31,934	\$ 55,651	\$ 65,808	\$ 31,336

	Net Sales by Geographic Area (c)		
	2004	2003	2002
United States	\$441,891	\$383,204	\$416,189
Exports from the United States to:			
Canada	27,663	25,188	24,026
Latin America	16,668	17,915	20,711
Europe	15,768	25,157	22,720
Asia	31,617	21,510	27,480
Foreign operations:			
Canada	147,145	125,347	130,356
The Netherlands	66,856	43,954	28,720
Hungary	34,721	32,204	31,156
China	25,291	17,426	14,202
Italy	12,423	12,698	9,402
Brazil and Argentina	18,724	15,491	12,443
Total (b)	\$838,767	\$720,094	\$737,405

December 31	Identifiable Assets by Geographic Area (c)			Property, Plant & Equipment, Net by Geographic Area (c)		
	2004	2003	2002	2004	2003	2002
United States	\$427,240	\$394,415	\$515,542	\$163,383	\$159,127	\$158,979
Foreign operations:						
Canada	92,290	86,564	78,544	38,610	44,179	38,383
The Netherlands	75,449	47,809	15,843	58,370	38,956	10,036
Hungary	27,308	26,815	27,022	19,371	20,449	21,596



China	<b>38,713</b>	29,233	15,565	<b>25,684</b>	22,577	10,597
Italy	<b>20,785</b>	20,951	14,486	<b>3,991</b>	3,826	2,351
Brazil and Argentina	<b>10,532</b>	10,787	8,620	<b>5,037</b>	5,295	4,751
General corporate	<b>54,163</b>	61,508	52,412	<b>2,246</b>	3,067	3,910
Income taxes recoverable from sale of venture capital investment portfolio	—	55,000	—	<b>n/a</b>	n/a	n/a
Cash and cash equivalents (c)	<b>22,994</b>	19,943	109,928	<b>n/a</b>	n/a	n/a
<b>Total</b>	<b>\$769,474</b>	\$753,025	\$837,962	<b>\$316,692</b>	\$297,476	\$250,603

See footnotes on prior page and a reconciliation of net sales to sales as shown in the consolidated statements of income.

Accounts and notes receivable consist of the following:

December 31	2004	2003
Trade, less allowance for doubtful accounts and sales returns of \$5,313 in 2004 and \$4,448 in 2003	\$ 109,347	\$ 79,409
Other	7,967	4,701
<b>Total</b>	<b>\$ 117,314</b>	<b>\$ 84,110</b>

## 5 INVENTORIES

Inventories consist of the following:

December 31	2004	2003
Finished goods	\$ 13,452	\$ 9,190
Work-in-process	3,097	3,294
Raw materials	36,567	25,730
Stores, supplies and other	12,244	11,358
<b>Total</b>	<b>\$ 65,360</b>	<b>\$ 49,572</b>

Inventories stated on the LIFO basis amounted to \$20,837 at December 31, 2004 and \$18,030 at December 31, 2003, which are below replacement costs by approximately \$20,867 at December 31, 2004 and \$16,289 at December 31, 2003.

## 6 FINANCIAL INSTRUMENTS

In the normal course of business, we enter into fixed-price forward sales contracts with certain customers for the sale of fixed quantities of aluminum extrusions at scheduled intervals. In order to hedge our exposure to aluminum price volatility under these fixed-price arrangements, which generally have a duration of not more than 12 months, we enter into a combination of forward purchase commitments and futures contracts to acquire or hedge aluminum, based on the scheduled deliveries. The futures contracts are designated as and accounted for as cash flow hedges. These contracts involve elements of credit and market risk that are not reflected on our balance sheet, including the risk of dealing with counterparties and their ability to meet the terms of the contracts. The counterparties to our forward purchase commitments are major aluminum brokers and suppliers, and the counterparties to our futures contracts are major financial institutions. Fixed-price forward sales contracts are only made available to our best and most credit-worthy customers. The amount of aluminum futures contracts that hedged fixed-price forward sales contracts was \$11,253 (14,410 pounds of aluminum) at December 31, 2004, and \$8,137 (12,210 pounds of aluminum) at December 31, 2003.

We use interest rate swaps to manage interest rate exposure. There were no interest rate swaps outstanding at December 31, 2004 and 2003. Interest rate swaps outstanding during 2003 and 2002 (there were none outstanding in 2004) were designated as and accounted for as cash flow hedges (see Note 8). Counterparties to our interest rate swaps consisted of large major financial institutions.

After-tax gains of \$1,230 in 2004 and \$395 in 2003 and after-tax losses of \$1,512 in 2002, were reclassified from other comprehensive income to earnings and were offset by losses or gains, respectively, from transactions relating to the underlying hedged item. As of December 31, 2004, we expect \$884 of unrealized after-tax gains on derivative instruments reported in accumulated other comprehensive income to be reclassified to earnings within the next twelve months. We also expect that these gains will be offset by losses from transactions relating to the underlying hedged item.

Accrued expenses consist of the following:

December 31	2004	2003
Payrolls, related taxes and medical and other benefits	\$ 7,946	\$ 12,830
Workmen's compensation and disabilities	3,806	3,566
Vacation	4,560	4,435
Plant shutdowns and divestitures	8,485	5,192
Other	13,344	16,433
<b>Total</b>	<b>\$ 38,141</b>	<b>\$ 42,456</b>

A reconciliation of the beginning and ending balances of accrued expenses associated with plant shutdowns and divestitures for each of the three years in the period ended December 31, 2004 is as follows:

	Severance	Asset Impairments	Accelerated Depreciation*	Other	Total
Balance at December 31, 2001	\$ 538	\$ —	\$ —	\$ 4,385	\$ 4,923
2002:					
Charges	826	1,457	—	1,601	3,884
Cash spent	(893)	—	—	(4,952)	(5,845)
Charged against assets	—	(1,457)	—	—	(1,457)
Reversed to income	(97)	—	—	—	(97)
Balance at December 31, 2002	374	—	—	1,034	1,408
2003:					
Charges	5,505	1,051	1,733	3,137	11,426
Cash spent	(3,773)	—	—	(1,085)	(4,858)
Charged against assets	—	(1,051)	(1,733)	—	(2,784)
Reversed to income	—	—	—	—	—
Balance at December 31, 2003	2,106	—	—	3,086	5,192
2004:					
Charges	6,456	11,554	2,572	2,450	23,032
Cash spent	(3,732)	—	—	(2,112)	(5,844)
Charged against assets	—	(11,554)	(2,572)	—	(14,126)
Foreign currency translation	261	—	—	—	261
Reversed to income	—	—	—	(30)	(30)
Balance at December 31, 2004	\$ 5,091	\$ —	\$ —	\$ 3,394	\$ 8,485

\* Represents depreciation accelerated due to plant shutdowns based on a remaining useful life of less than one year.

See Note 15 for more information on plant shutdowns, asset impairments and restructurings.

On October 17, 2003, we refinanced our debt with a new \$250,000 credit agreement (the "Credit Agreement") consisting of a \$175,000 three-year revolving credit facility and a \$75,000 three-year term loan. The amount available under the revolving credit facility was reduced by \$50,000 (from \$175,000 to \$125,000) in the first quarter of 2004 upon the receipt of the approximately \$55,000 in income tax recoveries related to the sale of the venture capital portfolio (see Note 17). At December 31, 2004, available credit under the revolving credit facility was approximately \$91,000. Total debt due and outstanding at December 31, 2004 is summarized below:

Debt Due and Outstanding at December 31, 2004				
Year Due	Credit Agreement			Total Debt Due
	Revolver	Term Loan	Other	
2005	\$ —	\$ 13,125	\$ —	\$ 13,125
2006	33,000	51,250	4,637	88,887
2007	—	—	361	361
2008	—	—	264	264
2009	—	—	269	269
Remainder	—	—	546	546
<b>Total</b>	<b>\$ 33,000</b>	<b>\$ 64,375</b>	<b>\$ 6,077</b>	<b>\$ 103,452</b>

The credit spread over LIBOR and commitment fees charged on the unused amount under the credit agreement at various indebtedness-to-adjusted EBITDA levels are as follows:

Pricing Under Credit Agreement (Basis Points)			
Indebtedness-to-Adjusted EBITDA Ratio	Credit Spread Over LIBOR		
	Revolver (\$33 Million Outstanding at 12/31/04)	Term Loan (\$64 Million Outstanding at 12/31/04)	Commitment Fee
> 2x but <= 3x	150	150	30
> 1x but <= 2x	125	125	25
<= 1x	100	100	20

At December 31, 2004 and 2003, we had no interest rate swaps outstanding and the interest cost on debt was priced at one-month LIBOR plus the applicable credit spread of 125 basis points.

The most restrictive covenants in the Credit Agreement include:

- Maximum aggregate dividends over the term of the Credit Agreement of \$100,000;
- Minimum shareholders' equity (\$344,248 as of December 31, 2004);
- Maximum indebtedness-to-adjusted EBITDA of 3x (2.5x on a pro forma basis for acquisitions); and
- Minimum adjusted EBIT-to-interest expense of 2.5x.

We believe we were in compliance with all of our debt covenants as of December 31, 2004.

Noncompliance with any one or more of the debt covenants may have an adverse effect on financial condition or liquidity in the event such noncompliance cannot be cured or should we be unable to obtain a waiver from the lenders. Renegotiation of the covenant through an amendment to the credit agreement may effectively cure the noncompliance, but may have an effect on financial condition or liquidity depending upon how the covenant is renegotiated.

On April 27, 2001, we entered into a two-year interest rate swap agreement, with a notional amount of \$50,000, under which we paid to a counterparty a fixed interest rate of 4.85% and the counterparty paid us a variable interest rate based on one-month LIBOR reset each month. This swap was designated as and accounted for as a cash flow hedge. It effectively fixed the rate on \$50,000 of our \$250,000 term loan then outstanding at 4.85% plus the applicable credit spread (generally 62.5 basis points at that time).

On June 22, 2001, we entered into another two-year interest rate swap agreement, with a notional amount of \$25,000, under which we paid to a counterparty a fixed interest rate of 4.64% and the counterparty paid us a variable interest rate based on one-month LIBOR reset each month. This swap was designated as and accounted for as a cash flow hedge. It effectively fixed the rate on \$25,000 of our \$250,000 term loan then outstanding at 4.64% plus the applicable credit spread (generally 62.5 basis points at that time).

## **9 SHAREHOLDER RIGHTS AGREEMENT**

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Pursuant to a Rights Agreement dated as of June 30, 1999 (as amended), between Tredegar and National City Bank as Rights Agent, one Right is attendant to each share of our common stock. Each Right entitles the registered holder to purchase from Tredegar one one-hundredth of a share of Participating Cumulative Preferred Stock, Series A (the "Preferred Stock"), at an exercise price of \$150 (the "Purchase Price"). The Rights will become exercisable, if not earlier redeemed, only if a person or group acquires 10% or more of the outstanding shares of our common stock or announces a tender offer which would result in ownership by a person or group of 10% or more of our common stock. Any action by a person or group whose beneficial ownership is reported on Amendment No. 4 to the Schedule 13D filed with respect to Tredegar on May 20, 1997, cannot cause the Rights to become exercisable.

Each holder of a Right, upon the occurrence of certain events, will become entitled to receive, upon exercise and payment of the Purchase Price, Preferred Stock (or in certain circumstances, cash, property or other securities of Tredegar or a potential acquirer) having a value equal to twice the amount of the Purchase Price.

The Rights will expire on June 30, 2009.

We have two stock option plans under which stock options may be granted to purchase a specified number of shares of common stock at a price no lower than the fair market value on the date of grant and for a term not to exceed 10 years. One of those option plans is a directors' stock plan. In addition, we have three other stock option plans under which there are options that remain outstanding, but no future grants can be made. Employee options ordinarily vest one to two years from the date of grant. The outstanding options granted to directors vest over three years. The option plans also permit the grant of stock appreciation rights ("SARs"), stock, restricted stock, stock unit awards and incentive awards. No SARs have been granted since 1992. All SARs outstanding at December 31, 2001, were exercised during 2002.

A summary of our stock options outstanding at December 31, 2004, 2003 and 2002, and changes during those years, is presented below:

	Number of Shares		Option Exercise Price/Share			
	Options	SARs	Range		Wgtd. Ave.	
Outstanding at 12/31/01	2,877,020	104,100	\$ 2.70	to \$ 46.63	\$ 18.94	
Granted in 2002	624,500	—	14.56	to 18.90	18.74	
Lapsed in 2002	(57,150)	—	18.90	to 21.50	19.36	
Exercised in 2002	(283,490)	(104,100)	2.70	to 23.13	4.87	
Outstanding at 12/31/02	3,160,880	—	3.37	to 46.63	20.16	
Granted in 2003	15,000	—	16.19	to 16.57	16.44	
Lapsed in 2003	(179,970)	—	16.55	to 46.63	24.75	
Exercised in 2003	(273,300)	—	3.37	to 8.38	4.68	
Outstanding at 12/31/03	2,722,610	—	3.37	to 46.63	21.39	
Granted in 2004	348,425	—	13.95	to 14.50	13.97	
Lapsed in 2004	(102,175)	—	7.38	to 46.63	23.28	
Exercised in 2004	(306,870)	—	3.37	to 19.75	6.99	
Outstanding at 12/31/04	2,661,990	—	\$ 4.17	to \$ 46.63	\$ 22.01	

The following table summarizes additional information about stock options outstanding and exercisable at December 31, 2004:

Range of Exercise Prices	Options Outstanding at December 31, 2004			Options Exercisable at December 31, 2004		
	Shares	Weighted Average		Shares	Weighted Average	
		Remaining Contractual Life (Years)	Exercise Price		Exercise Price	Exercise Price
\$ 4.17 to \$ 9.67	199,735	1.0	\$ 7.81	199,735	\$ 7.81	
9.68 to 17.88	617,650	4.6	15.12	272,050	16.45	
17.89 to 19.75	831,600	3.1	19.22	831,600	19.22	
19.76 to 25.65	401,650	1.7	22.95	401,650	22.95	
25.66 to 34.97	347,355	1.6	31.52	347,355	31.52	
34.98 to 46.63	264,000	1.0	43.72	264,000	43.72	
\$ 4.17 to \$ 46.63	2,661,990	2.7	\$ 22.01	2,316,390	\$ 23.19	

Stock options exercisable totaled 2,127,610 shares at December 31, 2003 and 2,556,980 shares at December 31, 2002. Stock options available for grant totaled 2,030,300 shares at December 31, 2004, 642,625 shares at December 31, 2003 and 618,125 shares at December 31, 2002.

During the first quarter of 2004, we also granted 125,000 shares of restricted Tredgar common stock to senior management (5,000 shares were cancelled when an employee left the company prior to vesting). The price on the date of grant was \$13.95 per share, and compensation expense of approximately \$1,674 is being amortized over the vesting period of five years, subject to accelerated vesting based on meeting certain financial targets.



We have noncontributory and contributory defined benefit (pension) plans covering most employees. The plans for salaried and hourly employees currently in effect are based on a formula using the participant's years of service and compensation or using the participant's years of service and a dollar amount.

In addition to providing pension benefits, we provide postretirement life insurance and health care benefits for certain groups of employees. Tredegar and retirees share in the cost of postretirement health care benefits, with employees retiring after July 1, 1993, receiving a fixed subsidy to cover a portion of their health care premiums. On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act") was signed into law. We believe our prescription drug benefits are not actuarially equivalent to the Act and therefore do not expect that any federal subsidies will apply.

Assumptions used for financial reporting purposes to compute net benefit income or cost and benefit obligations, and the components of net periodic benefit income or cost, are as follows:

	Pension Benefits			Other Post-Retirement Benefits		
	2004	2003	2002	2004	2003	2002
Weighted-average assumptions used to determine benefit obligations:						
Discount rate	6.00%	6.25%	6.75%	6.00%	6.25%	6.75%
Rate of compensation increases	4.00%	4.00%	4.50%	4.00%	4.00%	4.50%
Weighted-average assumptions used to determine net periodic benefit cost:						
Discount rate	6.25%	6.75%	7.25%	6.25%	6.75%	7.25%
Rate of compensation increases	4.00%	4.50%	5.00%	4.00%	4.50%	5.00%
Expected long-term return on plan assets, during the year	8.40%	8.60%	9.00%	n/a	n/a	n/a
Rate of increase in per-capita cost of covered health care benefits:						
Indemnity plans, end of year	n/a	n/a	n/a	6.00%	6.00%	6.00%
Managed care plans, end of year	n/a	n/a	n/a	6.00%	6.00%	6.00%
Components of net periodic benefit income (cost):						
Service cost	\$ (5,519)	\$ (5,851)	\$ (4,397)	\$ (115)	\$ (101)	\$ (103)
Interest cost	(12,283)	(11,842)	(11,680)	(562)	(584)	(578)
Employee contributions	443	323	220	—	—	—
Other	(212)	(98)	(87)	—	—	—
Expected return on plan assets	22,678	23,003	23,701	—	—	—
Amortization of:						
Net transition asset	7	8	20	—	—	—
Prior service costs and gains or losses	(491)	(89)	1,941	53	43	64
Net periodic benefit income (cost)	\$ 4,623	\$ 5,454	\$ 9,718	\$ (624)	\$ (642)	\$ (617)



The following tables reconcile the changes in benefit obligations and plan assets in 2004 and 2003, and reconcile the funded status to prepaid or accrued cost at December 31, 2004 and 2003:

	Pension Benefits		Other Post-Retirement Benefits	
	2004	2003	2004	2003
<b>Change in benefit obligation:</b>				
Benefit obligation, beginning of year	\$ 196,460	\$ 179,118	\$ 9,440	\$ 8,994
Service cost	5,519	5,851	115	101
Interest cost	12,283	11,842	562	584
Plan amendments	88	263	—	—
Effect of discount rate change	6,997	12,621	377	522
Employee contributions	443	323	—	—
Other	2,087	(4,368)	25	(318)
Benefits paid	(9,840)	(9,190)	(525)	(443)
Benefit obligation, end of year	\$ 214,037	\$ 196,460	\$ 9,994	\$ 9,440
<b>Change in plan assets:</b>				
Plan assets at fair value, beginning of year	\$ 233,759	\$ 208,473	\$ —	\$ —
Actual return on plan assets	22,428	32,270	—	—
Employee contributions	443	323	—	—
Employer contributions	830	1,982	525	443
Other	(115)	(99)	—	—
Benefits paid	(9,840)	(9,190)	(525)	(443)
Plan assets at fair value, end of year	\$ 247,505	\$ 233,759	\$ —	\$ —
<b>Reconciliation of prepaid (accrued) cost:</b>				
Funded status of the plans	\$ 33,468	\$ 37,300	\$ (9,993)	\$ (9,440)
Unrecognized net transition (asset) obligation	—	(8)	—	—
Unrecognized prior service cost	3,421	3,689	—	—
Unrecognized net (gain) loss	44,859	34,994	(20)	(448)
Prepaid (accrued) cost, end of year	\$ 81,748	\$ 75,975	\$ (10,013)	\$ (9,888)
<b>Amounts recognized in the consolidated balance sheets:</b>				
Prepaid benefit cost	\$ 81,748	\$ 75,975	\$ —	\$ —
Accrued benefit liability	(3,000)	(2,650)	(10,013)	(9,888)
Intangible asset	1,222	1,296	—	—
Deferred tax liability	622	474	—	—
Accumulated other comprehensive loss	1,156	880	—	—
Net amount recognized	\$ 81,748	\$ 75,975	\$ (10,013)	\$ (9,888)

Net benefit income or cost is determined using assumptions at the beginning of each year. Funded status is determined using assumptions at the end of each year.

At December 31, 2004, the effect of a 1% change in the health care cost trend rate assumptions would be immaterial.

Expected benefit payments over the next five years and in the aggregate for 2010-2014 are as follows:

Years	Pension Benefits	Other Post-Retirement Benefits
2005	\$ 9,404	\$ 489
2006	9,763	510
2007	10,123	534
2008	10,966	559
2009	11,654	594
2010 - 2014	69,713	3,384

Prepaid pension cost of \$81,748 at December 31, 2004 and \$75,975 at December 31, 2003, is included in "Other assets and deferred charges" in the consolidated balance sheets. The accrued benefit liability of \$3,000 and the intangible asset of \$1,222 at December 31, 2004, and the accrued benefit liability of \$2,650 and the intangible asset of \$1,296 at December 31, 2003, are also included in "Other assets and deferred charges" in the consolidated balance sheets. Accrued postretirement benefit cost of \$10,013 at December 31, 2004 and \$9,888 at December 31, 2003, is included in "Other noncurrent liabilities" in the consolidated balance sheets.

The percentage composition of assets held by pension plans at December 31, 2004 and 2003, and the current expected long-term return on assets are as follows:

December 31	% Composition of Plan Assets		Expected Long-term Return %
	2004	2003	
Pension plans related to operations in the U.S.:			
Low-risk fixed income securities	18.1%	23.3%	5.3%
Large capitalization equity securities	19.6	18.7	9.0
Mid-capitalization equity securities	7.3	6.6	9.3
Small-capitalization equity securities	4.1	3.4	10.2
International equity securities	19.1	17.6	10.2
Total equity securities	50.1	46.3	9.6
Hedge and private equity funds	20.9	20.1	9.3
Other assets	2.5	2.6	4.0
Total for pension plans related to operations in the U.S.	91.6	92.3	8.5
Pension plans related to operations in Canada	8.4	7.7	7.0
Total	100.0%	100.0%	8.4%

Our targeted allocation percentage for pension plan assets is in the range of the percentage composition that existed at December 31, 2004. Expected long-term returns are estimated by asset class and generally are based on inflation-adjusted historical returns, volatilities and risk premiums. For pension plans related to operations in the U.S., the portfolio of fixed income securities is structured with maturities that generally match estimated benefit payments over the next five years. We believe that over the long term a diversified portfolio of equity securities, hedge funds and private equity funds have a better risk-return profile than fixed income securities. The average remaining duration of benefit payments for our pension plans is about 14 years. We expect our required contributions to be about \$600 in 2005.

The accumulated benefit obligation was \$196,715 at December 31, 2004 and \$180,432 at December 31, 2003. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were \$10,132, \$10,132 and \$8,199, respectively, at December 31, 2004, and \$8,753, \$8,753 and \$6,409, respectively, at December 31, 2003.

We also have a non-qualified supplemental pension plan covering certain employees. The plan is designed to restore all or a part of the pension benefits that would have been payable to designated participants from our principal pension plans if it were not for limitations imposed by income tax regulations. The projected benefit obligation relating to this unfunded plan was \$2,081 at December 31, 2004 and \$2,197 at December 31, 2003. Pension expense recognized was \$275 in 2004, \$249 in 2003 and \$255 in 2002. This information has been included in the preceding pension benefit tables.

## 12 SAVINGS PLAN

We have a savings plan that allows eligible employees to voluntarily contribute a percentage (generally 10%) of their compensation. Under the provisions of the plan, we match a portion (generally 50%) of the employee's contribution to the plan with shares of our common stock. We also have a non-qualified plan that restores matching benefits for employees suspended from the savings plan due to certain limitations imposed by income tax regulations. Charges recognized for these plans were \$2,716 in 2004, \$2,697 in 2003 and \$2,573 in 2002. Our liability under the restoration plan was \$1,288 at December 31, 2004 (consisting of 63,730 phantom shares of common stock) and \$1,057 at December 31, 2003 (consisting of 68,068 phantom shares of common stock) valued at the closing market price on those dates.

The Tredegar Corporation Benefits Plan Trust (the "Trust") purchased 7,200 shares of our common stock in 1998 for \$192 and 46,671 shares of our common stock in 1997 for \$1,020, as a partial hedge against the phantom shares held in the restoration plan. There have been no shares purchased since 1997 except for re-invested dividends. The cost of the shares held by the Trust is shown as a reduction to shareholders' equity in the consolidated balance sheets.

## 13 RENTAL EXPENSE AND CONTRACTUAL COMMITMENTS

Rental expense for continuing operations was \$4,549 in 2004, \$3,822 in 2003 and \$3,744 in 2002. Rental commitments under all non-cancelable operating leases as of December 31, 2004, are as follows:

Year	Amount
2005	\$ 2,925
2006	2,847
2007	2,717
2008	2,488
2009	1,760
Remainder	2,645
<b>Total</b>	<b>\$ 15,382</b>

Therics has future rental commitments under noncancelable operating leases through 2011 (most of which contain sublease options) totaling \$9,663. These future rental commitments are included in the above table. Sublease rental commitments relating to excess space at Therics total about \$1,000 (excluded from the above table).

Contractual obligations for plant construction and purchases of real property and equipment amounted to \$16,108 at December 31, 2004 and \$7,726 at December 31, 2003.

Income from continuing operations before income taxes and income taxes are as follows:

	2004	2003	2002
<b>Income from continuing operations before income taxes:</b>			
Domestic	\$ 27,875	\$ 16,605	\$ 61,850
Foreign	7,607	13,439	13,656
<b>Total</b>	<b>\$ 35,482</b>	<b>\$ 30,044</b>	<b>\$ 75,506</b>
<b>Current income taxes:</b>			
Federal	\$ (2)	\$ 4,345	\$ (430)
State	1,105	368	1,318
Foreign	6,996	2,689	1,954
<b>Total</b>	<b>8,099</b>	<b>7,402</b>	<b>2,842</b>
<b>Deferred income taxes:</b>			
Federal	3,385	649	20,421
State	1,198	936	943
Foreign	(3,460)	1,730	2,675
<b>Total</b>	<b>1,123</b>	<b>3,315</b>	<b>24,039</b>
<b>Total income taxes</b>	<b>\$ 9,222</b>	<b>\$ 10,717</b>	<b>\$ 26,881</b>

The significant differences between the U.S. federal statutory rate and the effective income tax rate for continuing operations are as follows:

	<b>Percent of Income Before Income Taxes for Continuing Operations</b>		
	2004	2003	2002
Income tax expense at federal statutory rate	35.0	35.0	35.0
State taxes, net of federal income tax benefit	4.2	2.8	1.9
Unremitted earnings from foreign operations	(.1)	1.5	(.6)
Non-deductible expenses	.8	1.0	.3
Research and development tax credit	(1.9)	(1.7)	(.5)
Extraterritorial Income Exclusion	(2.3)	(2.8)	(.8)
Reversal of income tax contingency accruals	(11.3)	—	—
Foreign rate differences and other	1.6	(.1)	.3
<b>Effective income tax rate</b>	<b>26.0</b>	<b>35.7</b>	<b>35.6</b>

Deferred tax liabilities and deferred tax assets at December 31, 2004 and 2003, are as follows:

December 31	2004	2003
Deferred tax liabilities:		
Depreciation	\$ 37,057	\$ 32,317
Pensions	29,885	26,434
Foreign currency translation gain adjustment	10,619	5,494
Amortization of goodwill	7,975	3,750
Unrealized gain on available-for-sale securities	—	1,556
Income on derivative financial instruments	497	249
Inventory	—	194
Other	779	3,911
<b>Total deferred tax liabilities</b>	<b>86,812</b>	<b>73,905</b>
Deferred tax assets:		
Employee benefits	5,810	5,028
Tax benefit on U.S. foreign and R&D tax credits and NOL carryforwards	10,979	7,052
Asset write-offs, divestitures and environmental accruals	4,547	2,148
Allowance for doubtful accounts and sales returns	1,119	1,254
Tax in excess of book basis for venture capital investments	638	902
Inventory	131	—
Other	2,628	2,243
<b>Total deferred tax assets</b>	<b>25,852</b>	<b>18,627</b>
<b>Net deferred tax liability</b>	<b>\$ 60,960</b>	<b>\$ 55,278</b>
Included in the balance sheet:		
Noncurrent deferred tax liabilities in excess of assets	\$ 71,141	\$ 66,276
Current deferred tax assets in excess of liabilities	10,181	10,998
<b>Net deferred tax liability</b>	<b>\$ 60,960</b>	<b>\$ 55,278</b>

As of December 31, 2004, Tredegar had net operating loss, foreign tax credit and R&D tax credit carry-forwards in the U.S. that expire as follows:

U.S. Tax Carry-Forward Items at December 31, 2004 by Year of Expiration

Year of Expiration	Deferred Income Tax Assets				Estimated Minimum Future Taxable Income Required to Realize Deferred Income Tax Assets			
	Foreign Tax Credits	R&D Tax Credits	Net Operating Losses	Total	Foreign Tax Credits	R&D Tax Credits	Net Operating Losses	Total
2012	\$ 1,209	\$ —	\$ —	\$ 1,209	\$ 3,454	\$ —	\$ —	\$ 3,454
2013	1,555	—	—	1,555	4,443	—	—	4,443
2014	2,818	—	—	2,818	8,051	—	—	8,051
2021	—	1,403	—	1,403	—	4,009	—	4,009
2022	—	1,185	—	1,185	—	3,386	—	3,386
2023	—	690	1,429	2,119	—	1,971	4,083	6,054
2024	—	690	—	690	—	1,971	—	1,971
<b>Total</b>	<b>\$ 5,582</b>	<b>\$ 3,968</b>	<b>\$ 1,429</b>	<b>\$ 10,979</b>	<b>\$ 15,948</b>	<b>\$ 11,337</b>	<b>\$ 4,083</b>	<b>\$ 31,368</b>

We believe that it is more likely than not that the timing of future taxable income in the U.S. will be sufficient to cover future tax deductible amounts related to the deferred income tax assets shown in the table above. Accordingly, no valuation allowance has been recognized for these items. However, a valuation allowance of approximately \$600,000 is included in other deferred tax assets that offsets an amount included in that line item relating to possible future tax benefits on operating losses generated in 2004 by certain foreign subsidiaries that may not be recoverable in the carryforward period.



15 **LOSSES ASSOCIATED WITH PLANT SHUTDOWNS, ASSET IMPAIRMENTS AND RESTRUCTURINGS, UNUSUAL ITEMS, GAINS FROM SALE OF ASSETS AND OTHER ITEMS**

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Losses associated with plant shutdowns, asset impairments and restructurings in 2004 totaled \$23,032 (\$15,192 after taxes) and include:

- A fourth quarter charge of \$84 (\$56 after taxes), a third-quarter charge of \$828 (\$537 after taxes), a second-quarter charge of \$994 (\$647 after taxes) and a first-quarter charge of \$666 (\$432 after taxes) related to accelerated depreciation from plant shutdowns and restructurings in Film Products;
- A fourth-quarter charge of \$569 (of this amount, \$59 for employee relocation is included in selling, general and administrative expenses in the consolidated statements of income) (\$369 after taxes) and a third-quarter charge of \$709 (\$461 after taxes) related to severance for 30 people and other employee-related costs associated with the restructuring of the R&D operations in Film Products (we anticipate recognizing additional charges associated with this restructuring over the next 12 months of approximately \$2,800 (\$1,820 after taxes)), including costs associated with relocating R&D functions to Richmond, Virginia;
- A fourth-quarter charge of \$639 (\$415 after taxes), a third-quarter charge of \$617 (\$401 after taxes), a second-quarter charge of \$300 (\$195 after taxes) and a first-quarter charge of \$537 (\$349 after taxes) primarily related to severance (63 people) and other employee-related costs associated with the shutdown of the films manufacturing facility in New Bern, North Carolina (the "New Bern Plant") (the shut down was completed in the fourth quarter of 2004);
- A third-quarter charge of \$357 (\$329 after taxes) and a second-quarter charge of \$2,665 (\$1,858 after taxes) for the loss on the sale of the films business in Argentina (proceeds net of transaction costs were \$803 (\$401 net of cash included in business sold));
- A fourth-quarter charge of \$352 (\$228 after taxes), a third-quarter charge of \$195 (\$127 after taxes) and a first-quarter charge of \$9,580 (\$6,228 after taxes) related to the planned shutdown of an aluminum extrusions facility in Aurora, Ontario (the "Aurora Plant"), including asset impairment charges of \$7,130 and severance and other employee-related costs of \$2,450 (these costs are contractually-related for about 100 people and have been immediately accrued and we anticipate recognizing additional shutdown-related costs of about \$2,000 in the first quarter of 2005);
- A third-quarter charge of \$170 (\$111 after taxes) for additional costs incurred related to a plant shutdown in Film Products;
- A second-quarter charge of \$300 (\$195 after taxes), partially offset by a fourth-quarter gain of \$104 (\$68 after taxes), related to the loss on the sale of the previously shutdown films manufacturing facility in Manchester, Iowa (the "Manchester Plant");
- A fourth quarter charge of \$427 (\$277 after taxes) and a second-quarter charge of \$879 (\$571 after taxes) related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey;
- Second-quarter charges of \$575 (\$374 after taxes) in Film Products and \$146 (\$95 after taxes) in Aluminum Extrusions related to asset impairments; and
- Fourth quarter charges of \$1,402 (\$912 after taxes) related to severance and other employee-related costs associated with restructurings in Therics (\$590 before taxes), Film Products (\$532 before taxes) and Aluminum Extrusions (\$280 before taxes) and a second-quarter charge of \$145 (\$94 after taxes) related to severance at Therics (an aggregate of 24 people were affected by these restructurings).

Gain on sale of corporate assets in 2004 includes a fourth-quarter gain on the sale of land of \$1,013 (\$649 after taxes and proceeds of \$1,271), a second-quarter gain on the sale of land of \$413 (\$268 after taxes and proceeds of \$647) and a first-quarter gain on the sale of public equity securities of \$6,134 (\$3,987 after taxes and proceeds of \$7,182). There were no public equity securities held at December 31, 2004. These gains are included in "Other income (expense), net" in the consolidated statements of income and separately shown in the operating profit by segment table in Note 3.

Income taxes in 2004 include a third-quarter tax benefit of \$4,000 related to the reversal of income tax contingency accruals upon the favorable conclusion of IRS and state examinations through 2000.

The other gain of \$7,316 (\$4,756 after taxes) included in the Aluminum Extrusions section of the operating profit by segment table in Note 3 is comprised of the present value of an insurance settlement of \$8,357 (future value of \$8,455) associated with environmental matters related to prior years, partially offset by accruals for expected future environmental costs of \$1,041. The company received \$5,143 of the \$8,455 insurance settlement in September of 2004 and recognized receivables at present value for future amounts due (\$1,497 due in February of 2005 and \$1,717 due in February 2006). The gain from the insurance settlement is included in "Other income (expense), net" in the consolidated statements of income, while the accruals for expected future environmental costs are included in "Cost of goods sold."

In 2003, losses associated with plant shutdowns, asset impairments and restructurings totaling \$11,426 (\$7,350 after taxes) included:

- A fourth-quarter charge of \$875 (\$560 after taxes) for asset impairments in the films business, including charges of \$466 (\$298 after taxes) relating to accelerated depreciation of assets at the New Bern Plant;
- A fourth-quarter charge of \$611 (\$391 after taxes) for approximately 50% of the total severance costs for 63 people and other employee-related costs in connection with the shutdown of the New Bern Plant;
- A third-quarter charge of \$945 (\$605 after taxes) relating to accelerated depreciation of assets at the New Bern Plant;
- A third-quarter charge of \$299, a second quarter charge of \$53 and a first-quarter charge of \$85 (collectively \$280 after taxes) for additional costs incurred related to the shutdown of the films plants in Tacoma, Washington (the "Tacoma Plant"), Carbondale, Pennsylvania (the "Carbondale Plant") and the Manchester Plant;
- A third-quarter charge of \$322 (\$206 after taxes) for additional severance and other employee-related costs in connection with a previously announced restructuring in Film Products;
- A third-quarter charge of \$2,151 (\$1,398 after taxes) and a second-quarter charge of \$549 (\$357 after taxes) related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey;
- A third-quarter charge of \$256 (\$163 after taxes) for severance for seven people and other employee-related costs in connection with restructurings in Aluminum Extrusions;
- A second-quarter charge of \$3,936 (\$2,530 after taxes) for severance for 47 people and other employee-related costs in connection with restructurings in Film Products (\$1,600 before taxes), corporate headquarters (\$1,181 before taxes and included in "Corporate expenses, net" in the operating profit by segment table in Note 3) and Therics (\$1,155 before taxes);
- A second-quarter charge of \$956 (\$612 after taxes) for asset impairments in the films business, including charges of \$312 (\$200 after taxes) related to accelerated depreciation of assets at the New Bern Plant; and
- A second-quarter charge of \$388 (\$248 after taxes) related to an early retirement program for 10 people in Aluminum Extrusions.

The loss from unusual items in 2003 of \$1,067 (\$694 after taxes) relates to a first-quarter charge to adjust depreciation and amortization at Therics based on Tredegar's decision to suspend divestiture efforts. Results for 2003 also included a fourth-quarter gain of \$1,385 (\$886 after taxes) on the sale of land at the facility in Richmond Hill, Ontario (total proceeds of approximately \$1,800), and gains totaling \$5,155 (\$3,325 after taxes) on the sale of corporate assets. The gains from the sale of corporate assets included:

- A fourth-quarter gain of \$2,554 (\$1,647 after taxes) from the sale of 547,500 shares of Illumina, Inc. common stock (NASDAQ: ILMN) for total proceeds of \$3,791;
- A fourth-quarter gain of \$355 (\$229 after taxes) from the sale of 64,150 shares of Vascular Solutions, Inc. common stock (NASDAQ: VASC) for total proceeds of \$403;
- A third-quarter gain of \$942 (\$608 after taxes) from the sale of 200,000 shares of VASC for total proceeds of \$1,092; and
- A third-quarter gain of \$1,289 and fourth-quarter gain of \$15 (collectively \$841 after taxes) from the sale of corporate real estate (total proceeds of approximately \$1,800).

The gains from the sale of land and corporate assets are included in "Other income (expense), net" in the consolidated statements of income and separately shown in the segment operating profit table in Note 3.

At December 31, 2003, we held 265,955 shares of ILMN with a closing aggregate market value of \$1,875 (\$601 adjusted cost basis), and held 596,492 shares of VASC with a closing aggregate market value of \$3,501 (\$447 adjusted cost basis). These holdings, which are included in the consolidated balance sheets in "Other assets and deferred charges" at December 31, 2003, are stated at market value with unrealized gains reported directly in shareholders' equity net of related deferred income taxes.





In 2002, losses associated with plant shutdowns, asset impairments and restructurings totaling \$3,884 (\$2,486 after taxes) primarily included:

- A fourth-quarter charge of \$1,457 (\$932 after taxes) for asset impairments in the films business;
- A fourth-quarter charge of \$392 (\$251 after taxes) for additional costs incurred related to the 2000 shutdown of the Manchester Plant;
- A fourth-quarter charge of \$318 (\$204 after taxes) for additional costs incurred related to the shutdown of the aluminum extrusions plant in El Campo, Texas (the “El Campo Plant”);
- A fourth-quarter charge of \$259 (\$166 after taxes) for additional costs incurred related to the shutdown of the Tacoma Plant;
- A third-quarter charge of \$178 (\$114 after taxes) primarily for relocation and employee-related costs in connection with the shutdown of the Carbondale Plant;
- A second-quarter charge of \$268 (\$172 after taxes) primarily for relocation and employee-related costs in connection with the shutdown of the Tacoma Plant;
- A first-quarter charge of \$800 (\$512 after taxes) for severance for approximately 70 people and other employee-related costs in connection with the shutdown of the Carbondale Plant; and
- A first-quarter charge of \$196 (\$125 after taxes) for costs incurred in the transfer of business related to the shutdown of the El Campo Plant.

In 2002, the gain from unusual items (net) totaling \$6,147 (\$3,934 after taxes) included:

- A fourth-quarter net gain of \$5,618 (\$3,596 after taxes) for payments received from P&G related to terminations and revisions to contracts of \$11,718 and related asset write-downs of \$6,100; and
- A fourth-quarter gain of \$529 (\$338 after taxes) related to the sale of assets acquired in a prior acquisition.

## 16 CONTINGENCIES

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We are involved in various stages of investigation and remediation relating to environmental matters at certain plant locations. Where we have determined the nature and scope of any required environmental remediation activity, estimates of cleanup costs have been obtained and accrued. As we continue efforts to maintain compliance with applicable environmental laws and regulations, additional contingencies may be identified. If additional contingencies are identified, our practice is to determine the nature and scope of those contingencies, obtain and accrue estimates of the cost of remediation, and perform remediation. We do not believe that additional costs that could arise from those activities will have a material adverse effect on our financial position. However, those costs could have a material adverse effect on quarterly or annual operating results at that time.

We are involved in various other legal actions arising in the normal course of business. After taking into consideration legal counsels’ evaluation of these actions, we believe that we have sufficiently accrued for probable losses and that the actions will not have a material adverse effect on our financial position. However, the resolution of the actions in a future period could have a material adverse effect on quarterly or annual operating results at that time.

From time to time, we enter into transactions with third parties in connection with the sale of assets or businesses in which we agree to indemnify the buyers or third parties involved in the sale for certain liabilities or risks related to the assets or business. Also, in the ordinary course of our business, we may enter into agreements with third parties for the sale of goods or services that may contain indemnification provisions. In the event that an indemnification claim is asserted, liability for indemnification would be subject to an assessment of the underlying facts and circumstances under the terms of the applicable agreement. Further, any indemnification payments may be limited or barred by a monetary cap, a time limitation, or a deductible or basket. For these reasons, we are unable to estimate the maximum potential amount of the potential future liability under the indemnity provisions of these agreements. We do, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable. We disclose contingent liabilities if the probability of loss is reasonably possible and significant.

On March 7, 2003, Tredegar Investments, Inc. (“Tredegar Investments”) reached definitive agreements to sell substantially all of its portfolio of private equity partnership interests to GS Vintage Funds II, which are investment partnerships managed by Goldman Sachs Asset Management’s Private Equity Group. On the same date and in a separate transaction, Tredegar Investments also agreed to sell to W Capital Partners, an independent private equity manager, the subsidiary funds that hold substantially all of Tredegar Investments’ direct venture capital investments. The sale of these fund interests included the assumption by the buyer of Tredegar Investments’ obligations to make additional capital contributions to those funds in the future.

The sale to W Capital Partners of the subsidiary funds that hold the direct investments occurred on March 7, 2003. The sale of the private equity fund interests occurred in a series of closings.

Net proceeds from the sales totaled \$21,504. Additionally, in the first quarter of 2004 we received income tax recoveries of approximately \$55,000 from the carry-back of 2003 capital losses generated by these sales against gains realized in 2000 by Tredegar Investments.

The agreements governing these transactions contain customary contingent indemnification provisions that Tredegar believes will not have a material effect on its financial position or results of operations.

The operating results associated with venture capital investment activities have been reported as discontinued operations.

A summary of venture capital investment activities from 2002 through disposal in 2003 is provided below:

	(In Thousands)	
	2003	2002
Carrying value of venture capital investments, beginning of period	\$ 93,765	\$ 155,084
Venture capital investment activity for period:		
(pre-tax amounts):		
New investments	2,807	20,373
Proceeds from the sale of investments, including broker receivables at end of period	(21,504)	(8,918)
Realized gains	—	4,454
Realized losses, write-offs and write-downs	(70,256)	(65,154)
(Decrease) increase in unrealized gain on available-for-sale securities	(917)	(12,074)
Carrying value of public securities retained by Tredegar Investments*	(3,895)	—
Carrying value of venture capital investments, end of period	\$ —	\$ 93,765
Summary of amounts reported as discontinued operations in the consolidated statements of income:		
Pretax gains (losses), net	\$ (70,256)	\$ (60,700)
Operating expenses (primarily management fee expenses)	(599)	(5,594)
Loss before income taxes	(70,855)	(66,294)
Income tax benefits	24,286	23,866
Loss from venture capital investment activities	\$ (46,569)	\$ (42,428)

\* At December 31, 2003, Tredegar Investments held 596,492 shares of Vascular Solutions, Inc. (NASDAQ: VASC) and 265,955 shares of Illumina, Inc. (NASDAQ: ILMN). These securities, which were related to Tredegar Investments' earlier venture capital investment activities, were sold in 2004 for \$7,182, including gains recognized of \$6,134 (\$3,987 after taxes). At December 31, 2003, these securities were classified as available-for-sale, included in the consolidated balance sheets in "Other assets and deferred charges" (\$5,376 market value) and stated at market value with unrealized gains reported directly in shareholders' equity net of related deferred income taxes.

Loss from venture capital investment activities in 2003 of \$70,855 (\$46,569 after taxes) includes a loss on the sale of \$70,256 (\$46,269 after taxes). Discontinued operations in 2004 include an after-tax gain associated with venture capital investment activities of \$2,921 primarily related to the reversal of business and occupancy tax contingency accruals upon favorable resolution.

On July 2, 2002, the operations at Molecumetics ceased. The operating results of Molecumetics have been reported as discontinued operations. For the year ended December 31, 2002, operating losses for Molecumetics were \$5,928 (\$3,853 after taxes), while revenues were \$515. Discontinued operations also include a gain of \$1,393 (\$891 after taxes) in 2003 on the sale of intellectual property of Molecumetics and a charge of \$7,500 (\$4,875 after taxes) in 2002 for the loss on the disposal of Molecumetics. This charge is comprised of an impairment loss for assets of \$4,860, severance and other employee related costs of \$1,390 and miscellaneous disposal costs of \$1,250. The tangible assets were sold during the fourth quarter of 2002 for proceeds of \$800.

Cash flows for discontinued operations have not been separately disclosed in the accompanying statement of cash flows.

**SELECTED QUARTERLY FINANCIAL DATA**

Tredegar Corporation and Subsidiaries  
(In thousands, except per-share amounts)  
(Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2004					
Sales	\$ 195,919	\$ 216,053	\$ 222,515	\$ 226,678	\$ 861,165
Gross profit	27,348	33,102	31,669	29,528	121,647
Income from continuing operations	2,429	5,179	15,292	3,360	26,260
Income (loss) from discontinued operations	—	—	—	2,921	2,921
Net income (loss)	2,429	5,179	15,292	6,281	29,181
Earnings (loss) per share:					
Basic:					
Continuing operations	.06	.14	.40	.09	.69
Discontinued operations	—	—	—	.08	.08
Net income (loss)	.06	.14	.40	.17	.77
Diluted:					
Continuing operations	.06	.14	.40	.09	.68
Discontinued operations	—	—	—	.07	.08
Net income (loss)	.06	.14	.40	.16	.76
Shares used to compute earnings (loss) per share					
Basic	38,229	38,235	38,317	38,398	38,295
Diluted	38,435	38,427	38,519	38,655	38,507
2003					
Sales	\$ 182,045	\$ 181,574	\$ 193,125	\$ 181,907	\$ 738,651
Gross profit	28,356	27,206	30,798	27,492	113,852
Income from continuing operations	4,859	1,681	6,419	6,368	19,327
Income (loss) from discontinued operations	(49,516)	891	—	2,947	(45,678)
Net income (loss)	(44,657)	2,572	6,419	9,315	(26,351)
Earnings (loss) per share:					
Basic:					
Continuing operations	.13	.04	.17	.17	.51
Discontinued operations	(1.30)	.02	—	.08	(1.20)
Net income (loss)	(1.17)	.06	.17	.25	(.69)
Diluted:					
Continuing operations	.12	.04	.17	.17	.50
Discontinued operations	(1.28)	.02	—	.07	(1.19)
Net income (loss)	(1.16)	.06	.17	.24	(.69)
Shares used to compute earnings (loss) per share					
Basic	38,179	38,047	38,058	38,101	38,096
Diluted	38,578	38,418	38,383	38,389	38,441

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TREDEGAR CORPORATION  
(Registrant)

Dated: March 15, 2005

By /s/ N. A. Scher

\_\_\_\_\_  
Norman A. Scher

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 15, 2005.

Signature

Title

/s/ John D. Gottwald

Chairman of the Board of Directors

\_\_\_\_\_  
(John D. Gottwald)

/s/ N. A. Scher

President, Chief Executive Officer and Director  
(Principal Executive Officer)

\_\_\_\_\_  
(Norman A. Scher)

/s/ D. Andrew Edwards

Vice President, Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)

\_\_\_\_\_  
(D. Andrew Edwards)

/s/ Austin Brockenbrough, III

Director

\_\_\_\_\_  
(Austin Brockenbrough, III)

/s/ Phyllis Cothran

Director

\_\_\_\_\_  
(Phyllis Cothran)

/s/ Donald T. Cowles

Director

\_\_\_\_\_  
(Donald T. Cowles)

/s/ R. W. Goodrum

Director

\_\_\_\_\_  
(R. W. Goodrum)

/s/ Floyd D. Gottwald, Jr.

Director

\_\_\_\_\_  
(Floyd D. Gottwald, Jr.)

/s/ William M. Gottwald  
\_\_\_\_\_  
(William M. Gottwald)

Director

/s/ Richard L. Morrill  
\_\_\_\_\_  
(Richard L. Morrill)

Director

/s/ Thomas G. Slater, Jr.  
\_\_\_\_\_  
(Thomas G. Slater, Jr.)

Director

/s/ R. Gregory Williams  
\_\_\_\_\_  
(R. Gregory Williams)

Director

## EXHIBIT INDEX

- 3.1 Amended and Restated Articles of Incorporation of Tredegar (previously filed as Exhibit 3.1 to Tredegar's Quarterly Report on Form 10-Q for the quarter ended June 30, 1989, and refiled herewith)
- 3.2 Amended By-laws of Tredegar (filed as Exhibit 3 to Tredegar's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, and incorporated herein by reference)
- 3.3 Articles of Amendment (previously filed as Exhibit 3.3 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1999, and refiled herewith)
- 4.1 Form of Common Stock Certificate (previously filed as Exhibit 4.3 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1989, and refiled herewith)
- 4.2 Rights Agreement, dated as of June 30, 1999, by and between Tredegar and American Stock Transfer & Trust Company, as Rights Agent (previously filed as Exhibit 99.1 to the Registration Statement on Form 8-A, filed June 16, 1999, as amended, and refiled herewith)
- 4.2.1 Amendment and Substitution Agreement (Rights Agreement) dated as of December 11, 2002, by and among Tredegar, American Stock Transfer and Trust Company and National City Bank (filed as Exhibit 4.2.1 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 2002, and incorporated herein by reference).
- 4.3 Credit Agreement, dated as of October 17, 2003, by and among Tredegar Corporation, as borrower, its domestic subsidiaries, as guarantors, and the lenders (Wachovia Bank National Association, as administrative agent, SunTrust Bank, as syndication agent, and Bank of America, N.A., as documentation agent) (filed as Exhibit 4 to Tredegar's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, and incorporated herein by reference)
- 10.1 Reorganization and Distribution Agreement dated as of June 1, 1989, between Tredegar and Ethyl (previously filed as Exhibit 10.1 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1989, and refiled herewith)
- \*10.2 Employee Benefits Agreement dated as of June 1, 1989, between Tredegar and Ethyl (previously filed as Exhibit 10.2 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1989, and refiled herewith)
- 10.3 Tax Sharing Agreement dated as of June 1, 1989, between Tredegar and Ethyl (previously filed as Exhibit 10.3 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1989, and refiled herewith)
- 10.4 Indemnification Agreement dated as of June 1, 1989, between Tredegar and Ethyl (previously filed as Exhibit 10.5 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1989, and refiled herewith)
- \*10.5 Tredegar 1989 Incentive Stock Option Plan (previously included as Exhibit A to the Prospectus contained in the Form S-8 Registration Statement No. 33-31047, and refiled herewith)
- \*10.5.1 Amendment to the Tredegar 1989 Incentive Stock Option Plan (previously filed as Exhibit 10.5.1 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1998, and refiled herewith)
- \*10.6 Tredegar 1992 Omnibus Stock Incentive Plan (previously filed as Exhibit 10.12 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1991, and refiled herewith)
- \*10.6.1 Amendment to the Tredegar 1992 Omnibus Incentive Plan (previously filed as Exhibit 10.7.1 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1998, and refiled herewith)
- \*10.7 Tredegar Industries, Inc. Retirement Benefit Restoration Plan (previously filed as Exhibit 10.13 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1993, and refiled herewith)
- \*10.7.1 Amendment to the Tredegar Retirement Benefit Restoration Plan (previously filed as Exhibit 10.8.1 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1998, and refiled herewith)
- \*10.8 Tredegar Industries, Inc. Savings Plan Benefit Restoration Plan (previously filed as Exhibit 10.14 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1993, and refiled herewith)
- \*10.8.1 Resolutions of the Executive Committee of the Board of Directors of Tredegar Corporation adopted on December 28, 2004 (effective as of December 31, 2004) amending the Tredegar Corporation Retirement Savings Plan Benefit Restoration Plan (filed as Exhibit 10.9.1 to Tredegar's Current Report on Form 8-K, filed on December 30, 2004, and incorporated herein by reference)





- \*10.9 Tredegar Industries, Inc. Amended and Restated Incentive Plan (previously included as Exhibit 99.2 to the Form S-8 Registration Statement No. 333-88177, filed on September 30, 1999, and incorporated herein by reference)
- \*10.10 Consulting Agreement made as of April 1, 2000 between Tredegar and Richard W. Goodrum (filed as Exhibit 10 to Tredegar's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, and incorporated herein by reference)
- \*10.11 Tredegar Industries, Inc. Directors' Stock Plan (previously filed as Exhibit 10.12 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1998, and refiled herewith)
- \*10.12 Tredegar Corporation's 2004 Equity Incentive Plan (filed as Exhibit 10.13 to the Form S-8 Registration Statement No. 333-115423, filed on May 12, 2004 (incorporating from the Annex to Tredegar Corporation's Definitive Proxy Statement on Schedule 14A filed on March 4, 2004 (No. 1-10258) and incorporated herein by reference)
- \*10.13 Summary of Compensation for the President and Chief Executive Officer and each of the Named Executive Officers for Fiscal 2005 (filed as Item 1.01 to Tredegar's Current Report on Form 8-K, filed on February 8, 2005, and incorporated herein by reference)
- \*10.14 Description of Cash Incentive Plan for fiscal 2005 (filed as Item 1.01 to Tredegar's Current Report on Form 8-K, filed on December 16, 2004, and incorporated herein by reference)
- \*10.15 Summary of Director Compensation for Fiscal 2005
- 21 Subsidiaries of Tredegar
- 23.1 Consent of Independent Registered Public Accounting Firm
- 31.1 Section 302 Certification of Principal Executive Officer
- 31.2 Section 302 Certification of Principal Financial Officer
- 32.1 Section 906 Certification of Principal Executive Officer
- 32.2 Section 906 Certification of Principal Financial Officer

\* Denotes compensatory plans or arrangements or management contracts.

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION**

**OF**

**TREDEGAR INDUSTRIES, INC.**

I.

The name of the Corporation is Tredegar Industries, Inc.

II.

The purpose for which the Corporation is formed is to transact any or all lawful business, not required to be specifically stated in these Articles, for which corporations may be incorporated under the Virginia Stock Corporation Act, as amended from time to time.

III.

The Corporation shall have authority to issue 50,000,000 shares of Common Stock and 10,000,000 shares of Preferred Stock. The rights, preferences, voting powers and the qualifications, limitations and restrictions of the authorized stock shall be as follows:

A. *Common Stock.*

1. Each share of Common Stock shall be entitled to one vote on all matters submitted to a vote at any meeting of shareholders, and the exclusive general voting power for all purposes shall be vested therein.

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2. Except as otherwise required in these Articles as they may hereafter be amended:

(a) Any corporate action, except the election of directors, an amendment or restatement of these Articles, a merger, a statutory share exchange, sale or other disposition of all or substantially all the Corporation's assets otherwise than in the usual and regular course of business, or dissolution shall, for each voting group entitled to vote on the matter, be approved at a meeting at which a quorum of the voting group is present if the votes cast in favor of the action exceed the votes cast against the action;

(b) Directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present;

(c) An amendment or restatement of these Articles other than an amendment or restatement described, or involved in a transaction described, in subsection (d), (e) or (f) of this section shall be approved by a majority of the votes entitled to be cast by each voting group that is entitled to vote on the matter;

(d) Any transaction with the Corporation or any subsidiary that constitutes or involves an affiliated transaction, as defined in Section 13.1-725 of the Virginia Stock Corporation Act as in effect on the effective date of these Articles, shall be approved by seventy-five percent of the votes entitled to be cast by each voting group that is entitled to vote on such transaction;

(e) A merger, statutory share exchange, sale or other disposition of all or substantially all the Corporation's assets otherwise than in the usual and regular course of business, or dissolution, other than any such transaction to which subsection (d) of this section applies, shall be approved by two-thirds of the votes entitled to be cast by each voting group that is entitled to vote on such transaction; and

(f) An amendment to these Articles that amends or affects subsection (d) of this section or to Article IV of these Articles shall be approved by seventy-five percent of the votes entitled to be cast by each voting group that is entitled to vote on the matter.

For purposes of subsection (d) of this section a transaction shall not constitute an affiliated transaction if it is with an interested shareholder, as defined in section 13.1-725 of the Virginia Stock Corporation Act as in effect on the effective date of these Articles: (i) who has been an interested shareholder continuously or who would have been such but for the unilateral action of the Corporation since the later of (a) the date on which this Corporation first had 300 shareholders of record or (b) the date such person became an interested shareholder with the prior or contemporaneous approval of a majority of the disinterested directors as defined in section 13.1-725 of the Virginia Stock Corporation Act as in effect on the effective date of these Articles; (ii) who became an interested shareholder as a result of acquiring shares from a person specified in subdivision (i) of this subsection by gift, testamentary bequest or the laws of descent and distribution or in a transaction in which consideration was not exchanged and who continues thereafter to be an interested shareholder, or who would have so continued but for the unilateral action of the Corporation; (iii) who became an interested shareholder inadvertently or as a result of the unilateral action of the corporation and who, as soon as practicable thereafter, divested beneficial ownership of sufficient shares so that such person ceased to be an interested shareholder, and who would not have been an interested shareholder but for such inadvertency or the unilateral action of the Corporation; or (iv) whose acquisition of shares making such person an interested shareholder was approved by a majority of the disinterested directors.

3. Shareholder approval shall not be required for the issuance of rights, options or warrants for the purchase of shares of the Corporation to any director, officer or employee of the Corporation or any of its subsidiaries.

4. Subject to the rights of holders of Preferred Stock and subject to any other provisions of these Articles or any amendment hereto, holders of Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation as may be declared thereon by the Board of Directors from time to time.

B. *Preferred Stock.*

1. The Preferred Stock may be issued from time to time in one or more classes or series, with such distinctive designations, rights and preferences as shall be stated and expressed herein or in the resolution or resolutions providing for the issue of shares of a particular series, and in such resolution or resolutions providing for the issue of shares of such series, the Board of Directors is expressly authorized to fix:

(a) The annual or other periodic dividend rate for such series, the dividend payment dates, the date from which dividends on all shares of such series issued shall be cumulative, and the extent of participation rights, if any;

(b) The redemption price or prices, if any for such series and other terms and conditions on which such series may be retired and redeemed;

(c) The obligation, if any, of the Corporation to purchase and retire or redeem shares of such series as a sinking fund or otherwise, and the terms and conditions of any such redemption;

(d) The designation and maximum number of shares of such series issuable;

(e) The right to vote, if any, with holders of shares of any other class or series and any right to vote as a separate voting group, either generally or as a condition to specified corporate action;

(f) The amount payable upon shares in event of involuntary liquidation;

(g) The amount payable upon shares in event of voluntary liquidation;

(h) The rights, if any, of the holders of shares of such series to convert such shares into other classes of stock of the Corporation and the terms and conditions of any such conversion; and

(i) Such other rights as may be specified by the Board of Directors and not prohibited by law.

All shares of Preferred Stock of any one series shall be identical with each other in all respects except, if so determined by the Board of Directors, as to the dates from which dividends thereon shall be cumulative; and all shares of Preferred Stock shall be of equal rank with each other, regardless of series, and shall be identical with each other in all respects except as provided herein or in the resolution or resolutions providing for the issue of a particular series. In case dividends on all shares of Preferred Stock for any quarterly dividend period are not paid in full, all such shares shall participate ratably in any partial payment of dividends for such period in proportion to the full amounts of dividends for such period to which they are respectively entitled.

2. *Participating Cumulative Preferred Stock, Series A.*

The Corporation has designated 500,000 shares of the authorized but unissued shares of the Corporation's Preferred Stock, no par value per share, as Participating Cumulative Preferred Stock, Series A (hereinafter referred to as "Series A Preferred Stock").

The terms of the Series A Preferred Stock, and the respect in which the shares of such series may vary from shares of other series of Preferred Stock, are as follows:

(a) *Dividends and Distributions.*



(1) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock in preference to the holders of Common Stock and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, dividends payable quarterly on the first day of January, April, July and October (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$2.50 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time after the record date for the initial distribution of the Corporation's Preferred Stock Purchase Rights pursuant to the Rights Agreement, dated as of June 15, 1989, between the Corporation and Sovran Bank, N.A., as Rights Agent (the "Rights Declaration Date"), (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(2) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (1) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend at the rate of \$2.50 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(3) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

(b) *Voting Rights*. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(1) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such events.

(2) Except as otherwise provided herein, in the Articles of Incorporation or under applicable law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one voting group on all matters submitted to a vote of stockholders of the Corporation.

(3) (i) If at any time dividends on any shares of Series A Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (a “default period”) that shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of the outstanding shares of Series A Preferred Stock together with any other series of Preferred Stock then entitled to such a vote under the terms of the Articles of Incorporation, voting as a separate voting group, shall be entitled to elect two members of the Board of Directors of the Corporation.

(ii) During any default period, such voting right of the holders of Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Subsection (b)(3) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a separate voting group, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors, or if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the Chairman, President, a Vice Chairman, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (b)(3)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 10 days and not later than 60 days after such order or request. In the event such meeting is not called within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (b)(3)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a separate voting group, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (b)(3)(ii)) be filled by vote of a majority of the remaining Directors theretofore elected by the voting group which elected the Director whose office shall have become vacant. References in this paragraph (b)(3)(iv) to Directors elected by a particular voting group shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock, as a separate voting group, to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock, as a separate voting group, shall terminate, and (z) the number of Directors shall be such number as may be provided for in, or pursuant to, the Articles of Incorporation or bylaws irrespective of any increase made pursuant to the provisions of paragraph (b)(3)(ii) (such number being subject, however, to change thereafter in any manner provided by law or in the Articles of Incorporation or By-laws). Any vacancies in the Board of Directors affected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors, even though less than a quorum.

(4) Except as set forth herein or as otherwise provided in the Articles of Incorporation, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(c) *Certain Restrictions.*

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

(i) declare or pay or set apart for payment any dividends (other than dividends payable in shares of any class or classes of stock of the Corporation ranking junior to the Series A Preferred Stock) or make any other distributions on, any class of stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock and shall not redeem, purchase or otherwise acquire, directly or indirectly, whether voluntarily, for a sinking fund, or otherwise any shares of any class of stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that, notwithstanding the foregoing, the Corporation, may at any time redeem, purchase or otherwise acquire shares of stock of any such junior class in exchange for, or out of the net cash proceeds from the concurrent sale of, other shares of stock of any such junior class;



(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; and

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(2) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (1) of Subsection (c), purchase or otherwise acquire such shares at such time and in such manner.

(d) *Reacquired Shares.* Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

(e) *Liquidation, Dissolution or Winding Up*

(1) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation preference by (ii) 100 (as appropriately adjusted as set forth in subparagraph 3 below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii) being hereinafter referred to as the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Preferred Stock and Common Stock, respectively, holders of Series A Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Series A Preferred Stock and Common Stock, on a per share basis, respectively.

(2) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, then such remaining assets shall be distributed ratably to the holders of all such shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(3) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(f) *Consolidation, Merger, Share Exchange, etc.* In case the Corporation shall enter into any consolidation, merger, share exchange, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Preferred Stock shall at the time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(g) *Redemption.* The outstanding shares of Series A Preferred Stock may be redeemed at the option of the Board of Directors as a whole, but not in part, at any time, or from time to time, at a cash price per share equal to (i) 100% of the product of the Adjustment Number times the Average Market Value (as such term is hereinafter defined) of the Common Stock, plus (ii) all dividends which on the redemption date have accrued on the shares to be redeemed and have not been paid or declared and a sum sufficient for the payment thereof set apart, without interest. The “Average Market Value” is the average of the closing sale prices of a share of the Common Stock during the 30-day period immediately preceding the redemption date on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or, if such stock is not listed on any such exchange, the average of the closing bid quotations with respect to a share of Common Stock during such 30-day period on the National Association of Securities Dealers, Inc. Automated Quotation System or any system then in use, or if no such quotations are available, the fair market value of a share of the Common Stock as determined by the Board of Directors in good faith.

(h) *Ranking.* The Series A Preferred Stock shall rank on a parity with all other series of Preferred Stock as to the payment of dividends and the distribution of assets, except as provided herein or in the resolution or resolutions providing for the issue of a particular series.

(i) *Amendment.* Except as permitted by the Virginia Stock Corporation Act, the Articles of Incorporation or the By-laws, the Articles of Incorporation shall not be further amended in any manner that would adversely affect the preferences, rights or powers of the Series A Preferred Stock.

(j) *Fractional Shares.* Series A Preferred Stock may be issued in fractions of one one-hundredth of a share (and integral multiples thereof) which shall entitle the holder, in proportion to such holders’ fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

C. *Pre-emptive Rights*. No holder of shares of any class of capital stock shall as such holder have any pre-emptive or preferential right to purchase or subscribe to (i) any shares of any class of stock of the Corporation, whether now or hereafter authorized, (ii) any warrants, rights or options to purchase any such stock, or (iii) any obligations convertible into any such stock or into warrants, rights or options to purchase any such stock.

#### IV.

A. *Board of Directors*. Unless otherwise fixed in the By-laws, the number of directors of the Corporation shall be three (3). Commencing with the 1989 annual meeting of shareholders, the Board of Directors shall be divided into three classes, Class I, Class II and Class III, as nearly equal in number as possible. At the 1989 annual meeting of shareholders, directors of the first class (Class I) shall be elected to hold office for a term expiring at the 1990 annual meeting of shareholders; directors of the second class (Class II) shall be elected to hold office for a term expiring at the 1991 annual meeting of shareholders; and directors of the third class (Class III) shall be elected to hold office for a term expiring at the 1992 annual meeting of shareholders. At each annual meeting of shareholders after 1989, the successors to the class of directors whose terms then shall expire shall be identified as being of the same class as the directors they succeed and elected to hold office for a term expiring at the third succeeding annual meeting of shareholders. When the number of directors is changed, any newly-created directorships or any decrease in directorships shall be apportioned among the classes by the Board of Directors as to make all classes as nearly equal in number as possible.

B. *Removal of Directors*. Subject to the rights of the holders of any class or series of Preferred Stock then outstanding, a director may be removed only with cause.

V.

A. In this Article:

“applicant” means the person seeking indemnification pursuant to this Article.

“expenses” includes counsel fees.

“liability” means the obligation to pay a judgment, settlement, penalty, fine, including any excise tax assessed with respect to an employee benefit plan, or reasonable expenses incurred with respect to a proceeding.

“party” includes an individual who was, is, or is threatened to be made a named defendant or respondent in a proceeding.

“proceeding” means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal.

B. In any proceeding brought by or in the right of the Corporation or brought by or on behalf of shareholders of the Corporation, no director or officer of the Corporation shall be liable to the Corporation or its shareholders for monetary damages with respect to any transaction, occurrence or course of conduct, whether prior or subsequent to the effective date of this Article, except for liability resulting from such person’s having engaged in willful misconduct or a knowing violation of the criminal law or any federal or state securities law.

C. The Corporation shall indemnify (i) any person who was or is a party to any proceeding, including a proceeding brought by a shareholder in the right of the Corporation or brought by or on behalf of shareholders of the Corporation, by reason of the fact that he is or was a director or officer of the Corporation, or (ii) any director or officer who is or was serving at the request of the Corporation as a director, trustee, partner or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against any liability incurred by him in connection with such proceeding unless he engaged in willful misconduct or a knowing violation of the criminal law. A person is considered to be serving an employee benefit plan at the Corporation's request if his duties to the Corporation also impose duties on, or otherwise involve services by, him to the plan or to participants in or beneficiaries of the plan. The Board of Directors is hereby empowered, by a majority vote of a quorum of disinterested Directors, to enter into a contract to indemnify any Director or officer in respect of any proceedings arising from any act or omission, whether occurring before or after the execution of such contract.

D. The provisions of this Article shall be applicable to all proceedings commenced after the adoption hereof by the shareholders of the Corporation, arising from any act or omission, whether occurring before or after such adoption. No amendment or repeal of this Article shall have any effect on the rights provided under this Article with respect to any act or omission occurring prior to such amendment or repeal. The Corporation shall promptly take all such actions, and make all such determinations, as shall be necessary or appropriate to comply with its obligation to make any indemnity under this Article and shall promptly pay or reimburse all reasonable expenses, including attorneys' fees, incurred by any such director, officer, employee or agent in connection with such actions and determinations or proceedings of any kind arising therefrom.

E. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not of itself create a presumption that the applicant did not meet the standard of conduct described in section (B) or (C) of this Article.

F. Any indemnification under section (C) of this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the applicant is proper in the circumstances because he has met the applicable standard of conduct set forth in section (C).

The determination shall be made:

(1) By the Board of Directors by a majority vote of a quorum consisting of directors not at the time parties to the proceeding;

(2) If a quorum cannot be obtained under subsection (1) of this section, by majority vote of a committee duly designated by the Board of Directors (in which designation directors who are parties may participate), consisting solely of two or more directors not at the time parties to the proceeding;

(3) By special legal counsel:

(a) Selected by the Board of Directors or its committee in the manner prescribed in subsection (1) or (2) of this section; or

(b) If a quorum of the Board of Directors cannot be obtained under subsection (1) of this section and a committee cannot be designated under subsection (2) of this section, selected by majority vote of the full Board of Directors, in which selection directors who are parties may participate; or

(4) By the shareholders, but shares owned by or voted under the control of directors who are at the time parties to the proceeding may not be voted on the determination.

Any evaluation as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is appropriate, except that if the determination is made by special legal counsel, such evaluation as to reasonableness of expenses shall be made by those entitled under subsection (3) of this section (F) to select counsel.



Notwithstanding the foregoing, in the event there has been a change in the composition of a majority of the Board of Directors after the date of the alleged act or omission with respect to which indemnification is claimed, any determination as to indemnification and advancement of expenses with respect to any claim for indemnification made pursuant to this Article shall be made by special legal counsel agreed upon by the Board of Directors and the applicant. If the Board of Directors and the applicant are unable to agree upon such special legal counsel the Board of Directors and the applicant each shall select a nominee, and the nominees shall select such special legal counsel.

G. (1) The Corporation shall pay for or reimburse the reasonable expenses incurred by any applicant who is a party to a proceeding in advance of final disposition of the proceeding or the making of any determination under section (C) if the applicant furnishes the Corporation:

(a) a written statement of his good faith belief that he has met the standard of conduct described in section (C); and

(b) a written undertaking, executed personally or on his behalf, to repay the advance if it is ultimately determined that he did not meet such standard of conduct.

(2) The undertaking required by paragraph (b) of subsection (1) of this section shall be an unlimited general obligation of the applicant but need not be secured and may be accepted without reference to financial ability to make repayment.

(3) Authorizations of payments under this section shall be made by the persons specified in section (F).

H. The Board of Directors is hereby empowered, by majority vote of a quorum consisting of disinterested Directors, to cause the Corporation to indemnify or contract to indemnify any person not specified in section (B) or (C) of this Article who was, is or may become a party to any proceeding, by reason of the fact that he is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, to the same extent as if such person were specified as one to whom indemnification is granted in section (C). The provisions of sections (D) through (G) of this Article shall be applicable to any indemnification provided hereafter pursuant to this section (H).

I. The Corporation may purchase and maintain insurance to indemnify it against the whole or any portion of the liability assumed by it in accordance with this Article and may also procure insurance, in such amounts as the Board of Directors may determine, on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against any liability asserted against or incurred by him in any such capacity or arising from his status as such, whether or not the Corporation would have power to indemnify him against such liability under the provisions of this Article.

J. Every reference herein to directors, officers, employees or agents shall include former directors, officers, employees and agents and their respective heirs, executors and administrators. The indemnification hereby provided and provided hereafter pursuant to the power hereby conferred by this Article on the Board of Directors shall not be exclusive of any other rights to which any person may be entitled, including any right under policies of insurance that may be purchased and maintained by the Corporation or others, with respect to claims, issues or matters in relation to which the Corporation would not have the power to indemnify such person under the provisions of this Article. Such rights shall not prevent or restrict the power of the Corporation to make or provide for any further indemnity, or provisions for determining entitlement to indemnity, pursuant to one or more indemnification agreements, bylaws, or other arrangements (including, without limitation, creation of trust funds or security interests funded by letters of credit or other means) approved by the Board of Directors (whether or not any of the directors of the Corporation shall be a party to or beneficiary of any such agreements, bylaws or arrangements); *provided, however*, that any provision of such agreements, bylaws or other arrangements shall not be effective if and to the extent that it is determined to be contrary to this Article or applicable laws of the Commonwealth of Virginia.

K. Each provision of this Article shall be severable, and an adverse determination as to any such provision shall in no way affect the validity of any other provision.

**TREDEGAR INDUSTRIES, INC.**

**ARTICLES OF AMENDMENT**

I.

The name of the Corporation is Tredegar Industries, Inc. (the "Corporation").

II.

Article I of the Corporation's Articles of Incorporation is hereby amended to read as follows:

"The name of the Corporation is Tredegar Corporation."

III.

The amendment was proposed by the board of directors and submitted to the shareholders of the Corporation in accordance with Chapter 9 of Article 13.1 of the Code of Virginia. The designation, number of outstanding shares, and number of votes entitled to be cast by each voting group entitled to vote separately on the amendment are as follows:

<b>Designation</b>	<b>Number of Outstanding Shares</b>	<b>Number of Votes</b>
Common	36,441,339	33,693,653

The total number of undisputed votes cast for the amendment by each voting group was as follows:

<b>Designation</b>	<b>Number of Undisputed Votes for the Amendment</b>
Common	33,693,653



The number of votes cast for the amendment by each voting group was sufficient for approval by that voting group.

TREDEGAR INDUSTRIES, INC.

Dated: May 20, 1999

By: /s/ Nancy M. Taylor

\_\_\_\_\_  
Nancy M. Taylor  
Vice President and Secretary

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[TREDEGAR CORPORATION STOCK CERTIFICATE]

<b>NUMBER</b>	<b>SHARES</b>
<b>TC</b>	
<b>COMMON STOCK</b>	<b>COMMON STOCK</b>
	CUSIP 894650 10 0
	SEE REVERSE FOR CERTAIN DEFINITIONS

**TREDEGAR CORPORATION**  
—A VIRGINIA CORPORATION—

THIS CERTIFIES THAT

IS THE OWNER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

Tredegar Corporation transferable on the books of the Corporation by the owner hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

**CERTIFICATE OF STOCK**

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

[TREDEGAR CORPORATION SEAL VIRGINIA]

/s/ Nancy M. Taylor  
Gottwald

/s/ John D.

SECRETARY

PRESIDENT

Countersigned and Registered:

NATIONAL CITY BANK  
(CLEVELAND, OH)  
TRANSFER AGENT  
AND REGISTRAR

By

Authorized Signature



TREDEGAR CORPORATION

THE CORPORATION WILL FURNISH TO ANY SHAREHOLDER UPON REQUEST TO THE OFFICE OF THE CORPORATION IN RICHMOND, VIRGINIA, AND WITHOUT CHARGE, A FULL STATEMENT OF THE DESIGNATIONS, PREFERENCES, LIMITATIONS AND RELATIVE RIGHTS OF THE SHARES OF EACH CLASS AUTHORIZED TO BE ISSUED AND THE VARIATIONS IN THE RELATIVE RIGHTS AND PREFERENCES BETWEEN THE SHARES OF EACH SERIES OF ANY CLASS AUTHORIZED TO BE ISSUED IN SERIES, SO FAR AS THE SAME HAVE BEEN FIXED AND DETERMINED, AND THE AUTHORITY OF THE BOARD OF DIRECTORS TO FIX AND DETERMINE THE RELATIVE RIGHTS AND PREFERENCES OF FUTURE SERIES OR CLASSES.

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in the Rights Agreement between Tredegar Corporation, a Virginia corporation (the "Company") and National City Bank, an Ohio corporation (the "Rights Agent"), as successor to American Stock Transfer & Trust Company, dated as of June 30, 1999, as may be amended from time to time (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on the file at the principal offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of mailing, without charge promptly after receipt of a written request therefor. Under certain circumstances set forth in the Right Agreement. Rights that are owned or that were previously owned by a Person who is, was or becomes an Acquiring Person or any Affiliate or Associate of an Acquiring Person may become null and void.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common
UNIF GIFT MIN ACT - .....Custodian.....
(Cust) (Minor)
under Uniform Gifts to Minors Act.....
(State)
UNIF TRANS MIN ACT.....Custodian.....
(Cust) (Minor)
under Uniform Transfers to Minors Act.....
(State)

Additional abbreviations may be used though not in the above list.

For value received, \_\_\_\_\_ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

\_\_\_\_\_

\_\_\_\_\_ Shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint \_\_\_\_\_

Attorney to transfer the said stock our the books of the within-named Corporation with full power of substitution in the premises.

Dated, \_\_\_\_\_

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OF ENLARGEMENT OR ANY CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED: \_\_\_\_\_ THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVING AND LOANS ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN, MULTILATED OR DESTROYED, THE CORPORATION WILL REQUIRE A BOND OF INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

**TREDEGAR CORPORATION**

**and**

**AMERICAN STOCK TRANSFER & TRUST COMPANY**

**Rights Agent**

**Rights Agreement**

**Dated as of June 30, 1999**

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## **RIGHTS AGREEMENT**

This Agreement, dated as of June 30, 1999 (the "Agreement"), between **TREDEGAR CORPORATION**, a Virginia corporation (the "Company"), and **AMERICAN STOCK TRANSFER & TRUST COMPANY**, a New York corporation (the "Rights Agent"), provides as follows:

### **WITNESSETH**

WHEREAS, the Board of Directors of the Company has authorized and declared a dividend distribution of one Right (as hereinafter defined) for each outstanding share of Common Stock of the Company to shareholders of record at the Close of Business (as hereafter defined) on the Record Date (as hereinafter defined) and has authorized the issuance of one Right (as such number may hereinafter be adjusted as provided herein) for each share of Common Stock that shall be issued between the Record Date and the earliest of the Distribution Date, the Redemption Date or the Expiration Date (as such terms are hereinafter defined) unless the Board of Directors provides to the contrary before or at the time of issuance of any such Common Stock, each Right initially representing the right to purchase one Unit of Preferred Stock, (as hereinafter defined), and being in the form of the Rights Certificate attached hereto as Exhibit A, upon the terms and subject to the conditions hereof (the "Rights");

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

#### Section 1. Certain Definitions

For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person who or which, alone or together with all Affiliates and Associates of such Person, shall at any time be the Beneficial Owner of either or both of (i) 10% or more of the shares of Common Stock then outstanding or (ii) 10% or more of the Rights then outstanding, but shall not include (a) the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan; (b) any Person or any "group" whose beneficial ownership of capital stock of the Company is reported on Amendment No. 4 to the Schedule 13(d), as amended, filed with respect to the Company on March 20, 1997, any spouses, children and lineal descendants of such Persons; any trusts created for the benefit of such Persons, and any combination of Persons described in this clause (b); or (c) any such Person who has become and is such a Beneficial Owner solely because (1) of a reduction in the aggregate number of shares of Common Stock outstanding due to a repurchase of shares of Common Stock by the Company since the last date on which such Person acquired Beneficial Ownership of any shares of Common Stock or (2) it acquired such Beneficial Ownership of in the good faith belief that such acquisition would not (A) cause such Beneficial Ownership to exceed 10% of the shares of Common Stock then outstanding and such Person relied in good faith in computing the percentage of its Beneficial

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Ownership on publicly filed reports or documents of the Company that are inaccurate or out-of-date or (B) otherwise cause a Distribution Date or the adjustment provided for in Section 11(a) to occur. Notwithstanding clause (b)(2) of the preceding sentence, if any Person that is not an Acquiring Person due to such clause (b)(2) does not reduce its percentage of Beneficial Ownership of shares of Common Stock to less than 10% by the Close of Business on the fifth Business Day after notice from the Company (the date of notice being the first day) that such Person's Beneficial Ownership of shares of Common Stock so exceeds 10%, such Person shall, at the end of such five Business Day period, become an Acquiring Person (and such clause (b)(2) shall no longer apply to such Person). For purposes of this definition, the determination whether any Person acted in "good faith" shall be conclusively determined by the Board of Directors of the Company, acting by a vote of those directors of the Company whose approval would be required to redeem the Rights under Section 23.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(c) A Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own," any securities:

(i) that such Person or any of such Person's Affiliates or Associates is deemed to "beneficially own" within the meaning of Rule 13d-3 of the General Rules and Regulations under the Exchange Act;

(ii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; *provided, however*, that a Person shall not be deemed to be the "Beneficial Owner" of, or to "beneficially own," (A) securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange or (B) securities issuable upon exercise of the Rights.

(iii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote, including pursuant to any agreement, arrangement or understanding, whether or not in writing; *provided, however*, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," any security under this subparagraph (iii) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (A) arises solely from a revocable proxy given in response to a public proxy solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) the beneficial ownership of such security is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iv) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing), for the

purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to subparagraph (iii) of this paragraph (c)) or disposing of any voting securities of the Company; *provided, however*, that notwithstanding any provision of this Section 1(c), any Person engaged in business as an underwriter of securities who acquires any securities of the Company through such Person's participation in good faith in a firm commitment underwriting registered under the Securities Act of 1933, as amended (the "Act"), shall not be deemed the "Beneficial Owner" of, or to "beneficially own," such securities until the expiration of 40 days after the date of acquisition; and provided, further, that in no case shall an officer or director of the Company be deemed (x) the beneficial owner of any securities beneficially owned by another officer or director of the Company solely by reason of actions undertaken by such persons in their capacity as officers or directors of the Company; or (y) the beneficial owner of securities held of record by the trustee of any employee benefit plan of the Company or any Subsidiary of the Company for the benefit of any employee of the Company or any Subsidiary of the Company, other than the officer or director, by reason of any influence that such officer or director may have over the voting of the securities held in the plan.

(d) "Business Day" shall mean any day other than a Saturday, Sunday or a day on which national banking institutions in the Commonwealth of Virginia or the State of New York are authorized or obligated by law or executive order to close.

(e) "Close of Business" on any given date shall mean 5:00 P.M., Richmond, Virginia time, on such date; *provided, however*, that if such date is not a Business Day it shall mean 5:00 P.M., Richmond, Virginia time, on the next succeeding Business Day.

(f) "Common Stock" shall mean the common stock, no par value, of the Company, except that "Common Stock" when used with reference to any Person other than the Company, if such Person is a corporation, shall mean the capital stock of such Person with the greatest voting power, or the equity securities or other equity interest in such Person having power to control or direct the management of such Person, or any shares of capital stock or other equity interests into which the foregoing shall be reclassified or changed.

(g) "Continuing Director" shall mean any member of the Board of Directors of the Company, while a member of the Board, who is not an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and (i) who is a member of the Board on the date of this Agreement or (ii) whose subsequent nomination for election or election to the Board was recommended or approved by a majority of the Continuing Directors serving at the time of such nomination or election.

(h) "Distribution Date" shall mean the earlier of (i) the Close of Business on the tenth business day after the Stock Acquisition Date (as hereinafter defined) or (ii) the Close of Business on the tenth business day after the date that a tender or exchange offer by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan) is first published or sent or given within the meaning of Rule 14d-2(a) of the General Rules and Regulations under

the Exchange Act if, upon consummation thereof, such Person would be an Acquiring Person (irrespective of whether any shares were actually purchased pursuant to any such offer).

(i) "Equivalent Shares" shall mean shares of Preferred Stock (as hereinafter defined) and any other class or series of capital stock of the Company that is entitled to participate in dividends and other distributions, including distributions upon the liquidation, dissolution or winding up of the Company, on a proportional basis with the Common Stock. In calculating the number of any class or series of Equivalent Shares for purposes of Section 11 hereof, the number of shares, or fractions of a share, of such class or series of capital stock that is entitled to the same dividend or distribution as a whole share of Common Stock shall be deemed to be one share.

(j) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended and in effect on the date of this Agreement, unless a different date is otherwise specifically provided herein.

(k) "Exchange Date" shall mean the date on which the Board of Directors authorizes the exchange of Rights for shares of Common Stock pursuant to Section 24 hereof.

(l) "Expiration Date" shall mean the earliest of (i) the Close of Business on the Final Expiration Date, or (ii) the time at which the Rights are redeemed as provided in Section 23 hereof, or (iii) the Exchange Date.

(m) "Final Expiration Date" shall mean June 30, 2009.

(n) "Person" shall mean any individual, firm, corporation, partnership or other entity and any particular Person shall include any "group" acting as described in Section 13(d)(3) of the Exchange Act.

(o) "Preferred Stock" shall mean shares of Series A Participating Cumulative Preferred Stock, without par value, of the Company.

(p) "Purchase Price" shall have the meaning set forth in Section 4(a) hereof, as adjusted in accordance with this Agreement and as in effect from time to time.

(q) "Record Date" shall mean the Close of Business on June 18, 1999.

(r) "Rights" shall mean the rights to purchase Preferred Stock (or other securities) as provided in this Agreement and "Rights Certificate" shall have the meaning set forth in Section 3(a) hereof.

(s) "Section 11(a)(ii) Event" shall mean any occurrence of the event described in Section 11(a)(ii) hereof.

(t) "Section 13 Event" shall mean any event described in clause (w), (x), (y) or (z) of Section 13(a) hereof.

(u) “Stock Acquisition Date” shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Exchange Act) by the Company or an Acquiring Person that an Acquiring Person has become such.

(v) “Subsidiary” shall mean, with reference to any Person, any corporation or other entity of which an amount of voting securities sufficient to elect a majority of the directors or Persons having similar authority of such corporation or other entity is beneficially owned, directly or indirectly, by such Person, or otherwise controlled by such Person.

(w) “Triggering Event” shall mean any occurrence of the Section 11(a)(ii) Event or any Section 13 Event.

(x) “Unit” shall mean one one-hundredth of a share of Preferred Stock.

Section 2. Appointment of Rights Agent

The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be holders of Common Stock) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such Co-Rights Agents as it may deem necessary or desirable.

Section 3. Issue of Rights and Rights Certificates

(a) Until the Distribution Date, (x) the Rights shall be evidenced (subject to the provisions of paragraphs (b) and (c) of this Section 3) by the certificates for the Common Stock registered in the names of the holders of the Common Stock (which certificates for Common Stock shall be deemed also to be certificates for Rights) and not by separate certificates, and (y) the Rights shall be transferable only in connection with the transfer of the underlying shares of Common Stock (including a transfer to the Company). Subject to the provisions of Section 7(e) hereof, as soon as practicable after the Company has notified the Rights Agent of the occurrence of a Distribution Date, the Rights Agent shall send by first-class, insured, postage prepaid mail, to each such record holder of shares of the Common Stock as of the Close of Business on the Distribution Date, at the address of such holder shown on the records of the Company, one or more rights certificates, in substantially the form of Exhibit A hereto (the “Rights Certificates”), evidencing one Right for each share of Common Stock so held, subject to adjustment as provided herein. In the event that an adjustment in the number of Rights per share of Common Stock has been made pursuant to Section 11(n) hereof, at the time of distribution of the Rights Certificates, the Company shall make the necessary and appropriate rounding adjustments (in accordance with Section 14(a) hereof) so that Rights Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. As of and after the Distribution Date, the Rights shall be evidenced solely by such Rights Certificates.

(b) A Summary of Rights, in substantially the form attached hereto as Exhibit B (the “Summary of Rights”), shall be sent by the Company by first-class, postage prepaid mail, to each

record holder of the Common Stock on the Record Date, at the address of each such holder shown on the records of the Company. Until the Distribution Date, the Rights shall be evidenced by such certificates evidencing the Common Stock, and the registered holders of the Common Stock shall also be the registered holders of the associated Rights. Until the earlier of the Distribution Date or the Expiration Date, the transfer of any certificates evidencing shares of Common Stock in respect of which Rights have been issued shall also constitute, subject to the provisions of Section 7(e) hereof, the transfer of the Rights associated with such shares of Common Stock.

(c) Unless the Board of Directors by resolution adopted at or before the time of the issuance (including pursuant to the exercise of rights under the Company's stock option, stock purchase or other benefit plans) of any shares of Common Stock specifies to the contrary, Rights shall be issued in respect of all shares of Common Stock that are issued after the Record Date but prior to the earlier of the Distribution Date or the Expiration Date. Certificates representing shares of Common Stock outstanding prior to the Record Date that are issued upon transfer or exchange of such Common Stock, shall also be deemed to be certificates for Rights, and shall bear the following legend:

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in the Rights Agreement between Tredegar Corporation, a Virginia corporation (the "Company") and American Stock Transfer & Trust Company, a New York corporation (the "Rights Agent") dated as of June 30, 1999, as may be amended from time to time (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of mailing, without charge promptly after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights that are owned or that were previously owned by a Person who is, was or becomes an Acquiring Person or any Affiliate or Associate of an Acquiring Person may become null and void.

With respect to such certificates containing the foregoing legend, until the earlier of (i) the Distribution Date or (ii) the Expiration Date, the Rights associated with the Common Stock represented by such certificates shall be evidenced by such certificates alone and registered holders of Common Stock shall also be the registered holders of the associated Rights, and the transfer of any of such certificates shall also constitute, subject to the provisions of Section 7(e) hereof, the transfer of the Rights associated with the Common Stock represented by such certificates.

In the event that the Company purchases or acquires any shares of Common Stock after the Record Date but prior to the Distribution Date, any Rights associated with such shares of Common Stock shall be deemed canceled and retired so that the Company shall not be entitled to exercise any Rights associated with the shares of Common Stock that are no longer outstanding.

Section 4. Form of Rights Certificates

(a) The Rights Certificates (and the forms of election to purchase and of assignment to be printed on the reverse thereof) shall each be substantially in the form set forth in Exhibit A hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 11 and Section 22 hereof, the Rights Certificates, whenever distributed, shall be dated as of the Distribution Date, and on their face shall entitle the holders thereof to purchase such number of Units of Preferred Stock as shall be set forth therein at the price set forth therein (such exercise price per unit, being hereinafter referred to as the "Purchase Price"), but the amount and type of securities purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment as provided herein.

(b) Any Rights Certificate issued pursuant to Section 3(a) or Section 22 hereof that represents Rights beneficially owned by: (i) an Acquiring Person or any Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom such Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer that the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose to avoid or effects the avoidance of Section 7(e) hereof, and any Rights Certificate issued pursuant to Section 6 or Section 11 hereof upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain (to the extent feasible) the following legend:

The Rights represented by this Rights Certificate are or were beneficially owned by a person who was or became an Acquiring Person or an Affiliate or an Associate of an Acquiring Person. Accordingly, this Rights Certificate and the Rights represented hereby may become void in the circumstances specified in Section 7(e) of the Rights Agreement.

The Company shall notify the Rights Agent, and, if such notification is given orally, the Company shall confirm promptly the same in writing, at such time as the Company has notice that any Person constitutes an Acquiring Person or an Affiliate or Associate of an Acquiring



Person, and until such notice is received by the Rights Agent the Rights Agent may conclusively presume for all purposes that the foregoing legend need be imprinted only on Right Certificates beneficially owned by Persons that the Company has previously identified to the Rights Agent as constituting an Acquiring Person or an Affiliate or Associate of an Acquiring Person and transferees of any such Persons.

Section 5. Countersignature and Registration

(a) The Rights Certificates shall be executed on behalf of the Company by its Chairman of the Board, its President or any Vice President, either manually or by facsimile signature, and shall have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Rights Certificates shall be countersigned manually or by facsimile by the Rights Agent and shall not be valid for any purpose unless so countersigned. The Rights Certificates shall be countersigned by an authorized signatory of the Rights Agent but it shall not be necessary for the same signatory to countersign all of the Rights Certificates issued hereunder. In case any officer of the Company who shall have signed any of the Rights Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Rights Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Rights Certificates had not ceased to be such officer of the Company; and any Rights Certificates may be signed on behalf of the Company by any person who, at the actual date of the execution of such Rights Certificate, shall be a proper officer of the Company to sign such Rights Certificate, although at the date of the execution of this Agreement any such person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office or offices designated as the appropriate place for surrender of Rights Certificates upon exercise or transfer, books for registration and transfer of the Rights Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Rights Certificates, the number of Rights evidenced on its face by each of the Rights Certificates and the date of each of the Rights Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Rights Certificates; Mutilated, Destroyed, Lost or Stolen Rights Certificates

(a) Subject to the provisions of Section 4(b), Section 7(e) and Section 14 hereof, at any time after the Close of Business on the Distribution Date, and at or prior to the Close of Business on the Expiration Date, any Rights Certificate or Certificates may be transferred, split up, combined or exchanged for another Rights Certificate or Certificates (other than Rights Certificates that have become void pursuant to Section 7(e) hereof or that have been exchanged pursuant to Section 24 hereof) entitling the registered holder to purchase a like number of Units of Preferred Stock (or, following a Triggering Event, Common Stock, other securities, cash or other assets, as the case may be) as the Rights Certificate or Certificates surrendered then entitle such holder (or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Rights Certificate or Certificates shall

make such request in writing delivered to the Rights Agent, and shall surrender the Rights Certificate or Certificates to be transferred, split up, combined or exchanged at the principal office or offices of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Rights Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Rights Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request. Thereupon the Rights Agent shall countersign and deliver to the Person entitled thereto a Rights Certificate or Rights Certificates, as the case may be, as so requested. The Company may require payment from the holder of the Rights of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Rights Certificates.

(b) Subject to Section 7(e) hereof, upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Rights Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Rights Certificate if mutilated, the Company will execute and deliver a new Rights Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered owner in lieu of the Rights Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights; Restriction on Transfer of Rights

(a) Subject to Section 7(e) hereof, the registered holder of any Rights Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein including, without limitation, the restrictions on exercisability set forth in Section 9(c), Section 11(a)(ii), Section 11(a)(iii), Section 13, Section 23(a), and Section 24 hereof) in whole or in part at any time after the Distribution Date upon surrender of the Rights Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the Rights Agent at the principal office or offices of the Rights Agent designated for such purpose, together, except as otherwise provided in Section 11(a)(ii) hereof, with payment of the aggregate Purchase Price with respect to the total number of Units of Preferred Stock (or Common Stock or other securities or property, as the case may be) as to which surrendered Rights are then exercisable, at or prior to the Expiration Date.

(b) The Purchase Price for each Unit of Preferred Stock pursuant to the exercise of a Right shall initially be \$150 and shall be subject to adjustment from time to time as provided in Section 11 hereof and shall be payable in accordance with paragraph (c) below.

(c) Upon receipt of a Rights Certificate representing exercisable Rights, with the form of election to purchase and the certificate duly executed, accompanied by payment, with respect to each Right so exercised, of the Purchase Price per Unit of Preferred Stock (or Common Stock, other securities or property, as the case may be) to be purchased as set forth below and an amount

equal to any applicable transfer tax, the Rights Agent shall, subject to Section 20(k) hereof, thereupon promptly, (i) (A) requisition from any transfer agent of the Units of Preferred Stock (or make available, if the Rights Agent is the transfer agent for such shares) certificates for the total number of Units of Preferred Stock to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Company shall have elected to deposit the total number of Units of Preferred Stock issuable upon exercise of the Rights hereunder with a depositary agent, requisition from the depositary agent depositary receipts representing such number of Units of Preferred Stock as are to be purchased (in which case certificates for the Units of Preferred Stock represented by such receipts shall be deposited by the transfer agent with the depositary agent) and the Company will direct the depositary agent to comply with such request, (ii) requisition from the Company the amount of cash, if any, to be paid in lieu of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or upon the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, and (iv) after receipt thereof, deliver such cash, if any, to or upon the order of the registered holder of such Rights Certificate. The payment of the Purchase Price (as such amount may be reduced (including to zero) pursuant to Section 11(a)(iii) hereof) may be made in cash or by certified bank check or bank draft payable to the order of the Company. In the event that the Company is obligated to issue other securities of the Company, pay cash and/or distribute other property pursuant to Section 11(a) hereof, the Company will make all arrangements necessary so that such other securities, cash and/or other property are available for distribution by the Rights Agent, if and when appropriate.

(d) In case the registered holder of any Rights Certificate shall exercise less than all the Rights evidenced thereby, a new Rights Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to, or upon the order of, the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Section 11(a)(ii) Event, any Rights beneficially owned by (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose to avoid or effects the avoidance of this Section 7(e), shall become null and void without any further action and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The Company shall use all reasonable efforts to ensure that the provisions of this Section 7(e) and Section 4(b) hereof are complied with, but shall have no liability to any holder of Rights

Certificates or any other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliates or Associates, or any transferee thereof, hereunder.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Rights Certificate surrendered for such exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

Section 8. Cancellation and Destruction of Rights Certificates

All Rights Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, shall be canceled by it, and no Rights Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Rights Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all canceled Rights Certificates to the Company, or shall, at the written request of the Company, destroy such canceled Rights Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Reservation and Availability of Preferred Stock

(a) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued shares of Preferred Stock (or, following the occurrence of a Triggering Event, out of its authorized and unissued Preferred Stock or other securities, as the case may be), the number of shares of Preferred Stock (or such other securities) that, except as provided in Section 11(a)(iii) hereof, will be sufficient from time to time to permit the exercise in full of all outstanding Rights and all Rights that are at the time issuable, in accordance with the provisions of this Agreement.

(b) So long as the shares of Preferred Stock (and, following the occurrence of a Triggering Event, any other securities) issuable and deliverable upon the exercise of the Rights may be listed on any national securities exchange, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed on such exchange upon official notice of issuance.

(c) The Company shall use its reasonable best efforts (i) to file, as soon as practicable following the earliest date after the first occurrence of a Section 11(a)(ii) Event on which the consideration to be delivered by the Company upon exercise of the Rights has been determined in accordance with Section 11(a)(ii) and (iii) hereof, or as soon as is required by law following the Distribution Date, as the case may be, a registration statement under the Act on an

appropriate form, with respect to the securities purchasable upon exercise of the Rights, (ii) to cause such registration statement to become effective as soon as practicable after such filing, and (iii) to cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities, and (B) the Expiration Date. The Company will also take such action as may be appropriate under, or to ensure compliance with, the securities or “blue sky” laws of the various states in connection with the exercisability of the Rights. The Company may temporarily suspend, for a period of time not to exceed ninety days after the date set forth in clause (i) of the first sentence of this Section 9(c), the exercisability of the Rights in order to prepare and file such registration statement and permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating, and notify the Rights Agent, that the exercisability of the Rights has been temporarily suspended. The Company shall also issue a public announcement at such time as the suspension is no longer in effect. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction unless the requisite qualification in such jurisdiction shall have been obtained.

(d) The Company covenants and agrees that it will take all such action as may be necessary to ensure that all shares of Preferred Stock (or other securities, as the case may be) delivered upon exercise of the Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Purchase Price), be duly authorized, validly issued, fully paid and nonassessable.

(e) The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges that may be payable in respect of the issuance or delivery of the Rights Certificates and of any certificates for shares of Preferred Stock (or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax that may be payable in respect of any transfer or delivery of Rights Certificates to a Person other than, or the issuance or delivery of a number of shares of Preferred Stock (or other securities, as the case may be) in respect of a name other than that of, the registered holder of the Rights Certificates evidencing Rights surrendered for exercise or to issue or deliver any certificates for a number of shares of Preferred Stock (or other securities, as the case may be) in a name other than that of the registered holder upon the exercise of any Rights until such tax shall have been paid (any such tax being payable by the holder of such Rights Certificate at the time of surrender) or until it has been established to the Company’s satisfaction that no such tax is due.

Section 10. Preferred Stock Record Date

Each person in whose name any certificate for a number of Units of Preferred Stock (or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of such Units of Preferred Stock (or other securities, as the case may be) represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and all applicable transfer taxes) was made; *provided, however*, that if the date of such surrender and payment is a date upon which the Preferred Stock (or other securities, as the

case may be) transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares (fractional or otherwise) on, and such certificate shall be dated, the next succeeding Business Day on which such transfer books are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Rights Certificate as such shall not be entitled to any rights of a shareholder of the Company with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights

The Purchase Price, and the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Stock payable in shares of Preferred Stock, (B) subdivide the outstanding Preferred Stock, (C) combine the outstanding Preferred Stock into a smaller number of shares, or (D) issue any shares of its capital stock in a reclassification of the Preferred Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of Preferred Stock or the number and kind of shares of other capital stock, as the case may be, issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the Purchase Price then in effect, the aggregate number of shares of Preferred Stock or the number and kind of shares of other capital stock, as the case may be, that, if such Right had been exercised immediately prior to such date and at a time when the Preferred Stock transfer books of the Company were open, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs that would require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii) hereof, the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii) hereof.

(ii) Subject to Section 23 and Section 24 hereof, in the event any Person becomes an Acquiring Person, then proper provision shall be made by the Company so that each record holder of each Right (except as provided in Section 7(e) hereof) shall thereafter have the right to receive, upon exercise thereof for the Purchase Price in accordance with terms of this Agreement, such number of Units of Preferred Stock (or, in lieu of Preferred Stock, at the option of the Company and to the extent available, such number of shares of Common Stock) as shall equal the result obtained by multiplying the Purchase Price by a fraction, the numerator of which is the number of Units of Preferred Stock for which a Right is then exercisable and the denominator of which is 50% of the current market price of a share of Common Stock (determined pursuant to

Section 11(d) hereof) on the date of the first occurrence of a Section 11(a)(ii) Event (such result being hereinafter referred to as the "Adjustment Shares").

(iii) To the extent that the number of shares of Preferred Stock that are authorized by the Company's articles of incorporation but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights is not sufficient to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii) of this Section 11(a), and subject to such limitations as are necessary to prevent a default under any agreement for money borrowed as presently constituted to which the Company is a party and subject to any limitations contained in Section 13.1-653 of the Virginia Stock Corporation Act, the Company shall: (A) determine the excess of (1) the value of the Adjustment Shares issuable upon the exercise of a Right (the "Current Value"), over (2) the Purchase Price (such excess being hereinafter referred to as the "Spread"), and (B) with respect to each Right, make adequate provision to substitute for such unavailable Adjustment Shares, upon payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) other equity securities of the Company, (4) debt securities of the Company, (5) other assets, or (6) any combination of the foregoing, having, together with the Adjustment Shares issued upon exercise of such Right, an aggregate value equal to the Current Value, where such aggregate value has been determined by the Board of Directors of the Company based upon the advice of a nationally recognized investment banking firm selected by the Board of Directors of the Company; *provided, however*, if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within 30 days following the first occurrence of a Section 11(a)(ii) Event, then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, shares of preferred stock of the Company or Common Stock (to the extent such securities are available) and then, if necessary, cash, which securities and/or assets in the aggregate are equal in value to the Spread. If the Board of Directors of the Company shall determine in good faith that it is likely that sufficient additional shares of preferred stock of the Company or Common Stock could be authorized for issuance upon exercise in full of the Rights, the 30 day period set forth above may be extended to the extent necessary, but not more than 90 days following the first occurrence of a Section 11(a)(ii) Event, in order that the Company may seek shareholder approval for the authorization of such additional shares (such period, as it may be extended, the "Substitution Period"). To the extent that the Company determines that some action need be taken pursuant to the first and/or second sentences of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights, and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the Common Stock shall be the current market price (as determined pursuant to Section 11(d) hereof) per share of the Common Stock on the date of the first occurrence of a Section 11(a)(ii) Event.

(b) If at any time after the date of this Agreement the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Common Stock or of any class or

series of Equivalent Shares entitling such holders (for a period expiring within 45 calendar days after such record date) to subscribe for or to purchase Common Stock or Equivalent Shares (or securities convertible into Common Stock or Equivalent Shares) at a price per share (or having a conversion price per share, if a security convertible into Common Stock or Equivalent Shares) less than the current market price of such Common Stock or Equivalent Shares on such record date, then, in each such case, each Right outstanding immediately prior to such record date shall thereafter evidence the right to purchase, for the Purchase Price, that number of Units of Preferred Stock or Equivalent Shares obtained by multiplying the number of Units of Preferred Stock issuable upon exercise of a Right immediately prior to such record date by a fraction, the numerator of which shall be the total number of shares of Common Stock and Equivalent Shares (if any) outstanding on such record date plus the number of additional shares of Common Stock and Equivalent Shares (if any) to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible) and the denominator of which shall be the total number of shares of Common Stock and Equivalent Shares (if any) outstanding on such record date plus the number of shares of Common Stock or Equivalent Shares, as the case may be, that the aggregate offering price of the total number of shares of Common Stock or Equivalent Shares, as the case may be, so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price. In case such subscription price may be paid in a consideration, part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Common Stock and Equivalent Shares owned by or held for the account of the Company or any Subsidiary of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, each Right shall be adjusted to evidence the right to receive that number of Units of Preferred Stock that such Right would have entitled the holder to receive, for the Purchase Price, if such record date had not been fixed.

(c) If at any time after the date of this Agreement the Company shall fix a record date for the making of a distribution to all holders of Common Stock or of any class or series of Equivalent Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of cash (other than a regular quarterly cash dividend of the Company in compliance with Section 13.1-653 of the Virginia Stock Corporation Act), evidences of indebtedness, assets, securities (other than Common Stock or any Equivalent Shares) or subscription rights, options or warrants (excluding those referred to in Section 11(b) hereof), then, in each such case, each Right outstanding immediately prior to such record date shall thereafter evidence the right to purchase, for the Purchase Price, that number of Units of Preferred Stock obtained by multiplying the number of Units of Preferred Stock issuable upon exercise of a Right immediately prior to such record date by a fraction, the numerator of which shall be the current market price of a share of Common Stock or an Equivalent Share on the record date and the denominator of which shall be the current market price of a share of Common Stock or an Equivalent Share on such record date less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion



of the cash, evidences of indebtedness, assets or securities so to be distributed or of such subscription rights, options or warrants applicable to a share of Common Stock or an Equivalent Share, as the case may be. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, each Right shall be adjusted to evidence the right to receive that number of Units of Preferred Stock that such Right would have entitled the holder to receive, for the Purchase Price, if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a)(iii) hereof, the “current market price” per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date, and for purposes of computations made pursuant to Section 11(a)(iii) hereof, the “current market price” per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the ten consecutive Trading Days immediately following such date; *provided, however*, that in the event that the current market price per share of the Common Stock is determined during a period following the announcement by the issuer of such Common Stock of (A) a dividend or distribution on such Common Stock payable in shares of such Common Stock or securities convertible into shares of such Common Stock (other than the Rights), or (B) any subdivision, combination or reclassification of such Common Stock, and prior to the expiration of the requisite 30 Trading Day or ten Trading Day period, as set forth above, after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the “current market price” shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the shares of Common Stock are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices quoted on the Nasdaq Stock Market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System (“Nasdaq”) or such other quotation system then in use, or, if on any such date the shares of Common Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors of the Company. If on any such date no market maker is making a market in the Common Stock, the fair value of such shares on such date as determined in good faith by the Board of Directors of the Company shall be used. The term “Trading Day” shall mean a day on which the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading is open for the transaction of business or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, a Business Day. If the Common Stock is not publicly held or not so listed or traded, “current market price” per share shall mean the fair value per share as determined in good faith by the Board of Directors of the

Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(ii) For the purpose of any computation hereunder, the “current market price” per share of Preferred Stock shall be determined in the same manner as set forth above for the Common Stock in Section 11(d) (i) hereof (other than the last sentence thereof). If the current market price per share of Preferred Stock cannot be determined in the manner provided above or if the Preferred Stock is not publicly held or listed or traded in a manner described in clause (i) of this Section 11(d), the “current market price” per share of Preferred Stock shall be conclusively deemed to be an amount equal to 100 (as such number may be appropriately adjusted for such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock and Preferred Stock occurring after the date of this Agreement) multiplied by the current market price per share of the Common Stock. If neither the Common Stock nor the Preferred Stock is publicly held or so listed or traded, “current market price” per share of the Preferred Stock shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes. For all purposes of this Agreement, the “current market price” of one one-hundredth of a share of Preferred Stock shall be equal to the “current market price” of one share of Preferred Stock divided by 100.

(e) Anything herein to the contrary notwithstanding, no adjustment in the number of Units of Preferred Stock for which a Right is exercisable or in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least one percent in such number of shares or in the Purchase Price; *provided, however*, that any adjustments that by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a Unit of Preferred Stock, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction that mandates such adjustment, or (ii) the Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a) or 13(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock other than Preferred Stock, thereafter the number of such other shares so receivable upon exercise of any Right and if required, the Purchase Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Stock contained in Section 11(a), (b), (c), (e), (g), (h), (i), (k) and (l) hereof, and the provisions of Sections 7, 9, 10, 13 and 14 hereof with respect to the Preferred Stock shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the number or kind of shares purchasable upon exercise of the Rights or to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the adjusted number of Units of Preferred Stock or other securities purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided below in this Section 11(h), upon each adjustment of the Purchase Price as a result of the calculations made in Section 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of Units of Preferred Stock obtained by (i) multiplying (x) the number of Units of Preferred Stock covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price. On or after the date of any adjustment of the Purchase Price, in lieu of any adjustment in the number of Units of Preferred Stock or any other capital stock purchasable upon the exercise of a Right, the Company may elect to adjust the number of Rights. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of Units of Preferred Stock for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one-ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Rights Certificates have been issued, shall be at least ten days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(h), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date Rights Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Rights Certificates on the record date specified in the public announcement.

(i) Irrespective of any adjustment or change in the Purchase Price or the number of Units of Preferred Stock or the number and kind of other securities issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Purchase Price per Unit, the number of Units and the other terms that were expressed in the initial Rights Certificates issued hereunder.

(j) In any case in which this Section 11 shall require that an adjustment be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date of the number of Units of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the number of Units of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise before giving

effect to such adjustment; *provided, however*, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or securities upon the occurrence of the event requiring such adjustment.

(k) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that in its good faith judgment the Board of Directors of the Company shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred Stock, (ii) issuance wholly for cash of any shares of Preferred Stock at less than the current market price, (iii) issuance wholly for cash of shares of Preferred Stock or securities that by their terms are convertible into or exchangeable for shares of Preferred Stock, (iv) stock dividend or (v) issuance of rights, options or warrants referred to in this Section 11, hereafter made by the Company to holders of its Preferred Stock shall not be taxable to such shareholders.

(l) The Company covenants and agrees that it shall not, at any time after the Distribution Date, (i) consolidate with any other Person (other than a Subsidiary of the Company in a transaction that complies with Section 11(m) hereof), (ii) merge with or into any other Person (other than a Subsidiary of the Company in a transaction that complies with Section 11(m) hereof), (iii) effect a statutory share exchange with any Person (other than a Subsidiary of the Company in a transaction that complies with Section 11(m) hereof), or (iv) sell or transfer (or permit any Subsidiary to sell or transfer), in one transaction, or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company and/or any of its Subsidiaries in one or more transactions each of which complies with Section 11(m) hereof), if at the time of or immediately after such consolidation, merger, statutory share exchange or sale there are any rights, warrants or other instruments or securities outstanding or agreements in effect that would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights.

(m) The Company covenants and agrees that, after the Distribution Date, it will not, except as permitted by Section 23 or Section 27 hereof, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

(n) Anything in this Agreement to the contrary notwithstanding, in the event that the Company shall at any time after the Record Date and prior to the Distribution Date (i) declare a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, the number of Rights associated with each share of Common Stock then outstanding, or issued or delivered thereafter but prior to the Distribution Date, shall be proportionately adjusted so that the number of Rights thereafter associated with each share of Common Stock following any such event shall equal the result obtained by multiplying the number of Rights associated with each share of Common Stock immediately prior to such event by a fraction the numerator of which shall be the total number of shares of Common Stock

outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of shares of Common Stock outstanding immediately following the occurrence of such event.

Section 12. Certificates of Adjusted Purchase Price or Number of Shares

Whenever an adjustment is made as provided in Section 11 or Section 13 hereof, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) promptly file with the Rights Agent, and with each transfer agent for the Preferred Stock or the Common Stock, a copy of such certificate, and (c) mail a brief summary thereof to each holder of a Rights Certificate (or, if prior to the Distribution Date, to each holder of a certificate representing shares of Common Stock) in accordance with Section 25 hereof. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power

(a) In the event that, following the Stock Acquisition Date, directly or indirectly, (w) the Company shall consolidate with, or merge with and into, any other Person (other than a Subsidiary of the Company in a transaction that complies with Section 11(m) hereof), and the Company shall not be the continuing or surviving corporation of such consolidation or merger, (x) any Person (other than a Subsidiary of the Company in a transaction that complies with Section 11(m) hereof) shall consolidate with, or merge with or into, the Company, and the Company shall be the continuing or surviving corporation of such consolidation or merger and, in connection with such consolidation or merger, all or part of the outstanding shares of Common Stock shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property, (y) the Company shall be a party to a statutory share exchange with any other Person (other than a Subsidiary of the Company in a transaction that complies with Section 11(m) hereof) after which the Company is a Subsidiary of any other Person, or (z) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one transaction or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any Person or Persons (other than the Company or any Subsidiary of the Company in one or more transactions each of which complies with Section 11(m) hereof), then, and in each such case, proper provision shall be made so that: (i) each record holder of a Right, except as provided in Section 7(e) hereof, shall thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, such number of validly authorized and issued, fully paid, nonassessable and freely tradable shares of Common Stock of the Principal Party (as hereinafter defined), not subject to any liens, encumbrances, rights of first refusal or other adverse claims, as shall be equal to the result obtained by (1) multiplying the then current Purchase Price by the number of shares of Common Stock for which a Right is exercisable immediately prior to the first occurrence of a Section 13 Event (or, if a Section 11(a)(ii) Event has occurred prior to the first occurrence of a Section 13 Event, multiplying the number of such shares for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event by the Purchase Price in effect immediately prior to such first occurrence), and (2) dividing that product (which, following the first occurrence of a

Section 13 Event, shall be referred to as the “Purchase Price” for each Right for all purposes of this Agreement) by 50% of the current market price (determined pursuant to Section 11(d)(i) hereof) per share of the Common Stock of such Principal Party on the date of consummation of such Section 13 Event; and (ii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such Section 13 Event, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term “Company” shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply only to such Principal Party following the first occurrence of a Section 13 Event; (iv) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of shares of its Common Stock) in connection with the consummation of any such transaction as may be necessary to ensure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its shares of Common Stock thereafter deliverable upon the exercise of the Rights; and (v) the provisions of Section 11(a)(ii) hereof shall be of no effect following the first occurrence of any Section 13 Event.

(b) “Principal Party” shall mean

(i) in the case of any transaction described in clause (w), (x) or (y) of the first sentence of Section 13(a) hereof, the Person that is the issuer of any securities into which shares of Common Stock of the Company are converted in such merger, consolidation or statutory share exchange, and if no securities are so issued, the Person that is the other party to such merger, consolidation or statutory share exchange; and

(ii) in the case of any transaction described in clause (z) of the first sentence of Section 13(a) hereof, the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions; *provided, however*, that in any such case, (1) if the Common Stock of such Person is not at such time and has not been continuously over the preceding twelve-month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Stock of which is and has been so registered, “Principal Party” shall refer to such other Person; and (2) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Stocks of two or more of which are and have been so registered, “Principal Party” shall refer to whichever of such Persons is the issuer of the Common Stock having the greatest aggregate market value.

(c) The Company shall not consummate any such consolidation, merger, statutory share exchange, sale or transfer unless the Principal Party shall have a sufficient number of authorized shares of its Common Stock that have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and further providing that, as soon as practicable after the date of any consolidation, merger, statutory share exchange or sale of assets mentioned in paragraph (a) of this Section 13, the Principal Party will

(i) prepare and file a registration statement under the Act on an appropriate form with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, and will use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at all times meeting the requirements of the Act) until the Expiration Date and similarly comply with applicable state securities laws; and

(ii) deliver to record holders of the Rights historical financial statements for the Principal Party and each of its Affiliates that comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or statutory share exchanges or sales or other transfers. In the event that a Section 13 Event shall occur at any time after the occurrence of a Section 11(a)(ii) Event, the Rights that have not theretofore been exercised shall thereafter become exercisable in the manner described in Section 13(a) hereof.

Section 14. Fractional Rights and Fractional Shares

(a) The Company shall not be required to issue fractions of Rights, except prior to the Distribution Date as provided in Section 11(n) hereof, or to distribute Rights Certificates that evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Rights Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price of the Rights for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading, or if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices on the Nasdaq Stock Market, as reported by Nasdaq or such other quotation system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of shares of Preferred Stock (other than fractions that are integral multiples of one one-hundredth of a share of Preferred Stock) upon exercise of the Rights or to distribute certificates that evidence fractional shares of

Preferred Stock (other than in such integral multiples). In lieu of fractional shares of Preferred Stock that are not in such integral multiples, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one one-hundredth of a share of Preferred Stock. For purposes of this Section 14(b), the current market value of one one-hundredth of a share of Preferred Stock shall be one one-hundredth of the current market price of a share of Preferred Stock (as determined pursuant to Section 11(d) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Right or any fractional shares upon exercise of a Right, except as permitted by this Section 14.

Section 15. Rights of Action

All rights of action in respect of this Agreement are vested in the respective registered holders of the Rights Certificates (and, prior to the Distribution Date, the registered holders of the Common Stock in respect of which Rights have been issued); and any registered holder of any Rights Certificate (or, prior to the Distribution Date, of such Common Stock), without the consent of the Rights Agent or of the holder of any other Rights Certificate (or, prior to the Distribution Date, of such Common Stock), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Rights Certificate in the manner provided in such Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and shall be entitled to specific performance of the obligations hereunder and injunctive relief against actual or threatened violations of the obligations hereunder of any Person subject to this Agreement.

Section 16. Agreement of Rights Holders

Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of Common Stock;

(b) after the Distribution Date, the Rights Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office or offices of the Rights Agent designated for such purposes, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate forms and certificates fully executed;

(c) subject to Section 6(a) and Section 7(f) hereof, the Company and the Rights Agent may deem and treat the person in whose name a Rights Certificate (or, prior to the Distribution Date, the associated Common Stock certificate) is registered as the absolute owner thereof and of



the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Rights Certificate or the associated Common Stock certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company, subject to the last sentence of Section 7(e) hereof, nor the Rights Agent shall be required to be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; *provided, however*, the Company must use its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

Section 17. Rights Certificate Holder Not Deemed a Shareholder

No holder, as such, of any Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of Units of Preferred Stock or any other securities of the Company that may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights Certificate, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Rights Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent

(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and disbursements and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability in the premises.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any Rights Certificate or certificate for Common Stock or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, instruction, consent, certificate, statement, or other paper or

document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof.

Section 19. Merger or Consolidation or Change of Name of Rights Agent

(a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; *provided, however*, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Rights Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of a predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor or in the name of the successor Rights Agent; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

Section 20. Duties of Rights Agent

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any Acquiring Person and the determination of "current market price") be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter

(unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chairman of the Board, any Vice-Chairman, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Rights Certificates or be required to verify the same (except as to its countersignature on such Rights Certificates), but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of any provision of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Rights Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor shall it be responsible for any adjustment provided for in this Agreement or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Rights Certificates after actual notice of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Preferred Stock to be issued pursuant to this Agreement or any Rights Certificate or as to whether any shares of Preferred Stock will, when so issued, be duly authorized, validly issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer. At any time the Rights Agent may apply to the Company for written instructions with respect to any matter arising in connection with the Rights Agent's duties and obligations arising under this Agreement. Such application by the Rights Agent for written instructions from the Company may at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent with respect to its duties or obligations under this Agreement and the date on and/or after which such action shall be taken and the Rights Agent shall not be liable for any action taken or omitted in accordance

with a proposal included in any such application on or after the date specified therein (which date shall be not less than one Business Day after the Company receives such application, without the Company's consent) unless, prior to taking or initiating any such action, the Rights Agent has received written instructions in response to such application specifying the action to be taken or omitted.

(h) The Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct; *provided, however*, reasonable care was exercised in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(k) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise of transfer without first consulting with the Company.

Section 21. Change of Rights Agent

The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company, and to each transfer agent of the Preferred Stock or Common Stock, by registered or certified mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Preferred Stock or Common Stock, by registered or certified mail, and to the holders of the Rights Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Rights Certificate (who shall, with such notice, submit his Rights Certificate for inspection by the

Company), then any registered holder of any Rights Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation organized and doing business under the laws of the United States or of the State of New York or the Commonwealth of Virginia (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of New York or the Commonwealth of Virginia), in good standing, having a principal office in the State of New York or the Commonwealth of Virginia, that is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by federal or state authority and that has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$100,000,000. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock, and mail a notice thereof in writing to the registered holders of the Rights Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Rights Certificates

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Rights Certificates made in accordance with the provisions of this Agreement. In addition, the Company may, if deemed necessary or appropriate by the Board of Directors of the Company, issue Rights Certificates representing the appropriate number of Rights in connection with the issuance or sale of shares of Common Stock following the Distribution Date.

Section 23. Redemption and Termination

(a) (i) The Company may, at its option, at any time prior to the earlier of (A) the Close of Business on the tenth day following the Stock Acquisition Date, or (B) the Final Expiration Date, redeem all but not less than all the then outstanding Rights (which shall not include any rights that have become void pursuant to Section 7(e) hereof) at a redemption price of \$.01 per Right, as it may be appropriately adjusted by the Board of Directors of the Company to reflect any stock split or combination, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price") and the Company may, at its option, pay the Redemption Price either in shares of Common Stock (based on the current market price (as determined pursuant to Section 11(d) hereof) per share of the Common Stock at the time of redemption) or cash; *provided, however*, that if the Board of Directors of the Company authorizes redemption of the Rights in either of the circumstances set

forth in clauses (x) and (y) below, then there must be Continuing Directors in office and such authorization shall require the concurrence of a majority of such Continuing Directors: (x) such authorization occurs on or after the date a Person becomes an Acquiring Person, or (y) such authorization occurs on or after the date of a change (resulting from a proxy solicitation) in a majority of the directors in office at the commencement of such solicitation if any Person who is a participant in such solicitation has stated (or, if upon the commencement of such solicitation, a majority of the Board of Directors of the Company has determined in good faith) that such Person (or any of its Affiliates or Associates) intends to take, or may consider taking, any action that would result in such Person becoming an Acquiring Person or that would cause the occurrence of a Triggering Event.

(ii) In addition, if there are Continuing Directors then in office, the Board of Directors may redeem all but not less than all of the then outstanding Rights at the Redemption Price with the concurrence of a majority of such Continuing Directors, following the occurrence of a Stock Acquisition Date and following the expiration of the right of redemption under clause (i) above, if either (A) (1) a Person who is an Acquiring Person shall have transferred or otherwise disposed of a number of shares of Common Stock in one transaction or a series of transactions not directly or indirectly involving the Company or any of its Subsidiaries, such that such Person is thereafter a Beneficial Owner of less than 10% of the outstanding shares of Common Stock and (2) there are no other Persons, immediately following the occurrence of the event described in clause (1), who are Acquiring Persons, or (B) in connection with the type of transaction specified in Section 13(a) hereof in which all holders of Common Stock are treated alike and not involving an Acquiring Person or an Affiliate or Associate of an Acquiring Person or any other Person in which such Acquiring Person, Affiliate or Associate has any interest, or any other Person acting directly or indirectly on behalf of or in association with any such Acquiring Person, Affiliate or Associate. Notwithstanding anything contained in this Agreement to the contrary, the Rights shall not be exercisable after the first occurrence of a Triggering Event until such time as the Company's right of redemption under clause (i) above is not exercisable.

(b) Immediately upon the action of the Board of Directors of the Company authorizing the redemption of the Rights pursuant to subsection (a) of this Section 23 and without any further action and without any notice, the right to exercise the Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive the Redemption Price for each Right so held. Promptly after the action of the Board of Directors authorizing the redemption of the Rights, the Company shall give notice of such redemption to the Rights Agent and to the holders of such Rights by mailing such notice to all such holders at each holder's last address as it appears upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Stock. Any notice that is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption shall state the method by which the payment of the Redemption Price will be effected.

Section 24. Exchange

(a) The Company may, at its option, by resolution of its Board of Directors, at any time (including a time after any Person becomes an Acquiring Person), exchange all or part of

the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to Section 7(e) hereof) for shares of Common Stock at an exchange ratio of one share of Common Stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring with respect to the Common Stock after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"); *provided, however*, under the circumstances described in the proviso to Section 23(a)(i) hereof, an Exchange shall be effective only if there are Continuing Directors and shall require the concurrence of a majority of such Continuing Directors.

(b) Immediately upon the action of the Board of Directors of the Company authorizing the exchange of the Rights pursuant to subsection (a) of this Section 24 and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of a holder of such Rights shall be to receive that number of shares of Common Stock equal to the number of Rights held by such holder multiplied by the Exchange Ratio. Promptly after the action of the Board of Directors authorizing the exchange of the Rights, the Company shall give notice of such exchange to the Rights Agent and to the holders of such Rights by mailing such notice to all such holders at each holder's last address as it appears upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Stock. Any notice that is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the shares of Common Stock for Rights will be effected.

(c) In the event that there shall not be sufficient shares of Common Stock authorized but unissued to permit the exchange in full of such Rights in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional shares of Common Stock for issuance upon exchange of the Rights. In the event the Company shall, after good faith effort, be unable to take all such action as may be necessary to authorize such additional shares of Common Stock, the Company shall substitute, for each share of Common Stock that would otherwise be issuable upon exchange of a Right, a number of shares of other equity securities of the Company or fraction thereof such that the current per share market price of one share of such other equity securities multiplied by such number or fraction is equal to the current per share market price of one share of Common Stock as of the date of issuance of such shares of such other equity securities or fraction thereof.

(d) The Company shall not be required to issue fractions of shares of Common Stock or to distribute certificates that evidence fractional shares of Common Stock. In lieu of such fractional shares of Common Stock, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional shares of Common Stock would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole share of Common Stock. For the purposes of this subsection (d), the current market value of a whole share of Common Stock shall be the closing price of a share of Common Stock (as determined pursuant to Section 11(d) hereof) for the Trading Day immediately prior to the Exchange Date.

Section 25. Notice of Certain Events

(a) In case the Company shall propose, at any time after the Distribution Date, (i) to pay any dividend payable in stock of any class to the holders of Preferred Stock or to make any other distribution to the holders of Preferred Stock (other than a regular quarterly cash dividend of the Company in compliance with Section 13.1-653 of the Virginia Stock Corporation Act), or (ii) to offer to the holders of Preferred Stock rights or warrants to subscribe for or to purchase any additional shares of Preferred Stock or shares of stock of any class or any other securities, rights or options, or (iii) to effect any reclassification of its Preferred Stock (other than a reclassification involving only the subdivision of outstanding shares of Preferred Stock), or (iv) to effect any consolidation or merger into or with any other Person (other than a Subsidiary of the Company in a transaction that complies with Section 11(m) hereof), or to effect a statutory share exchange with any Person (other than a Subsidiary of the Company in a transaction that complies with Section 11(m) hereof), or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one transaction or a series of related transactions, of more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than a Subsidiary of the Company in one or more transactions each of which complies with Section 11(m) hereof), or (v) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Rights Certificate, to the extent feasible and in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, statutory share exchange, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the shares of Preferred Stock, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 20 days prior to the record date for determining holders of the shares of Preferred Stock for purposes of such action, and in the case of any such other action, at least 20 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the shares of Preferred Stock whichever shall be the earlier.

(b) In case any Section 11(a)(ii) Event shall occur, then, in any such case, (i) the Company shall as soon as practicable thereafter give to each holder of a Rights Certificate, to the extent feasible and in accordance with Section 26 hereof, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii) hereof, and (ii) all references in the preceding paragraph to Preferred Stock shall be deemed thereafter to refer, if appropriate, not only to Preferred Stock but also to Common Stock or other securities.

Section 26. Notices

Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Rights Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:



Tredegar Corporation  
1100 Boulders Parkway  
Richmond, Virginia 23225  
Attention: Corporate Secretary

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Rights Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

American Stock Transfer & Trust Company  
6201 15th Avenue  
Brooklyn, New York 11219  
Attention: Corporate Trust Department

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Rights Certificate (or, if prior to the Distribution Date, to the holder of certificates representing shares of Common Stock) shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments

Prior to the Distribution Date and subject to the penultimate sentence of this Section 27, the Company may, and the Rights Agent shall, if the Company so directs, supplement or amend any provision of this Agreement without the approval of any holders of certificates representing shares of Common Stock. From and after the Distribution Date and subject to the penultimate sentence of this Section 27, the Company and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein that may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder (which lengthening or shortening, under the circumstances described in the proviso to Section 23(a)(i) hereof, shall be effective only if there are Continuing Directors and shall require the concurrence of a majority of such Continuing Directors), or (iv) to change or supplement the provisions hereunder in any manner that the Company may deem necessary or desirable and that shall not adversely affect the interests of the holders of Rights Certificates (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person); provided, that this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable, or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits, to the holders of Rights. Upon the delivery of a certificate from an appropriate officer of the Company that states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment. No supplement or amendment shall be made that changes the Redemption Price, the Final Expiration Date, the Purchase Price or the number of shares of Common Stock for which a Right is exercisable; *provided, however,*

that at any time prior to the Distribution Date, the Board of Directors of the Company may amend this Agreement to increase the Purchase Price or extend the Final Expiration Date. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Stock.

Section 28. Successors

All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Determinations and Actions by the Board of Directors, etc.

For all purposes of this Agreement, any calculation of the number of shares of Common Stock outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Exchange Act. The Board of Directors of the Company (and, where specifically provided for herein, the Continuing Directors) shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board, or the Company (or, where specifically provided for herein, the Continuing Directors), or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement, and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or not redeem the Rights or to amend the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board (or, where specifically provided for herein, by the Continuing Directors) in good faith, shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other parties, and (y) not subject the Board or the Continuing Directors to any liability to the holders of the Rights.

Section 30. Benefits of this Agreement

Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent, the registered holders from time to time of the Rights Certificates (and, prior to the Distribution Date, registered holders of the Common Stock) any legal or equitable right, remedy or claim under this Agreement; and this Agreement shall be for the sole and exclusive benefit of the Company and the Persons specified above.

Section 31. Severability

If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; *provided, however*, that

notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of Directors of the Company determines in its good faith judgment that severing the invalid language from this Agreement would adversely affect the purpose or effect of this Agreement, the right of redemption set forth in Section 23 hereof shall be reinstated and shall not expire until the Close of Business on the tenth day following the date of such determination by the Board of Directors.

Section 32. Governing Law

This Agreement, each Right and each Rights Certificate issued hereunder shall be deemed to be a contract made under the laws of the Commonwealth of Virginia and for all purposes shall be governed by and construed in accordance with the laws of such Commonwealth applicable to contracts made and to be performed entirely within such Commonwealth.

Section 33. Counterparts

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 34. Descriptive Headings

Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

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

**TREDEGAR CORPORATION**

By: \_\_\_\_\_  
Name:  
Title:

**AMERICAN STOCK TRANSFER & TRUST  
COMPANY**

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT A

[Form of Rights Certificate]

Certificate No. R- \_\_\_\_\_ Rights

NOT EXERCISABLE AFTER JUNE 30, 1999, OR EARLIER IF REDEEMED OR EXCHANGED BY THE COMPANY. THE COMPANY, AT ITS OPTION, MAY REDEEM THE RIGHTS EVIDENCED BY THIS CERTIFICATE AT A REDEMPTION PRICE OF \$.01 PER RIGHT OR EXCHANGE THE RIGHTS FOR SHARES OF COMMON STOCK ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES, RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON (AS SUCH TERM IS DEFINED IN THE RIGHTS AGREEMENT) AND ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID. [THE RIGHTS REPRESENTED BY THIS RIGHTS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN AFFILIATE OR AN ASSOCIATE OF AN ACQUIRING PERSON. ACCORDINGLY, THIS RIGHTS CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 7(e) OF THE RIGHTS AGREEMENT.]<sup>1</sup>

Rights Certificate

This certifies that \_\_\_\_\_, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of June \_\_, 1999 (the "Rights Agreement"), between Tredegar Corporation, a Virginia corporation (the "Company"), and American Stock Transfer & Trust Company, a New York corporation (the "Rights Agent"), to purchase from the Company at any time prior to 5:00 P.M. (Richmond, Virginia time) on June 30, 2009, at the office or offices of the Rights Agent designated for such purpose, or its successors as Rights Agent, one one-hundredth of a fully paid, non-assessable share (a "Unit") of Series A Participating Cumulative Preferred Stock (the "Preferred Stock") or other securities of the Company, at a purchase price of \$\_\_\_\_ per Unit (the "Purchase Price"), upon presentation and surrender of this Rights Certificate with the Form of Election to Purchase and related Certificate duly executed. (All capitalized terms not defined herein shall have the meaning set forth in the Rights Agreement.) The Purchase Price may be paid in cash or by certified bank check or bank draft payable to the order of the Company. The number of Rights evidenced by this Rights Certificate (and the number of shares which may be purchased upon

<sup>1</sup> The bracketed language shall be inserted only if applicable.

exercise thereof) set forth above, and the Purchase Price per share set forth above, are the number and Purchase Price as of \_\_\_\_\_, based on the Preferred Stock as constituted at such date. As provided in the Rights Agreement, the Purchase Price and the number and kind of shares of Preferred Stock or other securities that may be purchased upon the exercise of the Rights evidenced by this Rights Certificate are subject to modification and adjustment upon the happening of certain events, including Triggering Events.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Rights Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Under certain circumstances specified in Section 7(e) of the Rights Agreement, Rights that are or were owned by an Acquiring Person or an Affiliate or Associate of an Acquiring Person may become null and void and no longer exercisable by any Person (including any subsequent transferee). Copies of the Rights Agreement are on file at the above-mentioned office of the Rights Agent and are also available upon written request to the Rights Agent or the Secretary of the Corporation.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the principal office or offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Units of Preferred Stock as the Rights evidenced by the Rights Certificate or Rights Certificates surrendered then entitle such holder to purchase. If this Rights Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Company, at its option, may redeem the Rights evidenced by this Certificate at a redemption price of \$.01 per Right or exchange the Rights for shares of Common Stock.

No fractional shares of Preferred Stock will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions that are integral multiples of one one-hundredth of a share of Preferred Stock), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Rights Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of shares of Preferred Stock or of any other securities of the Company that may at any time be issuable upon the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or

otherwise, until the Right or Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signatures of the proper officers of the Company and its corporate seal.

Dated as of \_\_\_\_\_, \_\_\_\_\_

[SEAL]

ATTEST:

**TREDEGAR CORPORATION**

By: \_\_\_\_\_  
Name:  
Title:

Secretary

Countersigned:

**AMERICAN STOCK TRANSFER & TRUST  
COMPANY**

By: \_\_\_\_\_  
Name:  
Title:

[Form of Reverse Side of Rights Certificate]

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate.)

FOR VALUE RECEIVED \_\_\_\_\_ hereby sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_  
(Please print name and address of transferee)

\_\_\_\_\_  
this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney, to transfer the within Rights Certificate on the books of the within-named Company, with full power of substitution.

Dated: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
Signature

Signature Guaranteed:



Certificate

The undersigned hereby certifies by checking the appropriate boxes that:

(1) this Rights Certificate [ ] is [ ] is not being sold, assigned and transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it [ ] did [ ] did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: \_\_\_\_\_, \_\_\_\_\_ Signature \_\_\_\_\_

Signature Guaranteed:

NOTICE

The signature to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

**FORM OF ELECTION TO PURCHASE**

(To be executed if holder desires to exercise Rights represented by the Rights Certificate.)

**To: TREDEGAR CORPORATION:**

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_ Rights represented by this Rights Certificate to purchase the shares of Preferred Stock issuable upon the exercise of the Rights (or such other securities of the Company or of any other person that may be issuable upon the exercise of the Rights) and requests that certificates for such shares (or other securities) be issued in the name of and delivered to:

Please insert social security or other identifying number

\_\_\_\_\_  
(Please print name and address)

\_\_\_\_\_  
If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number

\_\_\_\_\_  
(Please print name and address)

\_\_\_\_\_  
Date: \_\_\_\_\_, \_\_\_\_

\_\_\_\_\_  
Signature

Signature Guaranteed:

Certificate

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Rights Certificate [ ] are [ ] are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it [ ] did [ ] did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: \_\_\_\_\_, \_\_\_\_\_ Signature \_\_\_\_\_

Signature Guaranteed:

NOTICE

The signature to the foregoing Election to Purchase and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

## EXHIBIT B

### SUMMARY OF RIGHTS TO PURCHASE PREFERRED STOCK

On May 20, 1999, the Board of Directors of Tredegar Corporation, a corporation organized under the laws of Virginia (the "Company"), approved a Rights Agreement, dated as of and to be effective as of June \_\_, 1999 (the "Rights Agreement"), between the Company and American Stock Transfer & Trust Company, as Rights Agent, having the principal terms summarized below. In accordance with the Rights Agreement, the Board also declared a dividend distribution of one Right for each outstanding share of common stock (the "Common Stock"), of the Company to shareholders of record at the Close of Business on June 18, 1999 (the "Record Date").

Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of the Company's Series A Participating Cumulative Preferred Stock ("Preferred Stock"). Each one one-hundredth of a share (a "Unit") of Preferred Stock is structured to be the equivalent of one share of Common Stock of the Company ("Common Stock"). Shareholders will receive one Right per share of Common Stock held of record at the Close of Business on the Record Date. The exercise price of the Right will be \$150 subject to adjustment (the "Purchase Price").

Rights will also attach to shares of Common Stock issued after the Record Date but prior to the Distribution Date unless the Board of Directors determines otherwise at the time of issuance. The description and terms of the Rights are set forth in the Rights Agreement.

The Rights will be appurtenant to the shares of Common Stock and will be evidenced by Common Stock certificates, and no separate certificates evidencing the Rights (the "Rights Certificates") will be distributed initially. The Rights will separate from the Common Stock and a distribution of the Rights Certificates will occur (the "Distribution Date") upon the earlier of (i) 10 business days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 10% or more of the outstanding shares of Common Stock (the "Stock Acquisition Date"), or (ii) 10 business days following the commencement of a tender offer or exchange offer that would result in a person or group beneficially becoming an Acquiring Person. Until the Distribution Date, (i) the Rights will be evidenced by the Common Stock certificates and will be transferred with and only with such Common Stock certificates, (ii) any Common Stock certificates issued after June 30, 1999, will contain a legend incorporating the Rights Agreement by reference and (iii) the surrender for transfer of any certificates for Common Stock outstanding will also constitute the transfer of the Rights associated with the Common Stock represented by such certificates.

The Rights are not exercisable until the Distribution Date and will expire at the Close of Business on June 30, 2009, unless earlier redeemed or exchanged by the Company as described below. As soon as practicable after the Distribution Date, Rights Certificates will be mailed to holders of record of the Common Stock as of the Close of Business on the Distribution Date, and thereafter such separate Rights Certificates alone will represent the Rights.

While each Right will initially provide for the acquisition of one Unit of Preferred Stock at the Purchase Price, the Agreement provides that if any person becomes an Acquiring Person, proper provision shall be made so that each holder of a Right (except as set forth below) will thereafter have the right to receive, upon exercise and payment of the Purchase Price, Preferred Stock or, at the option of the Company, Common Stock (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to twice the amount of the Purchase Price.

In the event that, at any time following the Stock Acquisition Date, (i) the Company is acquired in a merger, statutory share exchange, or other business combination in which the Company is not the surviving corporation, or (ii) 50% or more of the Company's assets or earning power is sold or transferred, each holder of a Right (except as set forth below) shall thereafter have the right to receive, upon exercise and payment of the Purchase Price, common stock of the acquiring company having a value equal to twice the Purchase Price. The events set forth in this paragraph and in the immediately preceding paragraph are referred to as the "Triggering Events."

Upon the occurrence of a Triggering Event that entitles Rights holders to purchase securities or assets of the Company, Rights that are or were owned by the Acquiring Person, or any affiliate or associate of such Acquiring Person, on or after such Acquiring Person's Stock Acquisition Date shall be null and void and shall not thereafter be exercised by any person (including subsequent transferees). Upon the occurrence of a Triggering Event that entitles Rights holders to purchase common stock of a third party, or upon the authorization of an Exchange, Rights that are or were owned by any Acquiring Person or any affiliate or associate of any Acquiring Person on or after such Acquiring Person's Stock Acquisition Date shall be null and void and shall not thereafter be exercised by any person (including subsequent transferees).

The Purchase Price payable, and the number of shares of Preferred Stock, Common Stock or other securities or property issuable upon exercise of the Rights are subject to adjustment from time to time to prevent dilution.

At any time (including a time after any person becomes an Acquiring Person), the Company may exchange all or part of the Rights (except as set forth below) for shares of Common Stock (an "Exchange") at an exchange ratio of one share per Right, as appropriately adjusted to reflect any stock split or similar transaction.

At any time until ten days following the Stock Acquisition Date, the Company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price"). Under certain circumstances set forth in the Rights Agreement, the decision to make an Exchange or to redeem the Rights shall require the concurrence of a majority of the Continuing Directors (as defined below). Additionally, the Company may thereafter but prior to the occurrence of a Triggering Event redeem the Rights in whole, but not in part, at the Redemption Price provided that such redemption is incidental to a merger or other business combination transaction involving the Company that is approved by a majority of the Continuing Directors, does not involve an Acquiring Person, and in which all holders of Common Stock are treated alike. After the redemption period has expired, the Company's right of redemption may be

reinstated if an Acquiring Person reduces his beneficial ownership to less than 10% of the outstanding shares of Common Stock in a transaction or series of transactions not involving the Company. Immediately upon the action of the Board ordering redemption of the Rights, with, where required, the concurrence of the Continuing Directors, the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The term "Continuing Directors" means any member of the Board who was a member of the Board immediately before the adoption of the Rights Agreement, and any person who is subsequently elected to the Board if such person is recommended or approved by a majority of the Continuing Directors, but does not include an Acquiring Person, or an affiliate or associate of an Acquiring Person, or any representative of the foregoing entities.

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to shareholders or to the Company, shareholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Preferred Stock (or other consideration) of the Company or for common stock of the acquiring company as set forth above.

Other than certain provisions relating to the principal economic terms of the Rights, any of the provisions of the Rights Agreement may be amended by the Board prior to the Distribution Date. After the Distribution Date, the provisions of the Rights Agreement may be amended by the Board (in certain circumstances, only with the concurrence of the Continuing Directors) in order to cure any ambiguity, to make certain other changes that do not adversely affect the interests of holders of Rights (excluding the interests of any Acquiring Person), or to shorten or lengthen any time period under the Rights Agreement; *provided, however*, no amendment to adjust the time period governing redemption may be made at such time as the Rights are not redeemable.

**REORGANIZATION AND DISTRIBUTION**

**AGREEMENT**

**BY AND BETWEEN**

**ETHYL CORPORATION**

**AND**

**TREDEGAR INDUSTRIES, INC.**

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**REORGANIZATION AND  
DISTRIBUTION AGREEMENT**

REORGANIZATION AND DISTRIBUTION AGREEMENT, dated as of June 1, 1989, by and between ETHYL CORPORATION, a Virginia corporation ("Ethyl"), and its wholly owned subsidiary, TREDEGAR INDUSTRIES, INC., a Virginia corporation ("Tredegar").

WHEREAS, the Ethyl Board has determined it is appropriate and desirable to separate Ethyl and certain of its divisions and subsidiaries into two companies by consolidating the plastics, aluminum and energy businesses currently conducted by its VisQueen Division and certain subsidiaries into Tredegar and distributing all outstanding shares of Tredegar Common Stock on a pro rata basis to the holders of Ethyl Common Stock; and

WHEREAS, Ethyl and Tredegar have determined that it is necessary and desirable to set forth the principal corporate transactions required to effect such separation and such distribution and to set forth other agreements that will govern certain other matters following such distribution.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, the parties hereby agree as follows:



## ARTICLE I

### DEFINITIONS

Section 1.01 General. As used in this Agreement and the Ancillary Agreements, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

Action: any action, suit, arbitration, inquiry, proceeding or investigation by or before any court, any governmental or other regulatory or administrative agency or commission or any arbitration tribunal.

Affiliate: as defined in Rule 405 promulgated under the Securities Act of 1933, as such Rule is in effect on the date hereof.

Ancillary Agreements: all of the agreements, instruments, understandings, assignments or other arrangements entered into in connection with the transactions contemplated hereby, including, without limitation, the Conveyancing and Assumption Instruments, the Benefits Agreement, the Master Services Agreement, the Credit Agreement, the Tax Sharing Agreement, and the Indemnification Agreement.

Benefits Agreement: the Employee Benefits Agreement dated as of the date of this Agreement between Ethyl and Tredegar, a copy of which is attached hereto as Exhibit A.

Code: the Internal Revenue Code of 1986, as amended, or any successor legislation.

Commission: the Securities Exchange Commission.

Conveyancing and Assumption Instruments: collectively, the various agreements, instruments and other documents, in form and substance mutually satisfactory to Ethyl and Tredegar, to be entered into effect the transfer of assets and the assumption of Liabilities in the manner contemplated by this Agreement and other Ancillary Agreements.

Credit Agreement: the Credit agreement pursuant to which Tredegar will, prior to the Distribution Date, borrow funds for the payment of the amounts contemplated by Section 2.01(a) and for working capital requirements after the Distribution.

Distribution: the distribution to holders of Ethyl Common Stock pursuant to Section 4.03 of the shares of Tredegar Common Stock owned by Ethyl on the Distribution Date, less fractional shares allocable to such holders.

Distribution Agent: the distribution agent for the shareholders of Ethyl, as appointed by Ethyl, to distribute shares of Tredegar Common Stock pursuant to the Distribution.

Distribution Date: the close of business on the date determined by the Ethyl Board as of which the Distribution shall be affected.

Ethyl Board: the Board of Directors of Ethyl.

Ethyl Businesses: the businesses, assets and operations of Ethyl and the Ethyl Subsidiaries as heretofore, currently or hereafter conducted (other than such businesses, assets, operations and subsidiaries as will become part of the Tredegar Businesses hereunder), including, without limitation, all businesses, assets or operations managed or operated by, or operationally related to, any of such businesses, that have been sold or otherwise disposed of or discontinued prior to the Distribution Date.

Ethyl Common Stock: the Common Stock, par value \$1.00 per share, of Ethyl.

Ethyl Liabilities: all of (i) the Liabilities of Ethyl under this Agreement or any of the Ancillary Agreements to which

Ethyl is or becomes a party, and (ii) the Liabilities relating to any of the Ethyl Businesses.

Ethyl Policies: all insurance policies or binders held by or on behalf of, or providing coverage for, Ethyl (which coverage includes the Ethyl Subsidiaries, Tredegar and the Tredegar Subsidiaries for periods prior to the Distribution Date) or any director, officer or other employee thereof.

Ethyl Subsidiary: any subsidiary of Ethyl other than Tredegar or any Tredegar Subsidiary.

Exchange Act: the Securities Exchange Act of 1934, as amended.

Exchange Ratio: the ratio of one share of Tredegar Common Stock for every ten shares of Ethyl Common Stock or such other ratio determined by Ethyl and Tredegar to be the number of shares (or fraction of a share) of Tredegar Common Stock to be distributed in the Distribution for each share of Ethyl Common Stock.

Form 10: the registration statement on Form 10 to be filed by Tredegar with the Commission to effect the registration of the Tredegar Common Stock pursuant to the Exchange Act.

Information: records, books, contracts, instruments, computer data and other data and information.

Indemnification Agreement: the Indemnification Agreement, dated as of the date of this Agreement, between Ethyl and Tredegar, a copy of which is attached hereto as Exhibit E.

Information Statement: the information statement to be sent to the holders of Ethyl Common Stock in connection with the Distribution in substantially the form attached hereto as Exhibit G.

IRS: the Internal Revenue Service.

Liabilities: any and all debts, liabilities and obligations, absolute or contingent, matured or not matured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising (unless otherwise specified in this Agreement), including all costs and expenses relating thereto, and including, without limitation, those debts, liabilities and obligations arising under this Agreement, the Ancillary Agreements, any law, rule, regulation, Action, threatened Action, order or consent decree of any governmental entity or any award of any arbitrator of any kind, and those arising under any contract, commitment or undertaking.

Master Services Agreement: the Master Services Agreement, dated as of the date of this Agreement, between Ethyl and Tredegar, a copy of which is attached hereto as Exhibit F.

NYSE: the New York Stock Exchange.

Record Date: the close of business on June 30, 1989 or such later date as is determined by the Ethyl Board or the Executive Committee of the Ethyl Board as the record date for the Distribution.

Subsidiaries: the term “subsidiaries” as used herein with respect to any entity shall, unless otherwise indicated, be deemed to refer to both direct and indirect subsidiaries of such entity.

Tax Sharing Agreement: the Tax Sharing Agreement, dated as of the date hereof, between Tredegar and Ethyl, a copy of which is attached hereto as Exhibit D.

Tredegar Assets: collectively, all of the assets of Ethyl to be transferred to Tredegar (including the capital stock of the Tredegar Subsidiaries that are presently first-tier subsidiaries of Ethyl), as identified on Schedule I.

Tredegar Board: the Board of Directors of Tredegar.

Tredegear Businesses: the businesses, assets and operations of Ethyl's plastics, aluminum and energy businesses, including, without limitation, those businesses heretofore, currently or hereafter conducted by Ethyl's VisQueen Division, Tredegear and the Tredegear Subsidiaries, including, without limitation, all businesses, assets or operations managed or operated by, or operationally related to, any of such businesses that have been sold or otherwise disposed of or discontinued prior to the Distribution Date.

Tredegear By-Laws: the By-Laws of Tredegear, substantially in the form of Exhibit B, to be in effect at the Distribution Date.

Tredegear Charter: the Restated and Amended Articles of Incorporation of Tredegear, substantially in the form of Exhibit C, to be in effect at the Distribution Date.

Tredegear Common Stock: the Common Stock of Tredegear.

Tredegear Employee: any individual who, on or immediately prior to the Distribution Date, was employed by Ethyl or any of its subsidiaries and who, on or after the Distribution Date, or otherwise in connection with the Distribution, is employed by Tredegear or a Tredegear Subsidiary or in a Tredegear Business.

Tredegar Liabilities: all of (i) the Liabilities of Tredegar under this Agreement or any of the Ancillary Agreements to which Tredegar is or becomes a party, and (ii) the Liabilities relating to any of the Tredegar Businesses.

Tredegar Policies: all insurance policies or binders held by or on behalf of Tredegar or the Tredegar Subsidiaries or any director, officer or other employee thereof.

Tredegar Subsidiary: each subsidiary of Ethyl listed on Schedule 1.01 that effective as of June 1, 1989, or otherwise in connection with the Distribution, will be or is contemplated to be a subsidiary of Tredegar.

Section 1.02 Exhibits, Etc. Reference to an "Exhibit" or to a "Schedule" are, unless otherwise specified, to one of the Exhibits or Schedules attached to this Agreement, and references to a "Section" are, unless otherwise specified, to one of the Sections of this Agreement.

## ARTICLE II

### **REORGANIZATION AND RELATED TRANSACTIONS**

Section 2.01 Financing.

(a) Dividend Payment. In addition to cash dividends regularly paid to Ethyl by the Tredegar Subsidiaries, in



connection with the Distribution and not later than the Distribution Date Tredegar shall pay in the form of an additional cash dividend to Ethyl an aggregate of \$100 million, which funds Ethyl shall pay to New York Life Insurance Company, The Prudential Life Insurance Company of America, The Equitable Life Assurance Society of the United States and The Northwestern Mutual Life Insurance Company (collectively, the "Insurance Companies") on October 1, 1989 in partial satisfaction of Ethyl's indebtedness to the Insurance Companies, which is due on that date. The funds to be paid by Ethyl to the Insurance Companies shall be segregated from Ethyl's other assets until such payments.

(b) Elimination of Intercompany Accounts as of the Distribution Date. All intercompany receivables, payables and loans in existence as of the Distribution Date between Tredegar and the Tredegar Subsidiaries, on the one hand, and Ethyl and the Ethyl Subsidiaries, on the other hand, shall be eliminated, as of the Distribution Date, by dividend, return of capital or capital contributions, as appropriate. All such dividends, returns of capital, and capital contributions shall be made to Ethyl or Tredegar, as appropriate.

(c) Cash Management and Intercompany Accounts After the Distribution Date. Ethyl and Tredegar shall establish and maintain a separate cash management system with respect to the Tredegar Businesses effective immediately after the Distribution Date. Thereafter, (i) any payments by Ethyl or an Ethyl Subsidiary on behalf of Tredegar or a Tredegar Subsidiary or otherwise, in connection with the Tredegar Businesses or the Tredegar Employees (including, without limitation, any such payments in respect of Liabilities or other obligations of Tredegar or a Tredegar Subsidiary under the Profits Agreement) shall be recorded in the accounts of Ethyl as a receivable from Tredegar to Ethyl; and any payments by Tredegar or a Tredegar Subsidiary on behalf of Ethyl or an Ethyl Subsidiary or otherwise, in connection with businesses other than Tredegar Businesses or in connection with employees other than Tredegar Employees (including, without limitation any such payments in respect to Liabilities or other obligations of Ethyl or an Ethyl Subsidiary under the Benefits Agreement) shall be recorded in the accounts of Tredegar as a receivable from Ethyl to Tredegar. After the Distribution Date, checks payable to Tredegar or a Tredegar Subsidiary, but received by Ethyl or an Ethyl Subsidiary, will be forwarded promptly to Tredegar. Checks payable to Ethyl or an Ethyl Subsidiary, but received by

Tredegar or a Tredegar Subsidiary, will be forwarded promptly to Ethyl. The proceeds of checks payable to, and received by, Ethyl or an Ethyl Subsidiary but for the benefit of a Tredegar Business, shall be remitted promptly to Tredegar. The proceeds of checks payable to, and received by, Tredegar or a Tredegar Subsidiary, but for the benefit of an Ethyl Business, shall be remitted promptly to Ethyl.

Section 2.02 Reorganization of Operations.

(a) Transfer of Tredegar Assets. Ethyl shall transfer to Tredegar in accordance with Section 2.05 all of Ethyl's right, title and interest in the Tredegar assets.

(b) Issuance of Tredegar Common Stock. Tredegar shall issue to Ethyl, prior to the Distribution Date, a number of shares of Tredegar Common Stock determined by multiplying the number of shares of Ethyl Common Stock outstanding on the Record Date by the Exchange Ratio and rounding up to the nearest share, reduced by the number of shares of Tredegar Common Stock then held by Ethyl.

Section 2.03 Transfers Not Effected Prior to the Distribution; Transfers Deemed Effective as of the Distribution Date. To the extent that any transfers and assumptions

contemplated by this Article II and Article III shall not have been consummated prior to the Distribution Date, the parties shall cooperate to effect such transfers as promptly following the Distribution Date as shall be practicable, it nonetheless being agreed and understood by the parties that neither party shall be liable in any manner to the other party for any failure of any of the transfers contemplated by this Article II or Article III to be consummated prior to the Distribution Date. Nothing herein shall be deemed to require the transfer of any assets or the assumption of any Liabilities which by their terms or operation of law cannot be transferred or assumed; provided, however, that Ethyl and Tredegar and their respective subsidiaries shall cooperate to seek to obtain all necessary consents and approvals for the transfer of all assets and Liabilities contemplated to be transferred pursuant to this Article II and Article III. In the event that any such transfer of assets or Liabilities has not been consummated, effective as of and after the Distribution Date, the party retaining such asset or Liability shall thereafter hold such asset for the party entitled thereto (at the expense of the party entitled thereto) and retain such Liability for the account of the party by whom such Liability is to be assumed, and take such other action as may be reasonably requested by the party to whom such

asset is to be transferred, or by whom such Liability is to be assumed, as the case may be, in order to place such party insofar as reasonably possible, in the same position as would have existed had such asset or Liability been transferred as of the Distribution Date. As and when any such asset or Liability becomes transferable, such transfer immediately shall be effected. The parties agree that, as of the Distribution Date, each party hereto shall be deemed to have assumed in accordance with the terms of this Agreement and the Ancillary Agreements all of the Liabilities, and all duties, obligations and responsibilities incident thereto, which such party is required to assume pursuant to the terms hereof and thereof.

Section 2.04 No Representations or Warranties; Consents. Each party hereto understands and agrees that neither party hereto is, in this Agreement or in any other agreement or document contemplated by this Agreement or otherwise, representing or warranting in any way (i) as to the value or freedom from encumbrance of, or any other matter concerning, any assets of such party or (ii) as to the legal sufficiency to convey title to any asset or the execution, delivery and filing of this Agreement or any Ancillary Agreement, including, without limitation, any Conveyancing or Assumption Instruments, it being

agreed and understood that all such assets are being transferred “as is, where is” and that the party to which such assets are to be transferred hereunder shall bear the economic and legal risk that any conveyances of such assets shall prove to be insufficient or that such party or any of its subsidiaries’ title to any such assets shall be other than good and marketable and free from encumbrances. Similarly, each party hereto understands and agrees that neither party hereto is, in this Agreement or in any other agreement or document contemplated by this Agreement or otherwise, representing or warranting in any way that the obtaining of any consents or approvals, the execution and delivery of any amendatory agreements and the making of any filings or applications contemplated by this Agreement will satisfy the provisions of any or all applicable laws or judgments, it being agreed and understood that the party to which any assets are transferred shall bear the economic and legal risk that any necessary consents or approvals are not obtained or that any requirements of law or judgments are not complied with. Notwithstanding the foregoing, the parties shall use reasonable efforts to obtain all consents and approvals to enter into all amendatory agreements and to make all filings and applications that may be required for the consummation of the transactions contemplated by this Agreement, including, without

limitation, all applicable regulatory filings or consents under federal or state environmental laws and the consents, approvals, agreements, filings and applications specified in Schedule 2.04.

Section 2.05 Conveyancing and Assumption Instruments. In connection with the transfers of assets other than capital stock and the assumptions of Liabilities contemplated by this Agreement, the parties shall execute or cause to be executed by the appropriate entities the Conveyancing and Assumption Instruments in such forms as the parties shall agree. The transfer of capital stock shall be effected by means of delivery of stock certificates and executed stock powers and notation on the stock record books of the corporation or other legal entity involved and, to the extent required by applicable law, by notation on public registries.

### **ARTICLE III**

#### **ASSUMPTION AND SATISFACTION OF LIABILITIES**

Section 3.01 Liabilities. Except as provided in the Ancillary Agreements and in the Exhibits hereto, Tredegar shall assume, pay, perform and discharge in accordance with their terms all Tredegar Liabilities, whether heretofore or hereafter arising or incurred, and Ethyl shall pay, perform and discharge

in accordance with their terms all Ethyl Liabilities, whether heretofore or hereafter arising or incurred.

#### **ARTICLE IV**

##### **THE DISTRIBUTION**

###### **Section 4.01 Cooperation Prior to the Distribution.**

(a) Ethyl and Tredegar shall prepare, and Ethyl shall mail to the holders of Ethyl Common Stock as of the Record Date, the Information Statement, which shall set forth appropriate disclosure concerning Tredegar, the Distribution and any other matters. Ethyl and Tredegar shall also prepare, and Tredegar shall file with the Commission, the Form 10, which shall include or incorporate by reference the Information Statement. Ethyl and Tredegar shall use reasonable efforts to cause the Form 10 to become effective under the Exchange Act.

(b) Ethyl and Tredegar shall cooperate in preparing, filing with the Commission and causing to become effective any registration statements or amendments thereof which are appropriate to reflect the establishment of or amendments to any employee benefit and other plans contemplated by the Benefits Agreement.



(c) Ethyl and Tredegar shall take all such action as may be necessary or appropriate under the securities or blue sky laws of states or other political subdivisions of the United States in connection with the transactions contemplated by this Agreement and the Ancillary Agreements.

(d) Tredegar shall prepare, and Tredegar shall file and pursue, an application to permit listing of the Tredegar Common Stock on the NYSE.

Section 4.02 Ethyl Board Action; Conditions Precedent to the Distribution. The Ethyl Board shall, in its discretion, establish the Record Date and the Distribution Date and any appropriate procedures in connection with the Distribution. In no event shall the Distribution occur (i) if at the Distribution Date the ruling from the IRS as heretofore received by Ethyl and dated May 4, 1989 (the "Ruling") shall not be in full force and effect, or shall have been modified or amended in any respect adversely affecting the tax consequences set forth in the Ruling or (ii) prior to such time as the following conditions shall have been satisfied:

(i) the transactions contemplated by Sections 2.01 and 2.02 shall have been consummated in all material respects;

(ii) the Tredegar Common Stock shall have been approved for listing on the NYSE subject to official notice of issuance.

(iii) the Tredegar Board, comprised as contemplated by Section 6.01, shall have been elected by Ethyl, as sole shareholder of Tredegar, and the Tredegar Charter and Tredegar By-Laws shall have been adopted and shall be in effect; and

(iv) the Form 10 shall have been declared effective by the Commission or become effective under the Exchange Act;

provided, however, that the satisfaction of such conditions shall not create any obligation on the part of Ethyl or any other party hereto to effect the Distribution or in any way limit Ethyl's power of termination set forth in Section 9.08 or alter the consequences of any such termination from those specified in such Section.

Section 4.03 The Distribution. On the Distribution Date, subject to the conditions and rights of termination set forth in this Agreement, Ethyl shall deliver to the Distribution Agent a

certificate representing all of the then outstanding shares of Tredegar Common Stock held by Ethyl and shall instruct the Distribution Agent to distribute, as soon as practicable following the Distribution Date, certificates representing such Tredegar Common Stock, and cash in lieu of fractional shares calculated in accordance with Section 4.04, to holders of record of Ethyl Common Stock on the Record Date. Tredegar agrees to provide all certificates that the Distribution Agent shall require in order to effect the Distribution.

Section 4.04 Fractional Shares. The Distribution Agent shall be directed to determine the number of whole shares and fractional shares of Tredegar Common Stock allocable to each holder of record of Ethyl Common Stock as of the close of business on the Record Date who is not a participant in Ethyl's Dividend Reinvestment Plan. The Distribution Agent shall also determine the number of whole shares and fractional shares of Tredegar Common Stock allocable to each participant in Ethyl's Dividend Reinvestment Plan based upon the aggregate number of shares of Ethyl Common Stock credited to such participant's account under such plan and any additional shares of Ethyl Common Stock held in such participant's name as of the close of business on the Record Date. Upon the Distribution Agent's

determination of the aggregate number of such fractional shares, Tredegar shall purchase from the Distribution Agent, acting on behalf of the holders thereof, all of such fractional shares at a per share price equal to the average closing price of one share of Tredegar Common Stock on the NYSE on the tenth through the twentieth trading days after the initiation of regular way settlement trading of Tredegar Common Stock on the NYSE.

## **ARTICLE V**

### **INDEMNIFICATION**

Prior to the Distribution Date, the parties shall execute and deliver to each other the Indemnification Agreement in the form attached hereto as Exhibit E.

## **ARTICLE VI**

### **CERTAIN ADDITIONAL MATTERS**

Section 6.01 The Tredegar Board. Tredegar and Ethyl shall take all actions that may be required to elect or otherwise appoint, as of the Distribution Date, the following persons as directors of Tredegar: Richard W. Goodrum, Bruce C. Gottwald, Floyd D. Gottwald, Jr., John D. Gottwald, Andre B. Lacy, James F. Miller, Emmett J. Rice, W. Thomas Rice and Norman A. Scher.

Section 6.02 Resignations. Tredegar shall cause all Tredegar Employees to resign, effective as of the Distribution Date, from all boards of directors or similar governing bodies of Ethyl or any Ethyl Subsidiary on which they serve, and from all positions as officers of Ethyl or any Ethyl Subsidiary in which they serve. Ethyl shall cause all of its and its subsidiaries employees and directors to resign effective as of the Distribution Date from all boards of directors or similar governing bodies of Tredegar or any Tredegar Subsidiary on which they serve, and from all positions as officers of Tredegar or any Tredegar Subsidiary in which they serve (other than Tredegar Employees and those directors of Ethyl who will continue to serve as directors of Tredegar pursuant to Section 6.01).

Section 6.03 Tredegar Charter and By-Laws. Prior to the Distribution Date, the restatement and amendment of the Tredegar Charter and the amended Tredegar By-Laws shall have been adopted and the restatement and amendment of the Tredegar Charter shall have been made effective by the State Corporation Commission of the Commonwealth of Virginia.

Section 6.04 Certain Post-Distribution Transactions. Following the Distribution Date, Tredegar shall, and shall cause each Tredegar Subsidiary to, (i) comply with each representation

and statement made, or to be made, to any taxing authority in connection with any ruling obtained, or to be obtained, by Ethyl and/or Ethyl and Tredegar acting together, from any such taxing authority with respect to any transaction contemplated by this Agreement and (ii) take no action that would jeopardize the tax-free status of the Distribution for federal income tax purposes. In the event that during the three year period following the Distribution Date Tredegar desires to restructure its business in a manner, or take any other action, that might cause a material change in any such representation or statement, it must obtain the advance written consent of Ethyl. Such consent shall not be unreasonably withheld if Ethyl either receives a supplemental private letter ruling from the IRS or an opinion of counsel satisfactory to Ethyl that such action does not affect adversely the tax-free status of the Distribution. At Tredegar's request and expense, Ethyl shall seek such a ruling as expeditiously as practicable with the full participation of Tredegar, provided that in Ethyl's opinion (i) there is a reasonable basis for the ruling requested and (ii) seeking such a ruling would not interfere with, or delay, any other action Ethyl has pending or currently under consideration.

Section 6.05 Use of Ethyl Name. Any existing printed material, signs or graphics displaying any affiliation or connection of Tredegar or any Tredegar Subsidiary with Ethyl or an Ethyl Subsidiary may be used by such Tredegar Subsidiary only so long as necessary but in no event after the date more than six months after the Distribution Date. On and after the Distribution Date, Tredegar and the Tredegar Subsidiaries shall not otherwise represent to third parties that any of them is affiliated with Ethyl or an Ethyl Subsidiary. Promptly following the Distribution Date, Tredegar shall cause the names of the Tredegar Subsidiaries (Ethyl Molded Products Company, Ethyl Oil and Gas Corporation, Ethyl Petroleum Corporation, Ethyl Properties, Inc. and Ethyl VisQueen Inc.) to be changed to eliminate the word Ethyl from their names.

## **ARTICLE VII**

### **ACCESS TO INFORMATION AND SERVICES**

Section 7.01 Provision of Corporate Records. Ethyl shall arrange as soon as practicable following the Distribution Date for the transportation at Tredegar's cost to Tredegar of existing corporate records in its possession relating to the Tredegar Businesses. Such records shall be the property of Tredegar, but shall be available to Ethyl for review and

duplication until Ethyl shall notify Tredegar in writing that such records are no longer of use to Ethyl.

Section 7.02 Access to Information. From and after the Distribution Date, each party hereto shall afford to the other party and the other party's authorized accountants, counsel and other designated representatives reasonable access (including using reasonable efforts to give access to persons or firms possessing information) and duplicating rights during normal business hours to all Information within such party's possession relating to the other party's businesses, insofar as such access is reasonably required by the other party.

Section 7.03 Provision of Services. In addition to any services contemplated to be provided following the Distribution Date by the Master Services Agreement or any subsidiary agreement thereto or any other Ancillary Agreement, each party shall make available to the other party during normal business hours and in a manner that will not unreasonably interfere with such party's business, its financial, tax, accounting, legal, employee benefits and similar staff and services (collectively "Services") whenever and to the extent that they may be reasonably required in connection with the preparation of tax returns, audits, claims, litigation or administration of



employee benefit plans, and otherwise to assist in effecting an orderly transition following the Distribution.

Section 7.04 Reimbursement. Except to the extent otherwise contemplated by the Master Services Agreement or any other Ancillary Agreement, a party providing Information or Services to the other party under this Article VII shall be entitled to receive from the recipient, upon the presentation of invoices therefor, payments for such amounts, relating to supplies, disbursements and other expenses, as may be reasonably incurred in providing such Information or Services.

Section 7.05 Retention of Records. Except as otherwise required by law or agreed to in writing, each party shall retain, and shall cause its subsidiaries to retain, all Information relating to the other party (not transferred to such other party) and the other party's subsidiaries to the same extent as such party retains Information relating to such party and its subsidiaries.

Section 7.06 Confidentiality. To the extent it can reasonably do so, each of Ethyl and the Ethyl Subsidiaries on the one hand, and Tredegar and the Tredegar Subsidiaries on the other hand, shall hold, and shall cause its consultants and

advisors to hold, in strict confidence, all Information concerning the other in its possession or furnished by the other or the other's representatives pursuant to this Agreement (except to the extent that such Information has been (a) in the public domain through no fault of such party or (b) later lawfully acquired from other sources by such party), and each party shall not release or disclose such Information to any other person, except its auditors, attorneys, financial advisors, bankers and other consultants and advisors, unless compelled to disclose by judicial or administrative process or, as advised by its counsel, by other requirements of law.

## **ARTICLE VIII**

### **INSURANCE**

Section 8.01 Claims and Insurance Policies. The parties agree that (i) where any Tredegar Liability is specifically covered under an Ethyl Policy, then Tredegar may claim under such Policy as and to the extent such coverage is available; and (ii) where any Ethyl Liability is specifically covered under a Tredegar Policy, then Ethyl may claim under such Policy as and to the extent such coverage is available. Ethyl, for Ethyl Liabilities, and Tredegar, for Tredegar Liabilities, each shall bear and be responsible for any deductible or retention or

obligation to indemnify any insurance carrier relating to any claims for which such party has coverage. Ethyl's designated insurance representatives will continue to manage all claims made under the Ethyl Policies in accordance with Ethyl's customary practices. Tredegar's designated insurance representatives will manage all claims made under the Tredegar Policies. As to claims made by one party covered by insurance policies of the other party, each party shall, and shall cause each of its Affiliates to, cooperate fully with the other party and the other party's designated insurance representatives, including providing necessary documentation, assistance and, where appropriate, testimony.

## **ARTICLE IX**

### **MISCELLANEOUS**

Section 9.01 Complete Agreement; Construction. This Agreement, including the Schedules and Exhibits and the Ancillary Agreements and other agreements and documents referred to herein, shall constitute the entire agreement among the parties with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter. Notwithstanding any other provisions in this Agreement to the contrary, in the event and

to the extent that there shall be a conflict between the provisions of this Agreement and the provisions of any Conveyancing and Assumption Instrument or other instrument of assumption, the Benefits Agreement, the Tax Sharing Agreement, the Indemnification Agreement or the Master Services Agreement, the provisions of the Conveyancing and Assumption Instrument or other instrument of assumption, the Benefits Agreement, the Tax Sharing Agreement, the Indemnification Agreement or the Master Services Agreement, as the case may be, shall control.

Section 9.02 Survival of Agreements. Except as otherwise contemplated by this Agreement and the Ancillary Agreements, all covenants and agreements of the parties contained in this Agreement and in the Ancillary Agreements shall survive the Distribution Date.

Section 9.03 Expense. Except as otherwise set forth in this Agreement or any Ancillary Agreement, each party shall bear its own costs and expenses in connection with the preparation, execution, delivery and implementation of this Agreement and the Ancillary Agreements and with the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements. Notwithstanding the provisions of Section 2.01(b) of this Agreement, to the extent Ethyl pays expenses

appropriately assignable to the organization of Tredegar and the transfers contemplated by this Agreement, such payment shall constitute a loan from Ethyl to Tredegar, which loan Tredegar shall repay to Ethyl upon written demand.

Section 9.04 Governing Law. This Agreement and the Ancillary Agreements shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to the principles of conflicts of laws thereof.

Section 9.05 Notices. All notices and other communications hereunder and under any of the Ancillary Agreements shall be in writing and shall be delivered by hand or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice) and shall be deemed given on the date on which such notice is received:

to Ethyl:

Ethyl Corporation  
330 South Fourth Street  
Richmond, Virginia 23219  
Attention: Chief Financial Officer

to Tredegar:

Tredegar Industries, Inc.

until September 30, 1989:

701 East Byrd Street  
Richmond, Virginia 23219

after September 30, 1989:

1100 Boulders Parkway  
Richmond, Virginia 23225

Attention: President

Section 9.06 Amendments. This Agreement and the Ancillary Agreements may not be modified or amended except by an agreement in writing signed by the parties.

Section 9.07 Successors and Assigns. This Agreement and the Ancillary Agreements and all of the provisions hereof and thereof shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

Section 9.08 Termination. The Distribution may be abandoned at any time prior to the Distribution Date by and in the sole discretion of the Ethyl Board without the approval of Tredegar or of Ethyl's shareholders. In the event of the Distribution is abandoned at any time prior to the Distribution Date, this Agreement and the Ancillary Agreements shall be terminated. In the event of such termination, neither party shall have any liability of any kind to any other party.

Section 9.09 Subsidiaries. Each of the parties hereto shall cause to be performed, and hereby guarantees the

performance of, all actions, agreements and obligations set forth herein to be performed by any subsidiary of such party that is contemplated by this Agreement and the Ancillary Agreements to be a subsidiary of such party on and after the Distribution Date.

Section 9.10 No Third Party Beneficiaries. Except for the provisions of the Indemnification Agreement relating to Indemnitees (as defined therein) and Section 9.07 of this Agreement, this Agreement and the Ancillary Agreements are solely for the benefit of the parties hereto and their respective subsidiaries and their Affiliates and shall not be deemed to confer upon third parties any remedy, claim, Liability, reimbursement, claim of action or other right.

Section 9.11 Titles and Headings. Titles and headings to sections herein are inserted for the convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement and the Ancillary Agreements.

Section 9.12 Exhibits and Schedules. The Exhibits and Schedules shall be construed with and as an integral part of

this Agreement and the Ancillary Agreements to the same extent as if the same had been set forth verbatim herein.

IN WITNESS WHEREOF, Ethyl and Tredegar have caused this Agreement to be duly executed by their respective officers, each of whom is duly authorized, as of the day and year first above written.

ETHYL CORPORATION

By: /s/ E. Whitehead Elmore

\_\_\_\_\_  
E. Whitehead Elmore  
Vice President, Secretary  
and General Counsel

TREDEGAR INDUSTRIES, INC.

By: /s/ John D. Gottwald

\_\_\_\_\_  
John D. Gottwald  
President



**EXHIBITS**

- A. Benefits Agreement
- B. Tredegar By-Laws
- C. Tredegar Charter
- D. Tax Sharing Agreement
- E. Indemnification Agreement
- F. Master Services Agreement
- G. Information Statement

**SCHEDULES**

- I. Tredegar Assets
- 1.01 Tredegar Subsidiaries

Exhibit A - Benefits Agreement included in this Record Volume under Tab 36

Exhibit B - Tredegar By-Laws included in this Record Volume under Tab 22

Exhibit C - Tredegar Charter included in this Record Volume under Tab 17

Exhibit D - Tax Sharing Agreement included in this Record Volume under Tab 37

Exhibit E - Indemnification Agreement included in this Record Volume under Tab 35

Exhibit F - Master Services Agreement included in this Record Volume under Tab 38

Exhibit G - Information Statement included in this Record Volume under Tab 66

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## **SCHEDULE I**

### **THE TREDEGAR ASSETS**

1. All of Ethyl's right, titles and interest in the personal property listed on Exhibit A attached hereto.
  2. All of Ethyl's right, title and interest in the personal property listed on Exhibit B attached hereto.
  3. All of Ethyl's right, title, and interest in the personal property listed on Exhibit C attached hereto.
  4. All of Ethyl's right, title and interest in the contracts and agreements listed on Exhibit D attached hereto.
  5. All of Ethyl's right, title and interest in the real property described in the property descriptions attached hereto as Exhibits E-1 through E-7.
  6. All of Ethyl's right, title and interest in and to (i) the letters Patent of the United States listed on Exhibit F attached hereto, (ii) the inventions claimed therein, (iii) any and all claims for damages and profits by reason of past infringement thereof and (iv) the right to sue therefor.
  7. All of Ethyl's right, title and interest in and to the application for Letters Patent of the United States listed on Exhibit G attached hereto. The inventions claimed in such
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Applications for letters Patent and all United States letters Patent issuing from such applications.

8. All of Ethyl's right, title and interest in and to the trademarks and United States registrations thereof listed on Exhibit H attached hereto, together with the goodwill of the business in connection with which such marks are used.

9. All of Ethyl's right, title and interest in and to (i) the foreign patents and patent applications listed on Exhibit I attached hereto, (ii) the inventions claimed therein, (iii) any and all claims for damages and profits by reason of past infringement thereof and (iv) the right to sue therefor.

10. All of Ethyl's right, title and interest in and to the prospective patent applications docketed for possible preparation and filing, which applications are listed by Ethyl's case docketing members on Exhibit J attached hereto and the inventories proposed to be covered thereby.

11. All of Ethyl's right, title and interest in and to the trademark and the United States application for registration thereof listed on Exhibit K attached hereto, together with the goodwill of the business in connection with which such mark is used.

12. All of Ethyl's right, title and interest in and to the trademarks and state registrations thereof listed on Exhibit L attached hereto, together with the goodwill in connection with which such marks are used.

13. All of Ethyl's right, title and interest in and to the trademarks and foreign registrations and applications for registration thereof listed on Exhibit M attached hereto, together with the goodwill of the business in connection with which such marks are used.

14. All of Ethyl's right, title and interest in and to the Conception Records listed on Exhibit N attached hereto and the inventions, whether patentable or unpatentable, set forth therein.

15. All of Ethyl's rights and interests in and to the following leased real properties:

- (a) The 20th Floor and portions of the 19th and 17th Floors of the Federal Reserve Building located on Byrd Street, Richmond, Virginia, together with certain related parking;
- (b) A 30,000 square foot warehouse building located on Old Hutchinson Mill Road in Troup County, Georgia; and

- (c) Nos. 333 and 335 on the third floor in an office building located in Reed Hartman Corporate Center at 10921 Reed Hartman Highway, Cincinnati, Ohio.

16. All of Ethyl's right, title and interest in and to the oil and gas rights in the leases described in Exhibit O attached hereto and any extensions or renewals thereof.

**EMPLOYEE BENEFITS AGREEMENT**

**BY AND BETWEEN**

**ETHYL CORPORATION**

**AND**

**TREDEGAR INDUSTRIES, INC.**

**DATED AS OF JUNE 1, 1989**

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**EMPLOYEE BENEFITS AGREEMENT**

This EMPLOYEE BENEFITS AGREEMENT, dated as of June 1, 1989, is made by and between Ethyl Corporation (Ethyl), a Virginia corporation, and Tredegar Industries, Inc. (Tredegar), a Virginia corporation.

**RECITALS**

WHEREAS, Tredegar is a wholly owned subsidiary of Ethyl; and

WHEREAS, the Ethyl Board has determined that it is in the best interests of the shareholders of Ethyl to distribute all of the issued and outstanding shares of Tredegar common stock to the holders of Ethyl common stock; and

WHEREAS, contemporaneous with the execution of this Agreement, Ethyl and Tredegar have entered into the Reorganization Agreement which, among other things, describes certain transactions that are required in order to effect such distribution and sets forth other agreements that will govern certain other matters following the Distribution; and

WHEREAS, as result of the Distribution, Tredegar and the Tredegar Subsidiaries will cease to be eligible to maintain the Ethyl Employee Plans on behalf of the eligible employees of Tredegar and the Tredegar Subsidiaries; and

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WHEREAS, as a result of the Distribution and the terms of this Agreement, Tredegar Employees will cease to accrue additional benefits under the Ethyl Employee Plans as of May 31, 1989, or June 30, 1989, as applicable; and

WHEREAS, Ethyl and Tredegar desire to provide for the establishment of the Tredegar Employee Plans, and as provided in this Agreement, the allocation of assets and liabilities and other matters between the Ethyl Employee Plans and the Tredegar Employee Plans.

NOW, THEREFORE, in consideration of the mutual agreements, provisions, and covenants contained in this Agreement, Ethyl and Tredegar agree as follows:

## ARTICLE I

### Definitions

Terms used in this Agreement shall have the meanings assigned to them in the Reorganization Agreement. Terms that are used in this Agreement and which are not defined in the Reorganization Agreement shall have the meanings specified:

1.01. Agreement means this Employee Benefits Agreement, together with the Exhibit attached hereto, as the same may be amended from time to time in accordance with the terms hereof.

1.02. ERISA means the Employee Retirement Income Security Act of 1974, as amended.

1.03. Ethyl Affiliate means a corporation or unincorporated business which, as of the Distribution Date, would be treated as a single employer with Ethyl in accordance with Code section 414(b), 414(c) or 414(m).

1.04. Ethyl Bonus Plan means the unfunded bonus plan maintained by Ethyl on behalf of selected highly compensated or management employees of Ethyl and Ethyl Affiliates.

1.05. Ethyl Employee Plans means the Ethyl Bonus Plan, the Ethyl RIP, the Ethyl Savings Plan, the Ethyl Stock Option Plan, the Ethyl Welfare Plans, and each other employee benefit plan or arrangement, whether or not subject to ERISA, maintained by

Ethyl or an Ethyl Affiliate for the benefit of its eligible employees.

1.06. Ethyl RIPS means the Retirement Income Plan for the Employees of Ethyl Corporation.

1.07. Ethyl Savings Plan means the Savings Plan for the Employees of Ethyl Corporation.

1.08. Ethyl Stock Option Plan means the Ethyl Corporation Incentive Stock Options Plan.

1.09. Ethyl Welfare Plans means the “employee welfare benefit plans” (as defined in ERISA section 3(1)) that are maintained by Ethyl or an Ethyl Affiliate for the benefit of its eligible employees prior to June 1, 1989.

1.10. Hourly Pension Plans means the defined benefit pension plans listed on the attached Exhibit I.

1.11. PBGC means the Pension Benefit Guaranty Corporation.

1.12. Reorganization Agreement means the agreement, together with the exhibits and schedules attached thereto, between Ethyl and Tredegar, dated as of June 1, 1989, relating to, inter alia, the distribution of all of the issued and outstanding shares of Tredegar common stock to the holders of the Ethyl common stock. The term “Reorganization Agreement” also shall include any amendments thereto that are adopted in accordance with the terms of that agreement.

1.13. Transferred Employee means an individual who (i) is in the employ of Ethyl or an Ethyl Affiliate on and after the Distribution Date, and (ii) on or before June 30, 1990, separates from service for reasons other than disability or retirement, and (iii) enters the employ of Tredegar or a Tredegar Subsidiary effective immediately upon separation from Ethyl and the Ethyl Affiliates.

1.14. Tredegar Bonus Plan means the unfunded bonus plan for selected highly compensated and management employees of Tredegar and the Tredegar Subsidiaries to be established by Tredegar in accordance with Section 3.02.

1.15. Tredegar Employee means an employee of Tredegar or a Tredegar Subsidiary on July 1, 1989, and who did not retire from the employ of Ethyl and the Ethyl Affiliates.

1.16. Tredegar Employee Plans means the Tredegar Bonus Plan, the Tredegar RIP, the Tredegar Savings Plan, the Tredegar Stock Option Plan, the Tredegar Welfare Plans, the Tredegar ESOP, the Visqueen Savings Plan, and each other employee benefit plan or arrangement, whether or not subject to ERISA, maintained by Tredegar or a Tredegar Subsidiary for the benefit of its eligible employees.

1.17. Tredegear Esop means the Employee Stock Ownership Plan of Tredegear Industries, Inc. which may be established by Tredegear.

1.18. Tredegear RIP means the “defined benefit plan” (as defined in Code Section 414(j)), which is qualified under Code section 401(a), and which is to be established by Tredegear for the benefit of eligible employees of Tredegear and the Tredegear Subsidiaries in accordance with Section 2.01.

1.19. Tredegear Savings Plan means the “defined contribution plan” (as defined in Code section 414(i)), which is qualified under Code section 401(a), and which is to be established by Tredegear for the benefit of eligible employees of Tredegear and the Tredegear Subsidiaries in accordance with Section 2.03.

1.20. Tredegear Stock Option Plan means the stock option plan to be established by Tredegear in accordance with Section 3.01.

1.21. Tredegear Welfare Plans means to “employee welfare benefit plans” (as defined in ERISA section 3(1)) to be established by Ethyl and assumed by Tredegear or a Tredegear Subsidiary for the benefit of eligible employees of Tredegear and the Tredegear Subsidiaries in accordance with Section 4.01.

1.22. Visqueen Savings Plan means the Savings Plan for the Employees of Ethyl Visqueen.

**ARTICLE II**

**Employee Benefit Plans Qualified  
Under Code Section 401(a)**

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2.01. Tredegar RIP

(a) As soon as practicable after the date of this Agreement, and effective as of July 1, 1989, Tredegar shall establish the Tredegar RIP. As of July 1, 1989, the Tredegar RIP shall include substantially the same terms and conditions as are included in the Ethyl RIP as in effect on that date; provided, however, that this Agreement may not be construed or interpreted to restrict Tredegar's right or authority to amend or terminate the Tredegar RIP effective as of a date following July 1, 1989.

(b) Each Tredegar Employee who is eligible to participate in the Ethyl RIP on June 30, 1989 shall be eligible to participate in the Tredegar RIP as of July 1, 1989 and shall cease to participate in the Ethyl RIP as of June 30, 1989. The Tredegar RIP shall recognize, for all purposes, Tredegar Employees' service with and compensation earned from Ethyl and its Affiliates before July 1, 1989 and Transferred Employees' service and compensation earned from Ethyl and its Affiliates to the same extent that such service and compensation would be recognized by the Ethyl RIP as in effect on June 30, 1989. The accrued benefit under the Tredegar RIP of each Tredegar Employee



and each Transferred Employee shall not be less than the Tredegar Employee's and Transferred Employee's accrued benefit under the Ethyl RIP.

(c) Ethyl shall cause the trustee of the Ethyl RIP to transfer, and Tredegar shall cause the trustee of the Tredegar RIP to accept, the initial and subsequent transfer of assets and liabilities as provided in the following paragraphs (c)(1) and (c)(2) and, if applicable, as adjusted in accordance with paragraph (c)(3).

(1) The initial transfer of assets and liabilities from the Ethyl RIP to the Tredegar RIP shall be an amount equal to 90% of the estimated present value of projected benefit obligations (whether or not vested) attributable to Tredegar Employees under Ethyl RIP as of June 30, 1989. The estimated present value of the projected benefit obligations attributable to Tredegar Employees' as of June 30, 1989 shall be determined by Ethyl RIP's enrolled actuary, based on the actuarial methods and assumptions used for purposes of determining pension expense under FASB 87 by Ethyl and subject to the requirements of Code section 414 and the regulations and rulings thereunder. The amount of assets to be transferred from the Ethyl RIP to the Tredegar RIP shall be adjusted for investment gains and/or losses (both realized and unrealized)

from July 1, 1989 until the day prior to the day of actual transfer. The transfer of assets and liabilities from the Ethyl RIP to the Tredegar RIP shall be made on the Distribution Date or as soon as practicable thereafter; provided; however, that no such transfer shall take place until the expiration of the thirty day period immediately following the date of filing of the required Forms 5310 with the Internal Revenue Service. Tredegar agrees that it will timely file an application with the Internal Revenue Service for a favorable determination with respect to the form of the Tredegar RIP under Code section 401(a) and will adopt any Tredegar RIP amendments which may be required by the Internal Revenue Service as a condition to issuing a favorable determination letter for the Tredegar RIP.

(2) The subsequent transfer of assets and liabilities from the Ethyl RIP to the Tredegar RIP shall be an amount equal to the sum of (i) the difference, if any, between the present value of projected benefit obligations attributable to the Tredegar Employees under the Ethyl RIP as of June 30, 1989 and the assets transferred in the initial transfer and (ii) the present value of the projected benefit obligations attributable to the Transferred Employees as of the date that each such Transferred Employee separated from the service of Ethyl and the Ethyl Affiliates. The determination of the assets

and liabilities to be transferred as the subsequent transfer shall be made by the Ethyl RIP's enrolled actuary, based on the actuarial methods and assumptions used for purposes of determining pension expense under FASB 87 by Ethyl and subject to the requirements of Code section 414 and the regulations and rulings thereunder. The amount of assets to be transferred from the Ethyl RIP to the Tredegar RIP shall be adjusted for investment gains and/or losses (both realized and unrealized) from the date as of which such projected benefit obligations are calculated until the day prior to the day of actual transfer. The subsequent transfer of assets and liabilities shall be made as of a date agreed upon by Ethyl and Tredegar but in no event before the satisfaction of all applicable legal requirements or later than December 31, 1990.

(3) If the amount of assets transferred from the Ethyl RIP to the Tredegar RIP under Section 2.01(c)(1) exceeds the present value of the projected benefit obligation attributable to Tredegar Employees as of June 30, 1989, the amount to be transferred under Section 2.01(c)(2) shall be reduced by such excess. If the excess amount described in the preceding sentence exceeds the amount to be transferred under Section 2.01(c)(2), the difference shall be returned to the Ethyl RIP by the Tredegar RIP, together with any investment

gains and/or losses (both realized and unrealized) as soon as practicable after December 31, 1990.

(d) The Tredegar RIP and Tredegar and the Tredegar Subsidiaries shall assume and be solely responsible for, all liabilities and obligations of the Ethyl RIP, Ethyl and Ethyl's Affiliates with respect to Tredegar Employees' and Transferred Employees' participation in the Ethyl RIP. The Ethyl RIP, Ethyl and Ethyl's Affiliates shall retain and be solely responsible for all liabilities and obligations with respect to participants in the Ethyl RIP who are not Tredegar Employees or Transferred Employees including, by way of example and not of limitation, former employees of Tredegar or the Tredegar Businesses who retired or separated from service on or before July 1, 1989.

(e) This Section 2.01(e) controls with respect to each Ethyl RIP participant who (i) enters the employ of Tredegar or a Tredegar Subsidiary after July 1, 1989 and (ii) is not a Transferred Employee. The Ethyl RIP benefit of such an individual shall be paid by the Ethyl RIP in accordance with its terms, shall remain the sole responsibility of the Ethyl RIP, Ethyl, and the Ethyl Affiliates, and shall not be included in the assets and liabilities to be transferred to the Tredegar RIP. An individual described in the first sentence of this Section 2.01(e) shall be eligible to participate in the Tredegar

RIP in accordance with the terms of the Tredegar RIP and his service with Ethyl and Ethyl's Affiliates shall be recognized by the Tredegar RIP for vesting purposes only.

(f) Ethyl and Tredegar agree to provide the other such information regarding the Tredegar Employees and Transferred Employees as may be reasonably requested and necessary in order to effectively administer and maintain the Ethyl RIP and the Tredegar RIP.

## 2.02. Hourly Pension Plans

(a) As soon as practicable after the date of this Agreement, but no later than July 1, 1989, Ethyl shall amend the Hourly Pension Plans to substitute Tredegar or a Tredegar Subsidiary as the sponsor of such plans and Tredegar or a Tredegar Subsidiary, as applicable, shall assume the Hourly Pension Plans effective as of July 1, 1989. The preceding sentence and this Agreement may not be construed or interpreted to restrict the right or authority of Tredegar or a Tredegar Subsidiary to amend or terminate the Hourly Pension Plans effective as of a date following July 1, 1989.

(b) Each Tredegar Employee who is eligible to participate in an Hourly Pension Plan on June 30, 1989 shall continue to be eligible to so participate. The Hourly Pension Plans shall continue to recognize, for all purposes, service

with and compensation earned from Ethyl and Ethyl Affiliates on or before July 1, 1989 to the same extent that such service and compensation is recognized under the Hourly Pension Plans as in effect on that date.

(c) The Hourly Pension Plans, Tredegar, and the Tredegar Subsidiaries shall be solely responsible for all liabilities and obligations of the Hourly Pension Plans, including by way of example and not of limitation, benefits accrued prior to July 1, 1989 and benefits payable to Hourly Pension Plan participants who retired or separated from service prior to such date.

(d) Ethyl agrees to provide Tredegar and the Tredegar Subsidiaries such information regarding Tredegar Employees as may be reasonably requested and necessary in order to effectively administer and maintain the Hourly Pension Plans.

### 2.03. Tredegar Savings Plan

(a) As soon as practicable after the date of this Agreement, but no later than July 1, 1989, Tredegar shall establish the Tredegar Savings Plan. The Tredegar Savings Plan shall be effective as of July 1, 1989; provided, however, that no contributions will be made to the Tredegar Savings Plan before August 1, 1989. As of July 1, 1989, the Tredegar Savings Plan shall include substantially the same terms and conditions

as are included in the Ethyl Savings Plan as in effect on that date; provided, however, that this Agreement may not be construed or interpreted to restrict Tredegar's right or authority to amend or terminate the Tredegar Savings Plan effective as of a date following July 1, 1989.

(b) Each Tredegar Employee who is eligible to participate in the Ethyl Savings Plan on June 30, 1989 shall be eligible to participate in the Tredegar Savings Plan as of July 1, 1989. The Tredegar Savings Plan shall recognize, for all purposes, Tredegar Employee's service with Ethyl and Ethyl Affiliates on or before July 1, 1989 and Transferred Employees' service with Ethyl and Ethyl Affiliates prior to their employment with Tredegar or a Tredegar Subsidiary to the same extent that such service would be recognized by the Ethyl Savings Plan as in effect on July 1, 1989.

(c) Ethyl shall amend the Ethyl Savings Plan to provide that the Distribution will not effect a termination of employment that requires a distribution from the Ethyl Savings Plan. Ethyl shall cause the trustee of the Ethyl Savings Plan to transfer, and Tredegar shall cause the trustee of the Tredegar Savings Plan to accept, the Ethyl Savings Plan account balances (whether or not vested) of Tredegar Employees and Transferred Employees. Tredegar Employees' and Transferred

Employees' accounts in the Ethyl Savings Plan shall be adjusted for investment gains and/or losses (both realized and unrealized) through the valuation date coinciding with or immediately preceding the day of actual transfer. The transfer of assets and liabilities from the Ethyl Savings Plan to the Tredegar Savings Plan shall be made as soon as practicable after July 1, 1989 (in the case of Tredegar Employees) and July 1, 1990 (in the case of Transferred Employees); provided, however, that no such transfer shall take place until the expiration of the thirty-day period immediately following the date of filing of the required Forms 5310 with the Internal Revenue Service. Tredegar agrees that it will timely file an application with the Internal Revenue Service for a favorable determination with respect to the form of the Tredegar Savings Plan under Code section 401(a) and will adopt any Tredegar Savings Plan amendments which may be required by the Internal Revenue Service as a condition to issuing a favorable determination letter for the Tredegar Savings Plan. The amount to be transferred in accordance with this Section 2.03(c) shall be delivered to the Tredegar Savings Plan trustee in the same form as the Tredegar Employees' and Transferred Employees' accounts are invested under the Ethyl Savings Plan.



(d) The Tredegar Savings Plan, Tredegar and the Tredegar Subsidiaries shall assume, and be solely responsible for, all liabilities and obligations of the Ethyl Savings Plan, Ethyl and Ethyl's Affiliates with respect to Tredegar Employees' and Transferred Employees' participation in the Ethyl Savings Plan. The Ethyl Savings Plan, Ethyl and Ethyl's Affiliates shall retain, and be solely responsible for, all liabilities and obligations with respect to Ethyl Savings Plan participants who are not Tredegar Employees or Transferred Employees.

(e) Ethyl and Tredegar agree to provide the other such information regarding the Tredegar Employees and Transferred Employees as may be reasonably requested and necessary in order to effectively administer and maintain the Ethyl Savings Plan and the Tredegar Savings Plan.

#### 2.04. Tredegar ESOP

Ethyl and Tredegar agree that Tredegar may establish the Tredegar ESOP as an employee stock ownership plan within the meaning of Code section 4975. The Tredegar ESOP, if adopted, shall provide for participation of each employee of Tredegar and the Tredegar Subsidiaries who has attained age twenty-one and completed one year of service; provided; however, that individuals who are included in a collective bargaining unit may not participate in the Tredegar ESOP until the representative of

the collective bargaining unit has accepted the terms of the Tredegar ESOP. The Tredegar ESOP shall initially provide that up to two million shares of Tredegar common stock may be held by the Tredegar ESOP. This Agreement may not be construed or interpreted to restrict Tredegar's right or authority to amend or terminate the Tredegar ESOP.

2.05. Visqueen Savings Plan

Tredegar shall cause the trustee of the Visqueen Savings Plan to transfer, and Ethyl shall cause the trustee of the Ethyl Savings Plan to accept, the Visqueen Savings Plan account balances (whether or not vested) of any individual who is in the employ of Ethyl or an Ethyl Affiliate on the Distribution Date. Such employees' accounts in the Visqueen Savings Plan shall be adjusted for investment gains and/or losses (both realized and unrealized) through the valuation date immediately preceding the day of actual transfer. The transfer of assets and liabilities from the Visqueen Savings Plan to the Ethyl Savings Plan shall be made as soon as practicable following a valuation date coinciding with or after the Distribution Date; provided, however, that no such transfer shall take place before the expiration of the thirty-day period immediately following the date of filing of the required Forms 531C with the Internal Revenue Service. The amount to be

transferred in accordance with the Section 2.05 shall be delivered to the Ethyl Savings Plan trustee in the same form as such employees' accounts are invested under the Visqueen Savings Plan. The Ethyl Savings Plan, Ethyl and the Ethyl Affiliates shall assume, and be solely responsible for, all liabilities and obligations of the Visqueen Savings Plan, Tredegar and the Tredegar Subsidiaries with respect to such employees' participation in the Visqueen Savings Plan. The Visqueen Savings Plan, Tredegar and the Tredegar Subsidiaries shall retain, and be solely responsible for, all liabilities and obligations with respect to Visqueen Savings Plan participants whose accounts are not transferred to the Ethyl Savings Plan. Ethyl and Tredegar agree to provide the other such information as may be reasonably requested and necessary in order to effectively administer and maintain the Ethyl Savings Plan and the Visqueen Savings Plan.

### **ARTICLE III**

#### **Executive and Incentive Compensation Plans**

##### **3.01. Tredegar Stock Option Plan**

(a) As soon as practicable after the date of this Agreement, but no later than July 1, 1989, Tredegar shall adopt the Tredegar Stock Option Plan. The Tredegar Stock Option Plan

shall be effective as of July 1, 1989 and shall include substantially the same terms and conditions as are included in the Ethyl Stock Option Plan as in effect on that date; provided, however, that this Agreement may not be construed or interpreted to restrict Tredegar's right or authority to amend or terminate the Tredegar Stock Option Plan effective as of a date following July 1, 1989.

(b) As soon as practicable following Tredegar's adoption of the Tredegar Stock Option Plan, but no later than the Distribution Date, Ethyl's Board of Directors shall approve the Tredegar Stock Option Plan on behalf of Ethyl, Tredegar's sole shareholder.

### 3.02. Tredegar Bonus Plan

(a) As soon as practicable after the date of this Agreement, but no later than July 1, 1989, Tredegar shall establish the Tredegar Bonus Plan. The Tredegar Bonus Plan shall be effective as of July 1, 1989. This Agreement may not be construed or interpreted to restrict the right or authority of Tredegar to amend or terminate the Tredegar Bonus Plan effective as of a date following July 1, 1989.

(b) As soon as practicable following Tredegar's adoption of the Tredegar Bonus Plan, but no later than the Distribution Date, Ethyl's Board of Directors shall approve the

Tredegar Bonus Plan on behalf of Ethyl, Tredegar's sole shareholder.

(c) Except as provided in this Section 3.02(c), the Tredegar Bonus Plan, Tredegar, and the Tredegar Subsidiaries shall be solely responsible for all liabilities and obligations with respect to Tredegar Employees' participation in the Tredegar Bonus Plan and the Ethyl Bonus Plan, Ethyl and Ethyl's Affiliates shall retain and be solely responsible for all liabilities and obligations with respect to Tredegar Employees' participation in the Ethyl Bonus Plan. Tredegar Employees who participated in the Ethyl Bonus Plan and who remain in the employ of Tredegar or a Tredegar Subsidiary through December 31, 1989 shall receive (i) a payment or payments from Ethyl representing the portion of such individual's 1987 and 1988 Ethyl Bonus Plan awards that had vested as of June 30, 1989, and (ii) a payment or payments from Tredegar representing the portion of such individual's 1987 and 1988 awards under the Ethyl Bonus Plan that had not vested as of June 30, 1989. The amounts payable under the preceding sentence shall be paid at such times and in the manner prescribed by the respective payor.

(d) Ethyl and Tredegar agree to provide the other such information regarding Tredegar Employees as may be reasonably requested and necessary in order to effectively

administer and maintain the Ethyl Bonus Plan and the Tredegar Bonus Plan.

#### ARTICLE IV

##### Employee Welfare Benefit Plans

###### 4.01. Tredegar Welfare Plans

(a) Ethyl shall establish the Tredegar Welfare Plans, effective as of June 1, 1989. The Tredegar Welfare Plans shall be substantially the same as the Ethyl Welfare Plans (and any related insurance contracts or other funding agreements) as in effect on May 31, 1989. As of June 1, 1989, participation in the Tredegar Welfare Plans shall be limited to individuals who are employed in the Tredegar Businesses and their dependents and beneficiaries.

(b) As soon as practicable after the establishment of the Tredegar Welfare Plans, but no later than the Distribution Date, Tredegar or a Tredegar Subsidiary shall assume the Tredegar Welfare Plans, effective as of June 1, 1989. The preceding sentence and this Agreement may not be construed or interpreted to restrict the right or authority of Tredegar or a Tredegar Subsidiary to amend or terminate the Tredegar Welfare Plans effective as of a date following June 1, 1989.

#### 4.02. Welfare Benefit Liabilities

(a) Except as provided in Section 4.02(b), the Tredegar Welfare Plans, Tredegar, and the Tredegar Subsidiaries shall assume, and shall be solely responsible for, all claims incurred on and after June 1, 1989 by individuals who, at the time such claim is incurred, are in the employ of the Tredegar Businesses and the beneficiaries and dependents of such individuals.

(b) Sections 4.01 and 4.02(a) to the contrary notwithstanding, the Ethyl Welfare Plans, Ethyl, and Ethyl's Affiliates shall retain and shall be solely responsible for, all claims incurred before June 1, 1989 under the Ethyl Welfare Plans and all claims incurred after May 31, 1989 by (i) individuals who are not in the employ of the Tredegar Businesses after that date and their dependents and beneficiaries, (ii) individuals who qualified for a long-term disability benefit and are on a leave of absence as of June 1, 1989, and their dependents and beneficiaries, and (iii) A. W. Perry and his dependents and beneficiaries.

#### 4.03. Information

Ethyl and Tredegar agree to provide the other such information regarding Tredegar Employees and individuals formerly employed in connection with the Tredegar Businesses and the dependents and beneficiaries of such persons as may be

reasonably requested and necessary in order to effectively administer and maintain the Ethyl Welfare Plans and the Tredegar Welfare Plans.

## ARTICLE V

### **Administration of Employee Benefit Plans**

#### 5.01. Administrative Services

Contemporaneous with the execution of this Agreement, Ethyl and Tredegar have entered into the Master Services Agreement. Pursuant to the Master Services Agreement, Ethyl shall, inter alia, assist Tredegar in the establishment and administration of the Tredegar Employee Plans.

#### 5.02. Fiduciary Status

Ethyl and Tredegar agree that Ethyl's performance of the Master Services Agreement may not be construed or interpreted as an appointment of Ethyl as "administrator" (as defined in ERISA section 3(16)) or a "fiduciary" (as defined in ERISA section 3(21)) of the Tredegar Employee Plans. Ethyl and Tredegar agree that Ethyl shall act only upon Tredegar's direction, that Tredegar shall remain solely responsible for the administration of the Tredegar Employee Plans and that Tredegar shall indemnify and hold harmless Ethyl, Ethyl's Affiliates and their officers, directors, employees, and agents who act in accordance with Tredegar's directions.



## ARTICLE VI

### Miscellaneous

#### 6.01. Agreement; Construction

This Agreement, including the Exhibits hereto and the agreements and documents referred to in this Agreement, constitute the entire agreement between the parties with respect to the subject matter of this Agreement and supersede all previous negotiations, commitments, and writings relating to that subject matter.

#### 6.02. Tredegar Subsidiaries' Obligations

Tredegar shall cause to be performed, and guarantees the performance and payment of, all actions, agreements, obligations, and liabilities described in this Agreement that are to be performed or paid by a Tredegar Subsidiary.

#### 6.03. Ethyl Affiliates' Obligations

Ethyl shall cause to be performed, and guarantees the performance and payment of, all actions, agreements, obligations, and liabilities described in this Agreement that are to be performed or paid by an Ethyl Affiliate.

#### 6.04. Counterparts

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.

6.05. Amendment

No amendment, supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision of this Agreement, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

6.06. No Third Party Rights

No third party (other than the Tredegar Subsidiaries and the Ethyl Affiliates) is entitled to rely on any provision of this Agreement. Ethyl and Tredegar assume no liability to any third party (other than the Tredegar Subsidiaries and the Ethyl Affiliates) because of any reliance on any provision of this Agreement.

6.07. Governing Law

This Agreement shall be construed and interpreted according to the laws of the Commonwealth of Virginia except to the extent that such laws are superseded or preempted by the laws of the United State of America.

6.08. Assignment

This Agreement may not be assigned by either party without the prior written consent of the other party.

6.09. Notices

All communications, notices, and disclosures required or permitted by this Agreement shall be in writing and shall be deemed to have been given at the earlier of (i) the date actually delivered to an officer of the other party or (ii) when postmarked in the case of a notice, etc., deposited in the United States mail, first class postage prepaid, and addressed as follows (unless and until either party notifies the other in accordance with this Section 6.09 of a change in address):

If to Ethyl: Ethyl Corporation  
330 South Fourth Street  
Richmond, Virginia 23219  
Attention: Chief Financial Officer

If to Tredegar (until September 30, 1989):  
Tredegar Industries, Inc  
701 East Byrd Street  
Richmond, Virginia 23219  
Attention: President

If to Tredegar (after September 30, 1989):  
Tredegar Industries, Inc  
1100 Boulders Parkway  
Richmond, Virginia 23225  
Attention: President

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

ETHYL CORPORATION

By: /s/ E. Whitehead Elmore

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E. Whitehead Elmore  
Vice President, Secretary  
and General Counsel

TREDEGAR INDUSTRIES, INC.

By: /s/ John D. Gottwald

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John D. Gottwald  
President

**TAX SHARING AGREEMENT**

**BY AND BETWEEN**

**ETHYL CORPORATION**

**AND**

**TREDEGAR INDUSTRIES, INC.**

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## TAX SHARING AGREEMENT

This Tax Sharing Agreement (the "Agreement"), dated as of June 1, 1989, by and between Ethyl Corporation, a Virginia corporation ("Ethyl"), and Tredegar Industries, Inc., a Virginia corporation ("Tredegar"), is entered into in connection with a Reorganization and Distribution Agreement (the "Reorganization Agreement"), dated as of June 1, 1989, by and between such parties.

WHEREAS, Ethyl, on behalf of itself and its present and future subsidiaries, other than Tredegar and its present or future subsidiaries (the "Ethyl Group"), and Tredegar, on behalf of itself and its present and future subsidiaries (the "Tredegar Group"), have determined that it is necessary and desirable to provide for allocation between the Ethyl Group and the Tredegar Group of all responsibilities, liabilities, and benefits relating to taxes paid or payable by either group for all taxable periods, whether beginning before, on, or after the Distribution Date, and to provide for certain other matters;

NOW, THEREFORE, in consideration of the mutual agreements, provisions, and covenants contained in this Agreement, the parties hereby agree as follows:

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**ARTICLE I**

**DEFINITIONS**

As used in this Agreement, terms defined in the Reorganization Agreement but not defined herein shall have the meanings given in the Reorganization Agreement, and the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

Post-Distribution Period: any taxable period ending after the Distribution Date.

Pre-Distribution Period: any taxable period ending on or before the Distribution Date.

Tax Benefit: the tax effect of any loss, deduction, credit, or other item that decreases taxes paid or payable.

Tax Detriment: the tax effect of any income, gain, recapture of credit, or other item that increases taxes paid or payable.

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ARTICLE II

**FILING OF TAX RETURNS**

Section 2.01. Pre-Distribution Income Tax Returns.

(a) Federal Income Tax Returns. The income and other tax items of each member of the Tredegar Group, except any foreign entities, for any Pre-Distribution Period shall be included in Ethyl's consolidated federal income tax return. Ethyl shall prepare and timely file all consolidated federal income tax returns for such period. Upon the request of Tredegar, Ethyl shall make or cause to be made a timely "deemed dividend" election under Treasury Regulation § 1.1502-32 (f) (2) with respect to a Tredegar Group member.

(b) Returns of Foreign Entities. Tredegar, and not Ethyl, shall be responsible for all taxes and tax returns of foreign entities that are members of the Tredegar Group.

(c) State Income Tax Returns. Any Tredegar Group member for which a separate state income tax return is due for a Pre-Distribution Period shall prepare and timely file such return. If the treatment of a tax item of a Tredegar Group member for state income tax purposes conforms to the treatment of such item for federal income tax purposes and such item is includable in a consolidated federal income tax return of Ethyl, such Tredegar Group member shall conform the treatment of such item for state income tax purposes to the treatment of such item in the Ethyl consolidated federal income tax return. Ethyl shall prepare and timely file any consolidated or combined state

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income tax return that includes an Ethyl Group member and a Tredegar Group member for a Pre-Distribution Period.

(d) Amendments. With respect to any return that includes any Tredegar Business and for which Ethyl has responsibility under this Section 2.01, Ethyl shall not file an amended return or change any tax accounting method or election without Tredegar's consent (which shall not be unreasonably withheld) if such action would increase any tax for which any Tredegar Group member is liable under this Agreement, unless such action is required by law or is necessary (in Ethyl's good-faith opinion) to avoid or reduce any penalty or addition to tax.

Section 2.02. Post-Distribution Income Tax Returns. Tredegar shall prepare and timely file all federal and state income tax returns for each Tredegar Group member for Post-Distribution Periods.

Section 2.03. Other Tax Returns. All tax reports or returns not covered by Sections 2.01 or 2.02 shall be prepared and filed by the corporation upon which such obligation is imposed by law.

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**ARTICLE III**

**PAYMENT OF TAXES**

Section 3.01. Payment of Taxes in General. Except as otherwise provided in this Article III, Ethyl shall pay, and shall indemnify and hold harmless each Tredegar Group member from and against, all taxes attributable to Ethyl Businesses, whether heretofore or hereafter arising or incurred. Ethyl shall be entitled to any reduction in or refund of such taxes (except any reduction in or refund of taxes resulting from carrybacks of any Tredegar Group member described in Section 3.05). Except as otherwise provided in this Article III, Tredegar shall pay, and shall indemnify and hold harmless each Ethyl Group member from and against, all taxes attributable to Tredegar Businesses, whether heretofore or hereafter arising or incurred. Tredegar shall be entitled to any reduction in or refund of such taxes. If a member of the Ethyl Group or Tredegar Group receives a refund of taxes to which the other group is entitled under this Article III, such member shall remit such refund to the other group by promptly sending such refund to Ethyl or Tredegar, as the case may be.

Section 3.02. Payment of Certain Income Taxes. Ethyl shall charge Tredegar for each Tredegar Group member's share of Ethyl's consolidated federal income tax liability attributable to Tredegar Businesses not heretofore paid for any Pre-Distribution Period, as determined under Ethyl's current method

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of allocating such tax liability pursuant to Treasury Regulations §§ 1.1552-1 (a) (2) and 1.1502-33 (d) (2) (ii) (using a percentage of 100 percent to make the allocation under Treasury Regulation § 1.1502-33 (d) (2) (ii)). Tredegar shall pay promptly each Tredegar Group member's share of such tax liability upon receiving written notification from Ethyl of the amount of such liability. Such payment shall be effected, as requested by Ethyl, by (i) Tredegar's delivery to Ethyl of a check payable to the Internal Revenue Service, which check Ethyl shall forward to the Internal Revenue Service, or (ii) payment directly to Ethyl. Ethyl shall also charge Tredegar for each Tredegar Group member's share of any state income tax attributable to Tredegar Businesses not heretofore paid but due under a consolidated or combined state income tax return for any Pre-Distribution Period. Tredegar shall pay promptly each Tredegar Group member's share of such tax liability upon receiving written notification from Ethyl of the amount of such liability. Such payment shall be effected, as requested by Ethyl, by (i) Tredegar's delivery to Ethyl of a check payable to the appropriate state tax authority, which check Ethyl shall forward to such authority, or (ii) payment directly to Ethyl. Notwithstanding the foregoing, Ethyl shall pay (and shall not charge Tredegar for) any portion of Ethyl's income taxes

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attributable to VisQueen and any other unincorporated division of Ethyl for periods before June 1, 1989 (the effective date of such divisions' transfer to Tredegar); provided, however, that Tredegar shall be liable for subsequent adjustments to such portion of Ethyl's income taxes in accordance with Section 3.04 below.

Section 3.03. Reorganization Taxes. Any tax liability (other than federal or state income taxes) resulting from transactions undertaken pursuant to the Reorganization Agreement shall be paid by Tredegar. If any such tax is imposed on Ethyl under applicable law, Tredegar shall pay the tax in the manner provided in Section 3.02 above.

Section 3.04. Adjustments to Tax. Ethyl shall be responsible for, and shall indemnify and hold harmless each Tredegar Group member from and against, all adjustments to taxes (including, without limitation, additions to tax, interest, and penalties) attributable to Ethyl Businesses, whether heretofore or hereafter arising or incurred. Ethyl shall be entitled to any Tax Benefit and shall bear any Tax Detriment resulting from such adjustments (except adjustments resulting from carrybacks of any Tredegar Group member from a Post-Distribution Period). If an adjustment to a tax item attributable to Ethyl Businesses reduces the tax liability of a Tredegar Group member, Tredegar

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shall pay promptly to Ethyl the amount of the Tax Benefit realized by the Tredegar Group. If an adjustment to a tax item attributable to Ethyl Businesses increases the tax liability of a Tredegar Group member, Ethyl shall pay promptly to Tredegar the amount of the Tax Detriment realized by the Tredegar Group upon receiving written notification from Tredegar of such amount.

Tredegar shall be responsible for, and shall indemnify and hold harmless each Ethyl Group member from and against, all adjustments to taxes (including, without limitation, additions to tax, interest, and penalties) attributable to Tredegar Businesses, whether heretofore or hereafter arising or incurred. Tredegar shall be entitled to any Tax Benefit and shall bear any Tax Detriment resulting from such adjustments. If an adjustment to a tax item attributable to Tredegar Businesses reduces the tax liability of an Ethyl Group member, Ethyl shall promptly pay to Tredegar the amount of the Tax Benefit realized by the Ethyl Group. If an adjustment to a tax item attributable to Tredegar Businesses increases the tax liability of an Ethyl Group member, Tredegar shall promptly pay (in the manner provided in Section 3.2 above) the amount of the Tax Detriment incurred by the Ethyl Group upon receiving written notification from Ethyl of such amount.

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Section 3.05. Carrybacks from Post-Distribution Periods to Pre-Distribution Periods. Any loss, credit, or other item attributable to Tredegar Businesses arising in a Post-Distribution Period may be carried back to a consolidated or combined return of the Ethyl Group for a Pre-Distribution Period as permitted under applicable law. Ethyl shall cooperate with any Tredegar Group member to the extent reasonably necessary (including, without limitation, amending any return and filing any claim for refund) for such member to realize the Tax Benefit of carrying such loss, credit, or other item back to such Pre-Distribution Period. Ethyl shall remit promptly to Tredegar any refund or reduction in tax resulting from such carryback.

#### **ARTICLE IV**

#### **COOPERATION**

Section 4.01. Cooperation in General. Ethyl and Tredegar agree to make available to the other party records in its custody and in the custody of any member of its group, to furnish other information, and otherwise to cooperate to the extent reasonably required for the filing of tax returns and documents relating to the assets or businesses of such other party. In addition, any Tredegar Group member shall, at Ethyl's request, join in any election or statement made by an Ethyl

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Group member under Section 338 of the Code or regulations thereunder with respect to any acquisition for which the “consistency period” includes any time during which any Tredegar Group member was a member of Ethyl’s affiliated group.

Section 4.02. Notice, Defense, and Settlement of Tax Claims. If a member of the Ethyl Group or Tredegar Group receives written notice of a deficiency, contest, audit, or other proceeding with respect to a proposed tax liability for which a member of the other group is liable under this Agreement (including liability hereunder to indemnify or reimburse a member of the other group), then the recipient shall notify the other group of such matter by promptly sending written notice thereof to Ethyl or Tredegar, as the case may be. Ethyl and Tredegar shall cooperate to contest and defend against any such proposed tax liability. The corporation that is legally liable for such proposed tax liability (without regard to this Agreement) shall not settle, compromise, or otherwise agree to pay such liability without the consent of the corporation that is liable for such tax under this Agreement. Such consent shall not be unreasonably withheld.

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**ARTICLE V**

**COMPLETE AGREEMENT; CONSTRUCTION**

This Agreement shall constitute the entire agreement among the parties with respect to the subject matter hereof and shall supersede all previous negotiations, commitments, and writings with respect to such subject matter. Notwithstanding the preceding sentence, this Agreement shall not affect the application of Section 6.04 of the Reorganization Agreement, which section shall supersede any contrary provision in this Agreement.

IN WITNESS WHEREOF, Ethyl and Tredegar have caused this Agreement to be duly executed by their respective officers, each of whom is duly authorized, as of the day and year first above written.

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ETHYL CORPORATION

By           /s/ E. Whitehead Elmore

E. Whitehead Elmore  
Vice President, Secretary  
and General Counsel

TREDEGAR INDUSTRIES, INC.

By           /s/ John D. Gottwald

John D. Gottwald  
President

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**INDEMNIFICATION AGREEMENT**

THIS INDEMNIFICATION AGREEMENT, dated as of June 1, 1989, 1989, by and between ETHYL CORPORATION, a Virginia corporation (“Ethyl”), and its wholly-owned subsidiary, TREDEGAR INDUSTRIES, INC., a Virginia corporation (“Tredegar”), is entered into in connection with a Reorganization and Distribution Agreement dated as of the date of this Agreement (the “Reorganization Agreement”).

WHEREAS, the parties desire to indemnify, defend and hold harmless one another under certain circumstances that may arise in connection with the transactions contemplated in the Reorganization Agreement;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, the parties hereby agree as follows:

**ARTICLE I**

**DEFINITIONS**

Terms used in this Agreement shall have the meanings assigned to them in the Reorganization Agreement.

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## ARTICLE II

### INDEMNIFICATION

Section 2.01. Indemnification by Ethyl. Except as set forth in the Tax Sharing Agreement, Ethyl shall indemnify, defend and hold harmless Tredegar and each of its Affiliates, each of their respective directors, officers, employees and agents and each of the heirs, executors, successors and assigns of any of the foregoing (the “Tredegar Indemnitees”) from and against any and all losses, liabilities, claims, damages, obligations, payments, costs and expenses, matured or not matured, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, known or unknown (including without limitation, the costs and expenses of any and all Actions, threatened Actions, demands, assessments, judgments, settlements and compromises relating thereto and attorneys’ fees and any and all expenses whatsoever reasonably incurred in investigating, preparing or defending against any such Actions or threatened Actions) (collectively, “Indemnifiable Losses” and, individually, an “Indemnifiable Loss”) of the Tredegar Indemnitees arising out of or due to the failure or alleged failure of Ethyl or any of its Affiliates to pay, perform or otherwise discharge in due course any of the Ethyl Liabilities.

Section 2.02. Indemnification by Tredegar. Except as set forth in the Tax Sharing Agreement, Tredegar shall indemnify, defend and hold harmless Ethyl and each of its Affiliates, each

of their respective directors, officers, employees and agents and each of the heirs, executors, successors and assigns of any of the foregoing (the "Ethyl Indemnitees") from and against any and all Indemnifiable Losses of the Ethyl Indemnitees arising out of or due to the failure or alleged failure of Tredegar or any of its Affiliates to pay, perform or otherwise discharge in due course any of the Tredegar Liabilities.

### ARTICLE III

#### **PROCEDURE FOR INDEMNIFICATION**

Section 3.01. Notice of Third Party Claims. Each party indemnified under Section 2.01 or 2.02, promptly following the earlier of (i) receipt of notice of the commencement of any Action, or (ii) receipt of information regarding the alleged existence of a claim, against such indemnitee with respect to which an indemnity may be sought pursuant to this Agreement (a "Third Party Claim"), shall give the indemnifying party written notice thereof. The failure of any indemnitee to give notice as provided in this Section 3.01 shall not relieve the indemnifying party of its obligations under this Agreement, except to the extent that such indemnifying party is prejudiced by such failure to give notice.

Section 3.02. Defense of Third Party Claims. In case an Action shall be brought, or such an Action is threatened, against any indemnitee and it shall notify promptly an indemnifying party of the existence thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it may wish, to assume the defense thereof, with counsel satisfactory to such indemnitee. If the indemnifying party so assumes the defense thereof, it may not agree to any settlement of such action as the result of which, any remedy or relief, other than monetary damages for which the indemnifying party shall be responsible hereunder, shall be applied to or against the indemnitee, without the prior written consent of the indemnitee. If the indemnifying party does not assume the defense thereof, it shall be bound by any settlement to which the indemnitee agrees, irrespective of whether the indemnifying party consents thereto. If any settlement of any claim is effected by the indemnitee prior to commencement of any action relating thereto, the indemnifying party shall be bound thereby only if it has consented in writing thereto or has unreasonably withheld its consent. The indemnitee shall have the right to employ its own counsel in any such case, including circumstances in which the indemnitee shall have reasonably concluded that there may be defenses available to it which are different from

or in addition to those available to the indemnifying party (in which case the indemnifying party shall not have the right to direct any such different or additional defense of such action or claim on behalf of the indemnitee, but the fees and expenses of such counsel shall be at the expense of such indemnitee unless the employment of such counsel shall have been authorized in writing in advance by the indemnifying party in connection with the defense of such action or claim or the indemnifying party shall not have employed counsel promptly to take charge of the defense of such action or claim, in any of which events such fees and expenses shall be borne by the indemnifying party). Except as expressly provided above, the indemnifying party shall not be liable to any indemnitee for the costs of investigating, preparing or defending against such action or claim subsequent to such time as the indemnifying party assumes the defense of such action or claim, unless such investigation, preparation or defense shall have been conducted at the request of the indemnifying party, its counsel or the insurer. In the event that any actions or claims could result in both parties being liable to the other under these indemnification provisions, the parties shall endeavor, acting reasonably and in good faith, to agree upon a manner of conducting the defense and/or settlement of such action or claim with a view to minimizing the legal ex-

penses and associated costs that might otherwise be incurred by the parties under the provisions of this Section 3.02. To the extent possible, the costs of such defense and/or settlement shall be allocated by the parties on the basis of the eventual determination of liability.

Section 3.03. Other Claims. Any claim on account of an Indemnifiable Loss that does not result from a Third Party Claim shall be asserted by written notice given by the indemnitee to the indemnifying party within 60 days of the indemnitee's discovery of such Indemnifiable Loss. Such indemnifying party shall have a period of 60 days after the receipt of such notice within which to respond thereto. If such indemnifying party does not respond within such 60 days' period, such indemnifying party shall be deemed to have accepted responsibility to make payment and shall have no further right to contest the validity of such claim. If such indemnifying party does respond within such 60 days' period and rejects such claim in whole or in part, such indemnitee shall be free to pursue such remedies as may be available to such party under applicable law and this Agreement.

Section 3.04. Miscellaneous Provisions Relating to Indemnification. The indemnification provided for in this Article III shall be subject to the following provisions:

(a) any amounts payable from Ethyl to Tredegar and from Tredegar to Ethyl shall be offset against each other;  
and

(b) the amounts for which the indemnifying party shall be liable under this Article III shall be net of insurance proceeds the benefits of which the indemnitee has received in connection with the facts giving rise to the right of indemnification.

IN WITNESS WHEREOF, Ethyl and Tredegar have caused this Agreement to be duly executed by their respective officers, each of whom is duly authorized, all as of the day and year first above written.

**ETHYL CORPORATION**

By: /s/ E. Whitehead Elmore

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E. Whitehead Elmore  
Vice President, Secretary  
and General Counsel

**TREDEGAR INDUSTRIES, INC.**

By: /s/ John D. Gottwald

\_\_\_\_\_  
John D. Gottwald  
President



**TREDEGAR INDUSTRIES, INC.  
1989 INCENTIVE STOCK OPTION PLAN**

**ARTICLE I**

**DEFINITIONS**

- 1.01. *Affiliate* means any Subsidiary or “parent corporation” (within the meaning of Section 422A of the Code) of the Company.
- 1.02. *Agreement* means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of an Option or SAR granted to such Participant.
- 1.03. *Board* means the Board of Directors of the Company.
- 1.04. *Code* means the Internal Revenue Code of 1986 as amended, and any successor thereto.
- 1.05. *Committee* means a committee, consisting of not less than three members of the Board, appointed by the Board to administer the Plan. No member of the Committee shall be eligible to participate in the Plan.
- 1.06. *Common Stock* means the common stock of the Company.
- 1.07. *Company* means Tredegar Industries, Inc.
- 1.08. *Fair Market Value* means, on any given date, the fair market value of a share of Common Stock determined by the Committee using any reasonable method in good faith.
- 1.09. *Option* means a stock option that entitles the holder to purchase from the Company a stated number of shares of Common Stock at the price set forth in an Agreement.
- 1.10. *Participant* means an employee of the Company or of a Subsidiary, including an employee who is a member of the Board, who satisfies the requirements of Article IV and is selected by the Committee to receive an Option.
- 1.11. *Plan* means the Tredegar Industries, Inc. 1989 Incentive Stock Option Plan.
- 1.12. *SAR* means a stock appreciation right (which may be granted only in conjunction with an Option) that entitles the holder to receive, with respect to each share of Common Stock encompassed by the exercise of such SAR, the lesser of (a) the excess of the Fair Market Value at the time of exercise over the option price of the related Option or (b) the fair Market Value on the date of grant. Such payment shall be made in Common Stock or in cash and Common Stock as determined by the Committee in accordance with Section 8.03.
- 1.13. *Subsidiary* means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations in the chain (other than the last corporation) owns stock possessing at least 50 percent of the total combined voting power of all classes of stock in one of the other corporations in such chain.

## **ARTICLE II**

### **PURPOSES**

This Plan is intended to assist the Company in recruiting and retaining key employees with ability and initiative by enabling employees who contribute significantly to the Company to participate in its future success and to associate their interests with those of the Company. It is further intended that Options granted under this Plan (unless otherwise designated by their terms) shall constitute “incentive stock options” within the meaning of Section 422A of the Code. No Option shall be invalid for failure to qualify as an incentive stock option. The proceeds received by the Company from the sale of Common Stock pursuant to this Plan shall be used for general corporate purposes.

## **ARTICLE III**

### **ADMINISTRATION**

This Plan shall be administered by the Committee. The Committee shall have authority to grant Options and SARs upon such terms (not inconsistent with the provisions of this Plan) as the Committee may consider appropriate. Such terms may include conditions (in addition to those contained in this Plan) on the exercisability of all or any part of an Option or SAR. Notwithstanding any such conditions, the Committee may, in its discretion, accelerate the time at which any Option or SAR may be exercised. In addition, the Committee shall have complete authority to interpret all provisions of this Plan; to prescribe the form of Agreements; to adopt, amend, and rescind rules and regulations pertaining to the administration of this Plan; and to make all other determinations necessary or advisable for the administration of this Plan. The express grant in this Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee. Any decision made, or action taken, by the Committee in or in connection with the administration of this Plan shall be final and conclusive. No member of the Committee shall be liable for any act done in good faith with respect to this Plan or any Agreement, Option, or SAR. All expenses of administering this Plan shall be borne by the Company.

## **ARTICLE IV**

### **ELIGIBILITY**

4.01. *General.* Any employee of the Company or of any Subsidiary (including any corporation that becomes a Subsidiary after the adoption of this Plan) who, in the judgment of the Committee, has contributed or can be expected to contribute to the profits or growth of the Company or a Subsidiary may be granted one or more Options and SARs. Directors of the Company who are employees and are not members of the Committee are eligible to participate in this Plan.

4.02. *Grants.* The Committee will designate employees to whom Options and SARs are to be granted and will specify the number of shares of Common Stock subject to each grant. An Option may be granted with or without a related SAR. An SAR may be granted only in conjunction with an Option and for a number of shares not exceeding the number of shares subject to the related Option. All Options and SARs granted under this Plan shall be evidenced by Agreements which shall be subject to applicable provisions of this Plan and to such other provisions as the Committee may adopt.

No Participant may be granted incentive stock options (under all incentive stock option plans of the Company and Affiliates) which are first exercisable in any calendar year for stock having an aggregate fair market value (determined as of the date an option is granted) exceeding \$100,000. The preceding annual limitation shall not apply with respect to Options that are not incentive stock options.

#### **ARTICLE V**

##### **STOCK SUBJECT TO OPTIONS OR SARs**

Upon the exercise of any Option or SAR, the Company may deliver to the Participant authorized but unissued stock, or any combination thereof. The maximum aggregate number of shares of Common Stock that may be issued pursuant to Options and SARs granted under this Plan is 600,000, subject to adjustment as provided by Article IX. If an Option is terminated, in whole or in part, for any reason other than its exercise or the exercise of a related SAR, the number of shares of Common Stock allocated to the Option or portion thereof may be reallocated to other Options or SARs to be granted under this Plan. If an SAR is terminated, in whole or in part, for any reason other than its exercise or the exercise of a related Option, the number of shares of Common Stock allocated to the SAR or portion thereof may be reallocated to other SARs or Options to be granted under this Plan.

#### **ARTICLE VI**

##### **OPTION PRICE**

The price per share for Common Stock purchased on the exercise of any Option granted under this Plan shall be not less than the Fair Market Value on the date the Option is granted.

#### **ARTICLE VII**

##### **EXERCISE OF OPTIONS AND SARs**

7.01. *Maximum Option or SAR Period.* No Option or related SAR shall be exercisable after the expiration of 10 years from the date the Option was granted. The terms of any Option or SAR may provide that it is exercisable for a period less than such maximum period.

7.02. *Nontransferability.* Any Option or SAR granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. In the event of any such transfer, the Option and related SAR must be transferred to the same person(s). During the lifetime of the Participant to whom the Option is granted, the Option or SAR may be exercised only by the Participant. No right or interest of a Participant in any Option or SAR shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

7.03. *Employee Status.* For purposes of determining the applicability of Section 422A of the Code (relating to incentive stock options), or in the event that the terms of any Option provide that it may be exercised only during employment or within a specified period of time after termination of employment, the Committee may decide in each case to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous employment.

**ARTICLE VIII**  
**METHOD OF EXERCISE**

8.01. *Exercise.* Subject to the provisions of Articles VII and X, an Option or SAR may be exercised in whole at any time or in part from time to time at such times and in compliance with such requirements as the Committee shall determine; provided, however, that an SAR may be exercised only to the extent the related Option is exercisable and when the Fair Market Value exceeds the option price of the related Option. An Option or SAR granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the Option or SAR could be exercised. Such partial exercise of an Option or SAR shall not affect the right to exercise the Option or SAR from time to time in accordance with this Plan with respect to the remaining shares subject to the Option or related to the SAR. The exercise of either an Option or SAR shall result in the termination of the other to the extent of the number of shares with respect to which the Option or SAR is exercised.

8.02. *Payment.* Unless otherwise provided by the Agreement or permitted by the Committee, payment of the Option price shall be made in cash or such cash equivalent as shall be acceptable to the Committee. If the Agreement provides or the Committee permits, payment of all or a part of the Option price may be made by surrendering shares of Common Stock to the Company. If Common Stock is used to pay all or part of the Option price, the shares surrendered must have a Fair Market Value (as of the day preceding the date of exercise) that is not less than such price or part thereof.

8.03. *Determination of Payment of Cash and/or Common Stock Upon exercise of SAR.* If the Agreement provides or the Committee so determines, up to one-half of the amount payable as a result of the exercise of an SAR may be settled by the payment of cash and the remainder by the issuance of Common Stock having an aggregate Fair Market Value equal thereto. In the absence of such provision or determination, a Participant exercising an SAR shall be entitled to receive Common Stock equal in aggregate Fair Market Value to the amount payable as a result of the exercise of an SAR.

8.04. *Shareholder Rights.* No Participant shall, as a result of receiving any Option or SAR, have any rights as a shareholder until the date he exercises such Option or SAR.

**ARTICLE IX**  
**ADJUSTMENT UPON CHANGE IN COMMON STOCK**

The maximum number of shares as to which Options and SARs may be granted under this Plan shall be proportionately adjusted and the terms of Options and SARs shall be adjusted as the Committee shall determine to be equitably required in the event that (a) the Company (i) effects one or more stock dividends, stock split-ups, subdivisions or consolidations of shares or (ii) engages in a transaction to which Section 425 of the Code applies, or (b) there occurs any other event which, in the judgment of the Committee, necessitates such action. Any determination made under this Article IX by the Committee shall be final and conclusive.

The issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, Options or SARs.

## **ARTICLE X**

### **COMPLIANCE WITH LAW AND APPROVAL OF REGULATORY BODIES**

No Option or SAR shall be exercisable, no Common Stock shall be issued, no certificate for shares of Common Stock shall be delivered, and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations (including, without limitation, withholding tax requirements) and the rules of all domestic stock exchanges on which the Company's shares may be listed. The Company shall have the right to rely on an opinion of its counsel as to such compliance. Any share certificate issued to evidence Common Stock for which an Option or SAR is exercised may bear such legends and statements as the Committee may deem advisable to assure compliance with federal and state laws and regulations. No Option or SAR shall be exercisable, no Common Stock shall be issued, no certificate for shares shall be delivered, and no payment shall be made under this Plan until the Company has obtained such consent or approval as the Committee may deem advisable from regulatory bodies having jurisdiction over such matters.

## **ARTICLE XI**

### **GENERAL PROVISIONS**

11.01. *Effect on Employment.* Neither the adoption of this Plan, its operation, nor any documents describing or referring to this Plan (or any part thereof) shall confer upon any employee any right to continue in the employ of the Company or a Subsidiary or in any way affect any right and power of the Company or a Subsidiary to terminate the employment of any employee at any time with or without assigning a reason therefor.

11.02. *Unfunded Plan.* This Plan, insofar as it provides for grants, shall be unfunded, and the Company shall not be required to segregate any assets that may at any time be represented by grants under the Plan. Any liability of the Company to any person with respect to any grant under this Plan shall be based solely upon any contractual obligations which may be created pursuant to this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

11.03. *Rules of Construction.* Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

## **ARTICLE XII**

### **AMENDMENT**

The Board may amend or terminate this Plan from time to time; provided, however, that no amendment may become effective until shareholder approval is obtained if (i) the amendment increases the aggregate number of shares that may be issued pursuant to Options and SARs, (ii) the amendment reduces the option price, or (iii) the amendment changes the class of employees eligible to become Participants. No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any Option or SAR outstanding at the time such amendment is made.

**ARTICLE XIII**

**DURATION OF PLAN**

No Option or SAR may be granted under this Plan more than ten years after the earlier of (i) the date this Plan is adopted by the Board or (ii) the date this Plan is approved (at a duly held shareholders' meeting) by shareholders holding a majority of the Company's outstanding voting stock or the effective date of a unanimous consent of shareholders approving the Plan. Options and SARs granted before that date shall remain valid in accordance with their terms.

**ARTICLE XIV**

**EFFECTIVE DATE OF PLAN**

Options and SARs may be granted under this Plan upon its adoption by the Board, provided that no Option or SAR will be effective unless this Plan is approved (at a duly held shareholders' meeting) by shareholders holding a majority of the Company's outstanding voting stock or by the unanimous consent of shareholders within twelve months of such adoption.

**Tredegar Industries, Inc.**

**Amendment to  
1989 Incentive Stock Option Plan  
(Effective November 19, 1997)**

1. Article VII, Section 7.02 Nontransferability shall be amended by deleting the word “Any” at the beginning of the first sentence of Section 7.02 and inserting in its place the phrase “Except as provided in Section 7.04, any”.
2. The following shall be added as a new Section 7.04 to Article VII:

7.04 Transferable Options. Section 7.02 to the contrary notwithstanding, if the applicable Agreement provides, an Option that is not an incentive stock option may be transferred by a Participant to the Participant's children, grandchildren, spouse, one or more trusts for the benefit of such family members or a partnership in which such family members are the only partners; provided, however, that such Participant may not receive any consideration for the transfer. In addition to transfers described in the preceding sentence, the Committee may grant Options that are not incentive stock options that are transferable on other terms and conditions as may be permitted under Securities Exchange Commission Rule 16b-3, as in effect from time to time. The holder of an Option transferred pursuant to this section shall be bound by the same terms and conditions that governed the Option during the period that it was held by the Participant, and may not subsequently transfer the Option, except by will or the laws of descent and distribution. In the event of a transfer pursuant to this section, the Option and any Corresponding SAR that relates to such Option must be transferred to the same person or persons or entity or entities.

3. Article XII hereby is amended by deleting it in its entirety and substituting therefor the following language:

**ARTICLE XII**

**AMENDMENT**

The Board may terminate this Plan from time to time. The Committee may amend this Plan from time to time; provided, however, that the approval of the Board shall be required to amend Section 4.01 or Article V or VI hereof; and provided, further, that no amendment may become effective until shareholder approval is obtained if the amendment increases the aggregate number of shares of Common Stock that may be issued under the Plan, or the amendment changes the class of individuals eligible to become Participants. No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any outstanding Stock Award, Option, SAR or Incentive Award outstanding at the time such amendment is made.

**TREDEGAR INDUSTRIES, INC.**

**1992 OMNIBUS STOCK INCENTIVE PLAN**

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**TREDEGAR INDUSTRIES, INC.**  
**1992 OMNIBUS STOCK INCENTIVE PLAN**

**ARTICLE I**

**DEFINITIONS**

- 1.01. Administrator means the Committee and any delegate of the Committee that is appointed in accordance with Article III.
- 1.02. Affiliate means any “subsidiary or “parent” corporation (within the meaning of Section 424 of the Code) of the Company.
- 1.03. Agreement means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of an award of Restricted Stock or an Option or SAR granted to such Participant.
- 1.04. Board means the Board of Directors of the Company.
- 1.05. Code means the Internal Revenue Code of 1986, and any amendments thereto.
- 1.06. Committee means the Executive Compensation Committee of the Board.
- 1.07. Common Stock means the Common Stock of the Company.
- 1.08. Company means Tredegar Industries, Inc.
- 1.09. Corresponding SAR means an SAR that is granted in relation to a particular Option and that can be exercised only upon the surrender to the Company, unexercised, of that portion of the Option to which the SAR relates.
- 1.10. Fair Market Value means, on any given date, the closing price of a share of Common Stock as reported on the New York Stock Exchange composite tape on such date, or if the Common Stock was not traded on the New York Stock Exchange on such day, then on the next preceding day that the Common Stock was traded on such exchange, all as reported by such source as the Administrator may select.
- 1.11. Initial Value means, with respect to an SAR, the Fair Market Value of one share of Common Stock on the date of grant.
- 1.12. Option means a stock option that entitles the holder to purchase from the Company a stated number of shares of Common Stock at the price set forth in an Agreement.
- 1.13. Participant means an employee of the Company or an Affiliate, including an employee who is a member of the Board, or an individual who provides services to the
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Company or an Affiliate who satisfies the requirements of Article IV and is selected by the Administrator to receive a Restricted Stock award, an Option, an SAR, or a combination thereof.

1.14. Plan means the Tredegar Industries, Inc. 1992 Omnibus Stock Incentive Plan.

1.15. Restricted Stock means Common Stock awarded to a Participant under Article IX. Shares of Common Stock shall cease to be Restricted Stock when, in accordance with the terms of the applicable Agreement, they become transferable and free of substantial risks of forfeiture.

1.16. SAR means a stock appreciation right that entitles the holder to receive, with respect to each share of Common Stock encompassed by the exercise of such SAR, the amount determined by the Administrator and specified in an Agreement. In the absence of such a determination, the holder shall be entitled to receive, with respect to each share of Common Stock encompassed by the exercise of such SAR, the excess of the Fair Market Value on the date of exercise over the Initial Value. References to "SARs" include both Corresponding SARs and SARs granted independently of Options, unless the context requires otherwise.

1.17. Ten Percent Shareholder means any individual owning more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of an Affiliate. An individual shall be considered to own any voting stock owned (directly or indirectly) by or for his brothers, sisters, spouse, ancestors or lineal descendants and shall be considered to own proportionately any voting stock owned (directly or indirectly) by or for a corporation, partnership, estate or trust of which such individual is a shareholder, partner or beneficiary.

## **ARTICLE II**

### **PURPOSES**

The Plan is intended to assist the Company in recruiting and retaining individuals with ability and initiative who provide services to the Company or an Affiliate by enabling such persons to participate in its future success and to associate their interests with those of the Company and its shareholders. The Plan is intended to permit the award of shares of Restricted Stock, the grant of SARs, and the grant of both Options qualifying under Section 422 of the Code ("incentive stock options") and Options not so qualifying. No Option that is intended to be an incentive stock option shall be invalid for failure to qualify as an incentive stock option. The proceeds received by the Company from the sale of Common Stock pursuant to this Plan shall be used for general corporate purposes.

### ARTICLE III

#### ADMINISTRATION

The Plan shall be administered by the Administrator. The Administrator shall have authority to award Restricted Stock and to grant Options and SARs upon such terms (not inconsistent with the provisions of this Plan) as the Administrator may consider appropriate. Such terms may include conditions (in addition to those contained in this Plan) on the exercisability of all or any part of an Option or SAR or on the transferability or forfeitability of Restricted Stock. Notwithstanding any such conditions, the Administrator may, in its discretion, accelerate the time at which any Option or SAR may be exercised or the time at which Restricted Stock may become transferable or nonforfeitable. In addition, the Administrator shall have complete authority to interpret all provisions of this Plan; to prescribe the form of Agreements; to adopt, amend, and rescind rules and regulations pertaining to the administration of the Plan; and to make all other determinations necessary or advisable for the administration of this Plan. The express grant in the Plan of any specific power to the Administrator shall not be construed as limiting any power or authority of the Administrator. Any decision made, or action taken, by the Administrator or in connection with the administration of this Plan shall be final and conclusive. Neither the Administrator or any member of the Committee shall be liable for any act done in good faith with respect to this Plan or any Agreement, Option, SAR or Restricted Stock award. All expenses of administering this Plan shall be borne by the Company.

The Committee, in its discretion, may delegate to one or more officers of the Company or the Executive Committee of the Board, all or part of the Committee's authority and duties with respect to grants and awards to individuals who are not subject to the reporting and other provisions of Section 16 of the Securities Exchange Act of 1934, as in effect from time to time. The Committee may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Committee's delegate or delegates that were consistent with the terms of the Plan.

### ARTICLE IV

#### ELIGIBILITY

4.01. General. Any employee of the Company or an Affiliate (including a corporation that becomes an Affiliate after the adoption of this Plan) or a person who provides services to the Company or an Affiliate (including a corporation that becomes an Affiliate after the adoption of this Plan) is eligible to participate in this Plan if the

Administrator, in its sole discretion, determines that such person has contributed significantly or can be expected to contribute significantly to the profits or growth of the Company or an Affiliate. Directors of the Company who are employees of the Company or an Affiliate may be selected to participate in this Plan. A member of the Committee may not participate in this Plan during the time that his participation would prevent the Committee from being "disinterested" for purposes of Securities and Exchange Commission Rule 16b-3 as in effect from time to time.

4.02. Grants. The Administrator will designate individuals to whom shares of Restricted Stock are to be awarded and to whom Options and SARs are to be granted and will specify the number of shares of Common Stock subject to each award or grant. An Option may be granted with or without a related SAR. An SAR may be granted with or without a related Option. All shares of Restricted Stock awarded, and all Options and SARs granted, under this Plan shall be evidenced by Agreements which shall be subject to applicable provisions of this Plan and to such other provisions as the Administrator may adopt. No Participant may be granted incentive stock options or related SARs (under all incentive stock option plans of the Company and its Affiliates) which are first exercisable in any calendar year for stock having an aggregate Fair Market Value (determined as of the date an Option is granted) that exceeds \$100,000. The preceding annual limitation shall not apply with respect to Options that are not incentive stock options.

## **ARTICLE V**

### **STOCK SUBJECT TO OPTIONS**

Upon the award of shares of Restricted Stock the Company may issue authorized but unissued Common Stock. Upon the exercise of any Option or SAR, the Company may deliver to the Participant (or the Participant's broker if the Participant so directs), authorized but unissued Common Stock. The maximum aggregate number of shares of Common Stock that may be issued pursuant to the exercise of Options and SARs and the award of Restricted Stock under this Plan is 650,000. The maximum aggregate number of shares of Common Stock that may be issued under this Plan shall be subject to adjustment as provided in Article X. If an Option is terminated, in whole or in part, for any reason other than its exercise or the exercise of a Corresponding SAR, the number of shares of Common Stock allocated to the Option or portion thereof may be reallocated to other Options, SARs, and Restricted Stock awards to be granted under this Plan. If an SAR is terminated, in whole or in part, for any reason other than its exercise or the exercise of a related Option, the number of shares of Common Stock allocated to the SAR or portion thereof may be reallocated to other Options, SARs, and Restricted Stock awards to be granted under this Plan. Any shares of Restricted Stock that are forfeited may be reallocated to other Options, SARs or Restricted Stock awards to be granted under this Plan.

## ARTICLE VI

### OPTION PRICE

The price per share for Common Stock purchased on the exercise of an Option shall be determined by the Committee on the date of grant; provided, however, that the price per share for Common Stock purchased on the exercise of any Option that is an incentive stock option shall not be less than the Fair Market Value on the date the Option is granted and provided further that the price per share shall not be less than 110% of such Fair Market Value in the case of an incentive stock option granted to a Participant who is a Ten Percent Shareholder on the date such incentive stock option is granted.

## ARTICLE VII

### EXERCISE OF OPTIONS

7.01. Maximum Option or SAR Period. The maximum period in which an Option or SAR may be exercised shall be determined by the Administrator on the date of grant, except that no Option that is an incentive stock option or its Corresponding SAR shall be exercisable after the expiration of ten years from the date such Option or Corresponding SAR was granted. In the case of an incentive stock option or its Corresponding SAR that is granted to a participant who is a Ten Percent Shareholder, such Option and Corresponding SAR shall not be exercisable after the expiration of five years from the date of grant. The terms of any Option that is an incentive stock option or Corresponding SAR may provide that it is exercisable for a period less than such maximum period.

7.02. Nontransferability. Any Option or SAR granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. In the event of any such transfer, the Option and any Corresponding SAR that relates to such Option must be transferred to the same person or person(s). During the lifetime of the Participant to whom the Option or SAR is granted, the Option or SAR may be exercised only by the Participant. No right or interest of a Participant in any Option or SAR shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

7.03. Employee Status. For purposes of determining the applicability of Section 422 of the Code (relating to incentive stock options), or in the event that the terms of any Option or SAR provide that it may be exercised only during employment or continued service or within a specified period of time after termination of employment or service,

the Administrator may decide to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous employment or service.

## ARTICLE VIII

### METHOD OF EXERCISE

8.01. Exercise. Subject to the provisions of Articles VII and XI, an Option or SAR may be exercised in whole at any time or in part from time to time at such times and in compliance with such requirements as the Administrator shall determine; provided, however, that a Corresponding SAR that is related to an incentive stock option may be exercised only to the extent that the related Option is exercisable and when the Fair Market Value exceeds the option price of the related Option. An Option or SAR granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the Option or SAR could be exercised. A partial exercise of an Option or SAR shall not affect the right to exercise the Option or SAR from time to time in accordance with this Plan and the applicable Agreement with respect to the remaining shares subject to the Option or related to the SAR. The exercise of either an Option or Corresponding SAR shall result in the termination of the other to the extent of the number of shares with respect to which the Option or Corresponding SAR is exercised.

8.02. Payment. Unless otherwise provided by the Agreement, payment of the Option price shall be made in cash or a cash equivalent acceptable to the Administrator. If the Agreement provides, payment of all or part of the Option price may be made by surrendering shares of Common Stock to the Company. If Common Stock is used to pay all or part of the Option price, the shares surrendered must have a Fair Market Value (determined as of the day preceding the date of exercise) that is not less than such price or part thereof.

8.03. Installment Payment. If the Agreement provides, and if the Participant is employed by the Company on the date the Option is exercised, payment of all or part of the Option price may be made in installments. In that event the Company shall lend the Participant an amount equal to not more than ninety percent (90%) of the Option price of the shares acquired by the exercise of the Option. This amount shall be evidenced by the Participant's promissory note and shall be payable in not more than five equal annual installments, unless the amount of the loan exceeds the maximum loan value for the shares purchased, which value shall be established from time to time by regulations of the Board of Governors of the Federal Reserve System. In that event, the note shall be payable in equal quarterly installments over a period of time not to exceed five years. The Administrator, however, may vary such terms and make such other provisions concerning the unpaid balance of such purchase price in the case of

hardship, subsequent termination of employment, absence on military or government service, or subsequent death of the Participant as in its discretion are necessary or advisable in order to protect the Company, promote the purposes of the Plan and comply with regulations of the Board of Governors of the Federal Reserve System relating to securities credit transactions.

The Participant shall pay interest on the unpaid balance at the minimum rate necessary to avoid imputed interest or original issue discount under the Code. All shares acquired with cash borrowed from the Company shall be pledged to the Company as security for the repayment thereof. In the discretion of the Administrator, shares of stock may be released from such pledge proportionately as payments on the note (together with interest) are made, provided the release of such shares complies with the regulations of the Federal Reserve System relating to securities credit transactions then applicable. While shares are so pledged, and so long as there has been no default in the installment payments, such shares shall remain registered in the name of the Participant, and he shall have the right to vote such shares and to receive all dividends thereon.

8.04. Determination of Payment of Cash and/or Common Stock Upon Exercise of SAR. At the Administrator's discretion, the amount payable as a result of the exercise of an SAR may be settled in cash, Common Stock, or a combination of cash and Common Stock. No fractional share shall be deliverable upon the exercise of an SAR but a cash payment will be made in lieu thereof.

8.05. Shareholder Rights. No Participant shall have any rights as a stockholder with respect to shares subject to his Option or SAR until the date of exercise of such Option or SAR.

## ARTICLE IX

### RESTRICTED STOCK

9.01. Award. In accordance with the provisions of Article IV, the Administrator will designate each individual to whom an award of Restricted Stock is to be made and will specify the number of shares of Common Stock covered by the award.

9.02. Vesting. The Administrator, on the date of the award, may prescribe that a Participant's rights in the Restricted Stock shall be forfeitable or otherwise restricted for a period of time set forth in the Agreement. By way of example and not of limitation, the restrictions may postpone transferability of the shares or may provide that the shares will be forfeited if the Participant separates from the service of the Company and its Affiliates before the expiration of a stated term or if the Company, the Company and its Affiliates or the Participant fails to achieve stated objectives.

9.03. Shareholder Rights. If provided in the Agreement, prior to their forfeiture (in accordance with the terms of the Agreement and while the shares are Restricted Stock), a Participant will have all rights of a shareholder with respect to Restricted Stock, including the right to receive dividends and vote the shares; provided, however, that (i) a Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of Restricted Stock, (ii) the Company shall retain custody of the certificates evidencing shares of Restricted Stock, and (iii) the Participant will deliver to the Company a stock power, endorsed in blank, with respect to each award of Restricted Stock. The limitations set forth in the preceding sentence shall not apply after the shares cease to be Restricted Stock.

## ARTICLE X

### ADJUSTMENT UPON CHANGE IN COMMON STOCK

The maximum number of shares as to which Restricted Stock may be awarded and as to which Options and SARs may be granted under this Plan shall be proportionately adjusted, and the terms of outstanding Restricted Stock awards, Options, and SARs shall be adjusted, as the Administrator shall determine to be equitably required in the event that (a) the Company (i) effects one or more stock dividends, stock split-ups, subdivisions or consolidations of shares or (ii) engages in a transaction to which Section 424 of the Code applies or (b) there occurs any other event which, in the judgment of the Administrator necessitates such action. Any determination made under this Article X by the Administrator shall be final and conclusive.

The issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding awards of Restricted Stock, Options or SARs.

The Administrator may award shares of Restricted Stock, may grant Options, and may grant SARs in substitution for stock awards, stock options, stock appreciation rights, or similar awards held by an individual who becomes an employee of the Company or an Affiliate in connection with a transaction described in the first paragraph of this Article X. Notwithstanding any provision of the Plan (other than the limitation of Article V), the terms of such substituted Restricted Stock awards and Option or SAR grants shall be as the Administrator, in its discretion, determines is appropriate.



## ARTICLE XI

### **COMPLIANCE WITH LAW AND APPROVAL OF REGULATORY BODIES**

No Option or SAR shall be exercisable, no Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered, and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations (including, without limitation, withholding tax requirements), any listing agreement to which the Company is a party, and the rules of all domestic stock exchanges on which the Company's shares may be listed. The Company shall have the right to rely on an opinion of its counsel as to such compliance. Any share certificate issued to evidence Common Stock for which shares of Restricted Stock are awarded or for which an Option or SAR is exercised may bear such legends and statements as the Administrator may deem advisable to assure compliance with federal and state laws and regulations. No Option or SAR shall be exercisable, no Restricted Stock shall be awarded, no Common Stock shall be issued, no certificate for shares shall be delivered, and no payment shall be made under this Plan until the Company has obtained such consent or approval as the Administrator may deem advisable from regulatory bodies having jurisdiction over such matters.

## ARTICLE XII

### **GENERAL PROVISIONS**

12.01. Effect on Employment. Neither the adoption of this Plan, its operation, nor any documents describing or referring to this Plan (or any part thereof) shall confer upon any individual any right to continue in the employ or service of the Company or an Affiliate or in any way affect any right and power of the Company or an Affiliate to terminate the employment or service of any individual at any time with or without assigning a reason therefor.

12.02. Unfunded Plan. The Plan, insofar as it provides for grants, shall be unfunded, and the Company shall not be required to segregate any assets that may at any time be represented by grants under this Plan. Any liability of the Company to any person with respect to any grant under this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

12.03. Disposition of Stock. A Participant shall notify the Administrator of any sale

or other disposition of Common Stock acquired pursuant to an Option that was an incentive stock option if such sale or disposition occurs (i) within two years of the grant of an Option or (ii) within one year of the issuance of the Common Stock to the Participant. Such notice shall be in writing and directed to the Secretary of the Company.

12.04. Rules of Construction. Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

### **ARTICLE XIII**

#### **AMENDMENT**

The Board may amend or terminate this Plan from time to time; provided, however, that no amendment may become effective until shareholder approval is obtained if (i) the amendment increases the aggregate number of shares of Common Stock that may be issued under the Plan or (ii) the amendment changes the class of individuals eligible to become Participants. No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any outstanding Restricted Stock award or under any Option or SAR outstanding at the time such amendment is made.

### **ARTICLE XIV**

#### **DURATION OF PLAN**

No shares of Restricted Stock may be awarded and no Option or SAR may be granted under this Plan more than ten years after the earlier of the date that the Plan is adopted by the Board or the date that the Plan is approved by shareholders as provided in Article XV. Restricted Stock awards and Options and SARs granted before that date shall remain valid in accordance with their terms.

**ARTICLE XV**

**EFFECTIVE DATE OF PLAN**

Shares of Restricted Stock may be awarded and Options and SARs may be granted under this Plan upon its adoption by the Board, provided that no Restricted Stock award, Option or SAR will be effective unless this Plan is approved by a majority of the votes entitled to be cast by the Company's shareholders, voting either in person or by proxy, at a duly held shareholders' meeting within twelve months of such adoption.

**Tredegar Industries, Inc.**

**Amendment to  
1992 Omnibus Stock Incentive Plan  
(Effective November 19, 1997)**

1. Article VII, Section 7.02 Nontransferability shall be amended by deleting the word “Any” at the beginning of the first sentence of Section 7.02 and inserting in its place the phrase “Except as provided in Section 7.04, any”.
2. The following shall be added as a new Section 7.04 to Article VII:

7.04 Transferable Options. Section 7.02 to the contrary notwithstanding, if the applicable Agreement provides, an Option that is not an incentive stock option may be transferred by a Participant to the Participant's children, grandchildren, spouse, one or more trusts for the benefit of such family members or a partnership in which such family members are the only partners; provided, however, that such Participant may not receive any consideration for the transfer. In addition to transfers described in the preceding sentence, the Administrator may grant Options that are not incentive stock options that are transferable on other terms and conditions as may be permitted under Securities Exchange Commission Rule 16b-3, as in effect from time to time. The holder of an Option transferred pursuant to this section shall be bound by the same terms and conditions that governed the Option during the period that it was held by the Participant, and may not subsequently transfer the Option, except by will or the laws of descent and distribution. In the event of a transfer pursuant to this section, the Option and any Corresponding SAR that relates to such Option must be transferred to the same person or persons or entity or entities.

3. Article XIII hereby is amended by deleting it in its entirety and substituting therefor the following language:

**ARTICLE XIII**

**AMENDMENT**

The Board may terminate this Plan from time to time. The Committee may amend this Plan from time to time; provided, however, that the approval of the Board shall be required to amend Section 4.01 or Article V or VI hereof; and provided, further, that no amendment may become effective until shareholder approval is obtained if the amendment increases the aggregate number of shares of Common Stock that may be issued under the Plan, or the amendment changes the class of individuals eligible to become Participants. No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any outstanding Stock Award, Option, SAR or Incentive Award outstanding at the time such amendment is made.

TREDEGAR INDUSTRIES, INC.  
RETIREMENT BENEFIT RESTORATION PLAN

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## INTRODUCTION

The Board of Directors of Tredegar Industries, Inc. (the “Company”) determined that the adoption of the Retirement Benefit Restoration Plan will assist the Company in attracting and retaining those employees whose judgment, abilities and experience will contribute to the Company’s continued progress. The Plan is intended to be an “excess benefit plan” within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended, and the Plan must be administered and construed in a manner that is consistent with that intent.

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## ARTICLE I

### DEFINITIONS

As defined herein, the following phrases or terms shall have the indicated meanings:

1.01. Affiliate means any entity that is (i) a member of a controlled group of corporations as defined in Section 1563(a) of the Internal Revenue Code of 1986, as amended (the "Code"), determined without regard to Code sections 1563(a)(4) and 1563 (e) (3) (c), of which the Company is a member according to Code section 414(b); (ii) an unincorporated trade or business that is under common control with the Company, as determined according to Code section 414(c); or (iii) a member of an affiliated service group of which the Company is a member according to Code section 414(m).

1.02. Beneficiary means the person, persons, entity, entities or the estate of a Participant which, in accordance with the provisions of the Retirement Plan, is entitled to receive a benefit under the Retirement Plan on account of the Participant's death.

1.03. Change in Control means the occurrence of any of the following events:

(A) any Person or group (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) (other than a Person who is not an Acquiring Person), at any time becomes the Beneficial Owner of 50% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Voting Securities"), other than (i) through an acquisition of Voting Securities directly from the Company (ii) as a result of the Company's repurchase of Voting Securities if, thereafter, such Beneficial Owner purchases no additional Voting Securities, or (iii) pursuant to a Business Combination (as defined below) that does not constitute a Change in Control pursuant to subparagraph (c) hereof;

(B) Continuing Directors cease to constitute a majority of the members of the Board other than pursuant to a Business Combination that does not constitute a Change in Control pursuant to subparagraph (c) hereof;

(C) the shareholders of the Company approve a reorganization, merger, share exchange or consolidation (a "Business Combination"), in each case, unless immediately following such Business Combination, (i) all or substantially all of the Persons who were the Beneficial Owners, respectively, of the Common Stock and Voting Securities outstanding immediately prior to such Business Combination Beneficially Own more than 80% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Common Stock and Voting Securities, as the case may be, (ii) no Person (other than a Person who is not an Acquiring Person) Beneficially Owns 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business combination or the combined voting power of the then outstanding voting securities of such corporation and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination are Continuing Directors; or

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(D) the shareholders of the Company approve a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company, in each case, unless immediately following such liquidation, dissolution, sale or other disposition, (i) more than 80% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then Beneficially Owned by all or substantially all of the Persons who were the Beneficial Owners, respectively, of the Common Stock and Voting Securities outstanding immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of such Common Stock and Voting Securities, as the case may be, (ii) less than 20% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then Beneficially Owned by any Person (other than any Person who is not an Acquiring Person), and (iii) at least a majority of the members of the board of directors of such corporation are Continuing Directors immediately following such sale or disposition.

For purposes of the foregoing definition, the terms Acquiring Person, Beneficial Owner, Company, Continuing Director, and Person shall have the same definitions as set forth in the Rights Agreement between Tredegar Industries, Inc. and NationsBank of Virginia, N.A. (formerly Sovran Bank, N.A.), dated as of June 15, 1989, as amended by that certain Amendment and Substitution Agreement by and among Tredegar Industries, Inc., NationsBank of Virginia, N.A. (formerly Sovran Bank, N.A.) and American Stock Transfer & Trust Company, dated as of July 1, 1992.

1.04. Code means the Internal Revenue Code of 1986, as amended.

1.05. Committee means the Executive Compensation Committee of the Board of Directors of the Company.

1.06. Company means Tredegar Industries, Inc.

1.07. Control Change Date means the date on which a Change in Control event occurs. If a Change in Control occurs on account of a series of transactions, the Control Change Date is the date of the last of such transactions.

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1.08. Eligible Employee means an individual (i) who is employed by the Company or an Affiliate, (ii) who is a member of a "select group of management or highly compensated employees" (as such phrase is used in the Employee Retirement Income Security Act of 1974, as amended), and (iii) whose Retirement Plan benefit is reduced or limited by Code section 415.

1.09. Participant means an Eligible Employee who is selected by the Committee to participate in the Plan. An individual shall remain a Participant only so long as the individual remains an Eligible Employee and his designation as a Participant has not been revoked or rescinded.

1.10. Plan means the Tredegar Industries, Inc. Retirement Benefit Restoration Plan.

1.11. Retirement and Retire mean severance from employment with the Company on or after attaining a vested or nonforfeitable interest in the portion of his Retirement Plan benefit attributable to Company contributions.

1.12. Retirement Plan means the Tredegar Industries, Inc. Retirement Income Plan.

1.13. Totally and Permanently Disabled means a condition, determined on the basis of medical evidence satisfactory to a physician designated by the Administrator, rendering a Participant, due to bodily injury or disease, unable to perform services as follows: (i) during the first two years of such disability (measured from the commencement of such disability rather than the commencement of benefit payments) such Participant is unable to perform any and every duty pertaining to his employment with the Company; and (ii) thereafter, such Participant is unable to engage in any occupation or perform any work for compensation or profit for which he is or may become reasonably fitted by education, training or experience. In no event shall such condition be deemed to exist during any period that the Participant is not under the regular care and attendance of a legally qualified physician during any period that he engages in any occupation or performs any work for compensation or profit.

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ARTICLE II

PARTICIPATION

An Eligible Employee who is designated to participate in the Plan by the Committee shall become a Participant in the Plan as of the date specified by the Committee. A Participant shall continue to participate in the Plan until such date as the Committee may declare that he is no longer a Participant or until the date that he is no longer an Eligible Employee.

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ARTICLE III

BENEFITS FOR PARTICIPANTS LISTED ON EXHIBIT I

Subject to the limitations set forth in Articles VI and VII, the benefits payable to or on behalf of a Participant who the Committee, in its discretion, determines will be listed on Exhibit I, shall be as provided in this Article III. A Participant who is not listed on either Exhibit I or Exhibit II shall be deemed to be listed on Exhibit I. The Committee, in its discretion, may remove a Participant from Exhibit I and include the Participant's name on Exhibit II or rescind or revoke his designation as a Participant, subject to the limitations set forth in Articles VI and VII.

3.01. Retirement Benefit

Upon Retirement a Participant shall be entitled to a monthly Retirement benefit equal to the difference between (a) and (b) below where:

(a) = the monthly benefit that would have been payable to the Participant under the Retirement Plan but for the application of the limits set forth in Code section 415; and

(b) = the monthly benefit that the Participant is entitled to receive under the Retirement Plan.

The payment of the benefit under this Section 3.01 shall begin as of the same date that the Participant's retirement benefit under the Retirement Plan is scheduled to commence. The benefit payable under this Section 3.01 also shall be determined as of the date that the Participant's retirement benefit under the Retirement Plan is scheduled to commence. The benefit payable under this Section 3.01 shall be computed and paid in the same form as the Participant's retirement benefit under the Retirement Plan; provided, however, that upon the Participant's death no further benefit shall be payable under this Plan except as provided in Section 3.03.

3.02. Disability Benefit

If a Participant becomes Totally and Permanently Disabled prior to his Retirement and during his employment with the Company or an Affiliate, he shall be entitled to receive a benefit calculated and paid in the manner set forth in Section 3.01.

3.03. Beneficiary's Benefit

If a Beneficiary is entitled to a Retirement Plan benefit on account of the Participant's death (regardless of whether the Participant's death occurs before Retirement or the commencement of his Retirement Plan benefit), the Beneficiary shall be entitled to a monthly benefit under this Plan equal to the difference between (a) and (b) where:

(a) = the monthly benefit that would have been payable to the Beneficiary but for the application of Code section 415 in the calculation of the Participant's accrued benefit under the Retirement Plan; and

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(b) = the monthly benefit that the Beneficiary is entitled to receive under the Retirement Plan.

The payment of the benefit under this Section 3.03 shall begin as of the same date that the Beneficiary's benefit under the Retirement Plan is scheduled to commence. The amount payable under this Section 3.03 also shall be determined as of the date that the Beneficiary's benefit under the Retirement Plan is scheduled to commence. The benefit payable under this Section 3.03 shall be computed and paid in the same form as the benefit payable to the Beneficiary under the Retirement Plan.

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ARTICLE IV

BENEFITS FOR PARTICIPANTS LISTED ON EXHIBIT II

Subject to the limitations set forth in Articles VI and VII, the benefits payable to or on behalf of a Participant who the Committee, in its discretion, determines will be listed on Exhibit II to the Plan shall be as provided in this Article IV. The Committee, in its discretion may remove a Participant from Exhibit II and include the Participant on Exhibit I or rescind or revoke his designation as a Participant, subject to the limitations set forth in Articles VI and VII.

4.01. Retirement Benefit

Upon Retirement a Participant shall be entitled to a monthly Retirement benefit equal to the difference between (a) and (b) below where:

(a) = the monthly benefit that would have been payable to the Participant under the Retirement Plan but for the application of the limits set forth in Code sections 401(a)(17) and 415; and

(b) = the monthly benefit that the Participant is entitled to receive under the Retirement Plan.

The payment of the benefit under this Section 4.01 shall begin as of the same date that the Participant's retirement benefit under the Retirement Plan is scheduled to commence. The benefit payable under this Section 4.01 also shall be determined as of the date that the Participant's retirement benefit under the Retirement Plan is scheduled to commence. The benefit payable under this Section 4.01 shall be computed and paid in the same form as the Participant's retirement benefit under the Retirement Plan; provided, however, that upon the Participant's death no further benefit shall be payable under this Plan except as provided in Section 4.03.

4.02. Disability Benefit

If a Participant becomes Totally and Permanently Disabled prior to his Retirement and during his employment with the Company or an Affiliate, he shall be entitled to receive a benefit calculated and paid in the manner set forth in Section 4.01.

4.03. Beneficiary's Benefit

If a Beneficiary is entitled to a Retirement Plan benefit on account of the Participant's death (regardless of whether the Participant's death occurs before Retirement or the commencement of his Retirement plan benefit), the Beneficiary shall be entitled to a monthly benefit under this Plan equal to the difference between (a) and (b) where:

(a) = the monthly benefit that would have been payable to the Beneficiary but for the application of Code sections 401(a)(17) and 415 in the calculation of the Participant's accrued benefit under the Retirement Plan; and

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(b) = the monthly benefit that the Beneficiary is entitled to receive under the Retirement Plan.

The payment of the benefit under this Section 4.03 shall begin as of the same date that the Beneficiary's benefit under the Retirement plan is scheduled to commence. The amount payable under this Section 4.03 also shall be determined as of the date that the Beneficiary's benefit under the Retirement Plan is scheduled to commence. The benefit payable under this Section 4.03 shall be computed and paid in the same form as the benefit payable to the Beneficiary under the Retirement Plan.

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## ARTICLE V

### GUARANTEES

The Company has only a contractual obligation to make payments of the benefits described in Articles III and IV. All benefits are to be satisfied solely out of the general corporate assets of the Company which shall remain subject to the claims of its creditors. No assets of the Company will be segregated or committed to the satisfaction of its obligations to any Participant or Beneficiary under this Plan.

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## ARTICLE VI

### TERMINATION OF EMPLOYMENT

#### 6.01. No Right To Employment

The Plan does not in any way limit the right of the Company or an Affiliate at any time and for any reason to terminate the Participant's employment or such Participant's status as an Eligible Employee. In no event shall the Plan, by its terms or by implication, constitute an employment contract of any nature whatsoever between the Company or an Affiliate and a Participant.

#### 6.02. Termination Of Employment

A Participant who ceases to be an Eligible Employee or whose employment with the Company and its Affiliates is terminated either with or without cause, for reasons other than death, Retirement or Total and Permanent Disability shall immediately cease to be a Participant under this Plan and shall forfeit all rights under this Plan. Further, in no event shall an individual who was a Participant but who is not a Participant at the time of such individual's death, Retirement or Total and Permanent Disability, be entitled to any benefit under the Plan. A Participant on authorized leave of absence from the Company or an Affiliate shall not be deemed to have terminated employment or lost his status as an Eligible Employee for the duration of such leave of absence.

#### 6.03. Change In Control

Notwithstanding any contrary Plan provision, in the event the employment of a Participant who is in the employ of the Company or an Affiliate on a Control Change Date is thereafter terminated (for reasons other than as a result of acts of theft, embezzlement, fraud, or moral turpitude), whether or not he is a Participant at the time of his termination, he shall be fully vested in a benefit payable under Article III and IV, as applicable, as of the date his employment is terminated. A Participant who following a Control Change Date voluntarily terminates employment within sixty (60) days after (i) he does not receive salary increases, bonuses, and incentive awards comparable to the increases, bonuses and awards that he received in prior years or that other executives in comparable positions receive in the current year; or (ii) his compensation or employment-related benefits are reduced; or (iii) his status, title(s), offices, places of employment, working conditions, or management responsibilities are diminished (other than changes in reporting or management responsibilities to reflect sound practices commonly followed by enterprises comparable to the Company employing Participant or required by applicable federal or state law) or within sixty days after the last in a series of such events will be deemed to have terminated under circumstances requiring full vesting under this Section 6.03.

#### 6.04. Reemployment

A Participant who ceases to be an employee of the Company and who is subsequently reemployed by the Company shall not accrue any additional benefits on account of such later service for periods in which he is not a Participant.

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## ARTICLE VII

### TERMINATION, AMENDMENT OR MODIFICATION OF PLAN

#### 7.01. Plan Amendment Or Termination

Except as otherwise specifically provided, the Company reserves the right to terminate, amend or modify this Plan, wholly or partially, at any time and from time to time. Such right to terminate, amend or modify the Plan shall be exercised for the Company by its Board of Directors.

#### 7.02. Notice Requirements

(a) Section 7.01 notwithstanding, no action to terminate the Plan shall be taken except upon written notice to each Participant to be affected thereby, which notice shall be given not less than thirty (30) days prior to such action.

(b) Any notice which shall be or may be given under the Plan shall be in writing and shall be mailed by United States mail, postage prepaid. If notice is to be given to the Company, such notice shall be addressed to it at its principal executive office in Richmond, Virginia; addressed to the attention of the Corporate Secretary. If notice is to be given to a Participant, such notice shall be addressed to the Participant at his last known address.

#### 7.03. Limitation On Amendment, Termination, Etc.

The rights of the Company set forth in Section 7.01 are subject to the condition that neither its Board of Directors nor the Committee shall take any action to terminate the Plan, decrease the benefit that would become payable or is payable, as the case may be, with respect to or on behalf of a Participant, or to revoke or rescind an individual's designation as a Participant after a Control Change Date or after the Participant's death, Retirement or Total and Permanent Disability.

#### 7.04. Effect Of Termination

Except as provided in Sections 6.03, 7.01 and 7.03, upon the termination of this Plan by the Board of Directors, the Plan shall no longer be of any further force or effect, and neither the Company nor any Participant shall have any further obligation or right under this Plan. Subject to the limitations in Sections 6.03, 7.01 and 7.03, the rights of any individual who was a Participant and whose designation as a Participant is revoked or rescinded by the Committee shall cease upon such action.

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ARTICLE VIII

OTHER BENEFITS AND AGREEMENTS

The benefits provided for a Participant and his Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program of the Company for its employees, and, except as may otherwise be expressly provided for, the Plan shall supplement and shall not supersede, modify or amend any other plan or program of the Company in which a Participant is participating.

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ARTICLE IX

RESTRICTIONS ON TRANSFER OF BENEFITS

No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such benefit. If any Participant or Beneficiary under the Plan should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right to a benefit hereunder, then such right or benefit, in the discretion of the Committee, shall cease and terminate, and, in such event, the Committee may hold or apply the same or any part thereof for the benefit of such Participant or Beneficiary, his or her spouse, children, or other dependents, or any of them, in such manner and in such portion as the Committee may deem proper.

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## ARTICLE X

### ADMINISTRATION OF THE PLAN

#### 10.01. The Committee

The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee may adopt such rules and regulations as may be necessary to carry out the purposes hereof. The Committee's interpretation and construction of any provision of the Plan shall be final and conclusive.

#### 10.02. Indemnification

The Company shall indemnify and save harmless each member of the Committee against any and all expenses and liabilities arising out of his membership on the Committee, excepting only expenses and liabilities arising out of his own willful misconduct. Expenses against which a member of the Committee shall be indemnified hereunder shall include without limitation, the amount of any settlement or judgment, costs, counsel fees, and related charges reasonably incurred in connection with a claim asserted, or a proceeding brought or settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such member may be entitled.

#### 10.03. Power of the Committee

In addition to the powers hereinabove specified, the Committee shall have the power to compute and certify the amount and kind of benefits from time to time payable to Participants and their Beneficiaries under the Plan, to authorize all disbursements for such purposes, and to determine whether a Participant is entitled to a benefit under Section 3.02 or 4.02.

#### 10.04. Information

To enable the Committee to perform its functions, the Company shall supply full and timely information to the Committee on all matters relating to the compensation of all Participants, their Retirement, death or other cause for termination of employment, and such other pertinent facts as the Committee may require.

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ARTICLE XI

MISCELLANEOUS

11.01. Binding Effect

The Plan shall be binding upon the Company and its successors and assigns; subject to the powers set forth in Article VII, and upon a Participant, his Beneficiary, and either of their assigns, heirs, executors and administrators.

11.02. Governing Law

To the extent not preempted by federal law, the Plan shall be governed and construed under the laws of the Commonwealth of Virginia as in effect at the time of their adoption and execution, respectively.

11.03. Gender; Singular and Plural

Masculine pronouns wherever used shall include feminine pronouns and the use of the singular shall include the plural.

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**Tredegar Industries, Inc.**

**Amendment to  
Tredegar Industries, Inc. Retirement Benefit Restoration Plan  
(Effective January 1, 1999)**

1. Section 1.08 is amended by deleting it in its entirety and substituting therefor the following:

Section 1.08. **Eligible Employee** means an individual who is employed by the Company or an Affiliate and who is a member of a "select group of management or highly compensated employees" (as such phrase is used in the Employee Retirement Income Security Act of 1974, as amended).

2. Section 7.01 shall be amended by deleting the last sentence thereof and substituting therefor the following:

Such right to amend or modify the Plan shall be exercised by the Company by the Committee and such right to terminate the Plan shall be exercised by the Company by its Board of Directors.

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TREDEGAR INDUSTRIES, INC.  
RETIREMENT BENEFIT RESTORATION PLAN

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## INTRODUCTION

### ARTICLE I DEFINITIONS

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1.10.	Plan	I-3
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1.12.	Retirement Plan	I-3
1.13.	Totally and Permanently Disabled	I-4

### ARTICLE II PARTICIPATION

#### ARTICLE III BENEFITS FOR PARTICIPANTS LISTED ON EXHIBIT I

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## INTRODUCTION

The Board of Directors of Tredegar Industries, Inc. (the “Company”) determined that the adoption of the Retirement Benefit Restoration Plan will assist the Company in attracting and retaining those employees whose judgment, abilities and experience will contribute to the Company’s continued progress. The Plan is intended to be an “excess benefit plan” within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended, and the Plan must be administered and construed in a manner that is consistent with that intent.

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## ARTICLE I

### DEFINITIONS

As defined herein, the following phrases or terms shall have the indicated meanings:

1.01. Affiliate means any entity that is (i) a member of a controlled group of corporations as defined in Section 1563(a) of the Internal Revenue Code of 1986, as amended (the "Code"), determined without regard to Code sections 1563(a)(4) and 1563 (e) (3) (c), of which the Company is a member according to Code section 414(b); (ii) an unincorporated trade or business that is under common control with the Company, as determined according to Code section 414(c); or (iii) a member of an affiliated service group of which the Company is a member according to Code section 414(m).

1.02. Beneficiary means the person, persons, entity, entities or the estate of a Participant which, in accordance with the provisions of the Retirement Plan, is entitled to receive a benefit under the Retirement Plan on account of the Participant's death.

1.03. Change in Control means the occurrence of any of the following events:

(A) any Person or group (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) (other than a Person who is not an Acquiring Person), at any time becomes the Beneficial Owner of 50% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Voting Securities"), other than (i) through an acquisition of Voting Securities directly from the Company (ii) as a result of the Company's repurchase of Voting Securities if, thereafter, such Beneficial Owner purchases no additional Voting Securities, or (iii) pursuant to a Business Combination (as defined below) that does not constitute a Change in Control pursuant to subparagraph (c) hereof;

(B) Continuing Directors cease to constitute a majority of the members of the Board other than pursuant to a Business Combination that does not constitute a Change in Control pursuant to subparagraph (c) hereof;

(C) the shareholders of the Company approve a reorganization, merger, share exchange or consolidation (a "Business Combination"), in each case, unless immediately following such Business Combination, (i) all or substantially all of the Persons who were the Beneficial Owners, respectively, of the Common Stock and Voting Securities outstanding immediately prior to such Business Combination Beneficially Own more than 80% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Common Stock and Voting Securities, as the case may be, (ii) no Person (other than a Person who is not an Acquiring Person) Beneficially Owns 50% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business combination or the combined voting power of the then outstanding voting securities of such corporation and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination are Continuing Directors; or

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(D) the shareholders of the Company approve a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company, in each case, unless immediately following such liquidation, dissolution, sale or other disposition, (i) more than 80% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then Beneficially Owned by all or substantially all of the Persons who were the Beneficial Owners, respectively, of the Common Stock and Voting Securities outstanding immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of such Common Stock and Voting Securities, as the case may be, (ii) less than 20% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then Beneficially Owned by any Person (other than any Person who is not an Acquiring Person), and (iii) at least a majority of the members of the board of directors of such corporation are Continuing Directors immediately following such sale or disposition.

For purposes of the foregoing definition, the terms Acquiring Person, Beneficial Owner, Company, Continuing Director, and Person shall have the same definitions as set forth in the Rights Agreement between Tredegar Industries, Inc. and NationsBank of Virginia, N.A. (formerly Sovran Bank, N.A.), dated as of June 15, 1989, as amended by that certain Amendment and Substitution Agreement by and among Tredegar Industries, Inc., NationsBank of Virginia, N.A. (formerly Sovran Bank, N.A.) and American Stock Transfer & Trust Company, dated as of July 1, 1992.

1.04. Code means the Internal Revenue Code of 1986, as amended.

1.05. Committee means the Executive Compensation Committee of the Board of Directors of the Company.

1.06. Company means Tredegar Industries, Inc.

1.07. Control Change Date means the date on which a Change in Control event occurs. If a Change in Control occurs on account of a series of transactions, the Control Change Date is the date of the last of such transactions.

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1.08. Eligible Employee means an individual (i) who is employed by the Company or an Affiliate, (ii) who is a member of a "select group of management or highly compensated employees" (as such phrase is used in the Employee Retirement Income Security Act of 1974, as amended), and (iii) whose Retirement Plan benefit is reduced or limited by Code section 415.

1.09. Participant means an Eligible Employee who is selected by the Committee to participate in the Plan. An individual shall remain a Participant only so long as the individual remains an Eligible Employee and his designation as a Participant has not been revoked or rescinded.

1.10. Plan means the Tredegar Industries, Inc. Retirement Benefit Restoration Plan.

1.11. Retirement and Retire mean severance from employment with the Company on or after attaining a vested or nonforfeitable interest in the portion of his Retirement Plan benefit attributable to Company contributions.

1.12. Retirement Plan means the Tredegar Industries, Inc. Retirement Income Plan.

1.13. Totally and Permanently Disabled means a condition, determined on the basis of medical evidence satisfactory to a physician designated by the Administrator, rendering a Participant, due to bodily injury or disease, unable to perform services as follows: (i) during the first two years of such disability (measured from the commencement of such disability rather than the commencement of benefit payments) such Participant is unable to perform any and every duty pertaining to his employment with the Company; and (ii) thereafter, such Participant is unable to engage in any occupation or perform any work for compensation or profit for which he is or may become reasonably fitted by education, training or experience. In no event shall such condition be deemed to exist during any period that the Participant is not under the regular care and attendance of a legally qualified physician during any period that he engages in any occupation or performs any work for compensation or profit.

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ARTICLE II

PARTICIPATION

An Eligible Employee who is designated to participate in the Plan by the Committee shall become a Participant in the Plan as of the date specified by the Committee. A Participant shall continue to participate in the Plan until such date as the Committee may declare that he is no longer a Participant or until the date that he is no longer an Eligible Employee.

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ARTICLE III

BENEFITS FOR PARTICIPANTS LISTED ON EXHIBIT I

Subject to the limitations set forth in Articles VI and VII, the benefits payable to or on behalf of a Participant who the Committee, in its discretion, determines will be listed on Exhibit I, shall be as provided in this Article III. A Participant who is not listed on either Exhibit I or Exhibit II shall be deemed to be listed on Exhibit I. The Committee, in its discretion, may remove a Participant from Exhibit I and include the Participant's name on Exhibit II or rescind or revoke his designation as a Participant, subject to the limitations set forth in Articles VI and VII.

3.01. Retirement Benefit

Upon Retirement a Participant shall be entitled to a monthly Retirement benefit equal to the difference between (a) and (b) below where:

(a) = the monthly benefit that would have been payable to the Participant under the Retirement Plan but for the application of the limits set forth in Code section 415; and

(b) = the monthly benefit that the Participant is entitled to receive under the Retirement Plan.

The payment of the benefit under this Section 3.01 shall begin as of the same date that the Participant's retirement benefit under the Retirement Plan is scheduled to commence. The benefit payable under this Section 3.01 also shall be determined as of the date that the Participant's retirement benefit under the Retirement Plan is scheduled to commence. The benefit payable under this Section 3.01 shall be computed and paid in the same form as the Participant's retirement benefit under the Retirement Plan; provided, however, that upon the Participant's death no further benefit shall be payable under this Plan except as provided in Section 3.03.

3.02. Disability Benefit

If a Participant becomes Totally and Permanently Disabled prior to his Retirement and during his employment with the Company or an Affiliate, he shall be entitled to receive a benefit calculated and paid in the manner set forth in Section 3.01.

3.03. Beneficiary's Benefit

If a Beneficiary is entitled to a Retirement Plan benefit on account of the Participant's death (regardless of whether the Participant's death occurs before Retirement or the commencement of his Retirement Plan benefit), the Beneficiary shall be entitled to a monthly benefit under this Plan equal to the difference between (a) and (b) where:

(a) = the monthly benefit that would have been payable to the Beneficiary but for the application of Code section 415 in the calculation of the Participant's accrued benefit under the Retirement Plan; and

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(b) = the monthly benefit that the Beneficiary is entitled to receive under the Retirement Plan.

The payment of the benefit under this Section 3.03 shall begin as of the same date that the Beneficiary's benefit under the Retirement Plan is scheduled to commence. The amount payable under this Section 3.03 also shall be determined as of the date that the Beneficiary's benefit under the Retirement Plan is scheduled to commence. The benefit payable under this Section 3.03 shall be computed and paid in the same form as the benefit payable to the Beneficiary under the Retirement Plan.

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ARTICLE IV

BENEFITS FOR PARTICIPANTS LISTED ON EXHIBIT II

Subject to the limitations set forth in Articles VI and VII, the benefits payable to or on behalf of a Participant who the Committee, in its discretion, determines will be listed on Exhibit II to the Plan shall be as provided in this Article IV. The Committee, in its discretion may remove a Participant from Exhibit II and include the Participant on Exhibit I or rescind or revoke his designation as a Participant, subject to the limitations set forth in Articles VI and VII.

4.01. Retirement Benefit

Upon Retirement a Participant shall be entitled to a monthly Retirement benefit equal to the difference between (a) and (b) below where:

(a) = the monthly benefit that would have been payable to the Participant under the Retirement Plan but for the application of the limits set forth in Code sections 401(a)(17) and 415; and

(b) = the monthly benefit that the Participant is entitled to receive under the Retirement Plan.

The payment of the benefit under this Section 4.01 shall begin as of the same date that the Participant's retirement benefit under the Retirement Plan is scheduled to commence. The benefit payable under this Section 4.01 also shall be determined as of the date that the Participant's retirement benefit under the Retirement Plan is scheduled to commence. The benefit payable under this Section 4.01 shall be computed and paid in the same form as the Participant's retirement benefit under the Retirement Plan; provided, however, that upon the Participant's death no further benefit shall be payable under this Plan except as provided in Section 4.03.

4.02. Disability Benefit

If a Participant becomes Totally and Permanently Disabled prior to his Retirement and during his employment with the Company or an Affiliate, he shall be entitled to receive a benefit calculated and paid in the manner set forth in Section 4.01.

4.03. Beneficiary's Benefit

If a Beneficiary is entitled to a Retirement Plan benefit on account of the Participant's death (regardless of whether the Participant's death occurs before Retirement or the commencement of his Retirement plan benefit), the Beneficiary shall be entitled to a monthly benefit under this Plan equal to the difference between (a) and (b) where:

(a) = the monthly benefit that would have been payable to the Beneficiary but for the application of Code sections 401(a)(17) and 415 in the calculation of the Participant's accrued benefit under the Retirement Plan; and

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(b) = the monthly benefit that the Beneficiary is entitled to receive under the Retirement Plan.

The payment of the benefit under this Section 4.03 shall begin as of the same date that the Beneficiary's benefit under the Retirement plan is scheduled to commence. The amount payable under this Section 4.03 also shall be determined as of the date that the Beneficiary's benefit under the Retirement Plan is scheduled to commence. The benefit payable under this Section 4.03 shall be computed and paid in the same form as the benefit payable to the Beneficiary under the Retirement Plan.

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## ARTICLE V

### GUARANTEES

The Company has only a contractual obligation to make payments of the benefits described in Articles III and IV. All benefits are to be satisfied solely out of the general corporate assets of the Company which shall remain subject to the claims of its creditors. No assets of the Company will be segregated or committed to the satisfaction of its obligations to any Participant or Beneficiary under this Plan.

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## ARTICLE VI

### TERMINATION OF EMPLOYMENT

#### 6.01. No Right To Employment

The Plan does not in any way limit the right of the Company or an Affiliate at any time and for any reason to terminate the Participant's employment or such Participant's status as an Eligible Employee. In no event shall the Plan, by its terms or by implication, constitute an employment contract of any nature whatsoever between the Company or an Affiliate and a Participant.

#### 6.02. Termination Of Employment

A Participant who ceases to be an Eligible Employee or whose employment with the Company and its Affiliates is terminated either with or without cause, for reasons other than death, Retirement or Total and Permanent Disability shall immediately cease to be a Participant under this Plan and shall forfeit all rights under this Plan. Further, in no event shall an individual who was a Participant but who is not a Participant at the time of such individual's death, Retirement or Total and Permanent Disability, be entitled to any benefit under the Plan. A Participant on authorized leave of absence from the Company or an Affiliate shall not be deemed to have terminated employment or lost his status as an Eligible Employee for the duration of such leave of absence.

#### 6.03. Change In Control

Notwithstanding any contrary Plan provision, in the event the employment of a Participant who is in the employ of the Company or an Affiliate on a Control Change Date is thereafter terminated (for reasons other than as a result of acts of theft, embezzlement, fraud, or moral turpitude), whether or not he is a Participant at the time of his termination, he shall be fully vested in a benefit payable under Article III and IV, as applicable, as of the date his employment is terminated. A Participant who following a Control Change Date voluntarily terminates employment within sixty (60) days after (i) he does not receive salary increases, bonuses, and incentive awards comparable to the increases, bonuses and awards that he received in prior years or that other executives in comparable positions receive in the current year; or (ii) his compensation or employment-related benefits are reduced; or (iii) his status, title(s), offices, places of employment, working conditions, or management responsibilities are diminished (other than changes in reporting or management responsibilities to reflect sound practices commonly followed by enterprises comparable to the Company employing Participant or required by applicable federal or state law) or within sixty days after the last in a series of such events will be deemed to have terminated under circumstances requiring full vesting under this Section 6.03.

#### 6.04. Reemployment

A Participant who ceases to be an employee of the Company and who is subsequently reemployed by the Company shall not accrue any additional benefits on account of such later service for periods in which he is not a Participant.

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ARTICLE VII

TERMINATION, AMENDMENT OR MODIFICATION OF PLAN

7.01. Plan Amendment Or Termination

Except as otherwise specifically provided, the Company reserves the right to terminate, amend or modify this Plan, wholly or partially, at any time and from time to time. Such right to terminate, amend or modify the Plan shall be exercised for the Company by its Board of Directors.

7.02. Notice Requirements

(a) Section 7.01 notwithstanding, no action to terminate the Plan shall be taken except upon written notice to each Participant to be affected thereby, which notice shall be given not less than thirty (30) days prior to such action.

(b) Any notice which shall be or may be given under the Plan shall be in writing and shall be mailed by United States mail, postage prepaid. If notice is to be given to the Company, such notice shall be addressed to it at its principal executive office in Richmond, Virginia; addressed to the attention of the Corporate Secretary. If notice is to be given to a Participant, such notice shall be addressed to the Participant at his last known address.

7.03. Limitation On Amendment, Termination, Etc.

The rights of the Company set forth in Section 7.01 are subject to the condition that neither its Board of Directors nor the Committee shall take any action to terminate the Plan, decrease the benefit that would become payable or is payable, as the case may be, with respect to or on behalf of a Participant, or to revoke or rescind an individual's designation as a Participant after a Control Change Date or after the Participant's death, Retirement or Total and Permanent Disability.

7.04. Effect Of Termination

Except as provided in Sections 6.03, 7.01 and 7.03, upon the termination of this Plan by the Board of Directors, the Plan shall no longer be of any further force or effect, and neither the Company nor any Participant shall have any further obligation or right under this Plan. Subject to the limitations in Sections 6.03, 7.01 and 7.03, the rights of any individual who was a Participant and whose designation as a Participant is revoked or rescinded by the Committee shall cease upon such action.

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ARTICLE VIII

OTHER BENEFITS AND AGREEMENTS

The benefits provided for a Participant and his Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program of the Company for its employees, and, except as may otherwise be expressly provided for, the Plan shall supplement and shall not supersede, modify or amend any other plan or program of the Company in which a Participant is participating.

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ARTICLE IX

RESTRICTIONS ON TRANSFER OF BENEFITS

No right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such benefit. If any Participant or Beneficiary under the Plan should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right to a benefit hereunder, then such right or benefit, in the discretion of the Committee, shall cease and terminate, and, in such event, the Committee may hold or apply the same or any part thereof for the benefit of such Participant or Beneficiary, his or her spouse, children, or other dependents, or any of them, in such manner and in such portion as the Committee may deem proper.

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ARTICLE X

ADMINISTRATION OF THE PLAN

10.01. The Committee

The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee may adopt such rules and regulations as may be necessary to carry out the purposes hereof. The Committee's interpretation and construction of any provision of the Plan shall be final and conclusive.

10.02. Indemnification

The Company shall indemnify and save harmless each member of the Committee against any and all expenses and liabilities arising out of his membership on the Committee, excepting only expenses and liabilities arising out of his own willful misconduct. Expenses against which a member of the Committee shall be indemnified hereunder shall include without limitation, the amount of any settlement or judgment, costs, counsel fees, and related charges reasonably incurred in connection with a claim asserted, or a proceeding brought or settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such member may be entitled.

10.03. Power of the Committee

In addition to the powers hereinabove specified, the Committee shall have the power to compute and certify the amount and kind of benefits from time to time payable to Participants and their Beneficiaries under the Plan, to authorize all disbursements for such purposes, and to determine whether a Participant is entitled to a benefit under Section 3.02 or 4.02.

10.04. Information

To enable the Committee to perform its functions, the Company shall supply full and timely information to the Committee on all matters relating to the compensation of all Participants, their Retirement, death or other cause for termination of employment, and such other pertinent facts as the Committee may require.

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ARTICLE XI

MISCELLANEOUS

11.01. Binding Effect

The Plan shall be binding upon the Company and its successors and assigns; subject to the powers set forth in Article VII, and upon a Participant, his Beneficiary, and either of their assigns, heirs, executors and administrators.

11.02. Governing Law

To the extent not preempted by federal law, the Plan shall be governed and construed under the laws of the Commonwealth of Virginia as in effect at the time of their adoption and execution, respectively.

11.03. Gender; Singular and Plural

Masculine pronouns wherever used shall include feminine pronouns and the use of the singular shall include the plural.

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**TREDEGAR INDUSTRIES, INC.**

**DIRECTORS' STOCK PLAN**

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## ARTICLE I

### DEFINITIONS

1.01. ***Affiliate***

Affiliate means any "subsidiary" or "parent" corporation (within the meaning of Section 424 of the Code) of the Corporation.

1.02. ***Agreement***

Agreement means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of an Option or Stock Award granted to such Participant.

1.03. ***Board***

Board means the Board of Directors of the Company.

1.04. ***Code***

Code means the Internal Revenue Code of 1986, and any amendments thereto.

1.05. ***Committee***

Committee means the Executive Committee of the Board.

1.06. ***Common Stock***

Common Stock means the common stock of the Company.

1.07. ***Company***

Company means Tredegar Industries, Inc.

1.08. ***Fair Market Value***

Fair Market Value means, on any given date, the closing price of a share of Common Stock as reported on the New York Stock Exchange composite tape on such date, or if the Common Stock was not traded on the New York Stock Exchange on such day, then on the next preceding day that the Common Stock was traded on such exchange, all as reported by such source as the Committee may select.

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1.09. **Option**

Option means a stock option that entitles the holder to purchase from the Company a stated number of shares of Common Stock at the price set forth in an Agreement.

1.10. **Participant**

Participant means a member of the Board who is not an employee of the Company or an Affiliate of the Company, who is selected to receive an Option, a Stock Award, or both.

1.11. **Plan**

Plan means the Tredegar Industries, Inc. Directors' Stock Plan.

1.12. **Stock Award**

Stock Award means Common Stock awarded to a Participant under Article VII.

**ARTICLE II**

**PURPOSES**

The Plan is intended to assist the Company in recruiting and retaining as members of the Board individuals with ability and initiative by enabling such persons to participate in the future success of the Company and to associate their interests with those of the Company and its shareholders. The Plan is intended to permit the grant of Options and Stock Awards. The proceeds received by the Company from the sale of Common Stock pursuant to this Plan shall be used for general corporate purposes.

**ARTICLE III**

**ADMINISTRATION**

The Plan shall be administered by the Committee; provided, however, that all awards under the Plan shall be subject to the final approval of the Board. Subject to the preceding sentence, the Committee shall have authority to grant Options and Stock Awards upon such terms (not inconsistent with the provisions of this Plan), as the Committee may consider appropriate. Such terms may include conditions (in addition to those contained in this Plan), on the exercisability of all or any part of an Option or on the vesting or transferability or both of Stock Awards. Notwithstanding any such conditions, the Committee may, in its discretion (but subject to the approval of the Board), accelerate the time at which any Option may be exercised or the time at which any Stock Award may become nonforfeitable, exercisable, or both. In addition, the Committee shall have complete authority to interpret all provisions of this Plan; to prescribe the form of Agreements; to adopt, amend, and rescind rules and regulations pertaining to the administration of the Plan; and to make all other determinations necessary or advisable for the administration of this Plan. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee (other than the requirement that all awards under the Plan must be approved by the Board). Any decision made, or action taken, by the Committee or the Board or in connection with the administration of this Plan shall be final and conclusive. No member of the Committee or the Board shall be liable for any act done in good faith with respect to this Plan or any Agreement, Option or Stock Award. All expenses of administering this Plan shall be borne by the Company.



**ARTICLE IV**

***ELIGIBILITY***

Any member of the Board who is not an employee of the Company or an Affiliate (including a corporation that becomes an Affiliate after the adoption of this Plan), is eligible to participate in this Plan if the Committee, with the approval of the Board, determines that such person has contributed significantly or can be expected to contribute significantly to the profits or growth of the Company.

**ARTICLE V**

***STOCK SUBJECT TO PLAN***

5.01. ***Shares Issued.***

Upon the award of shares of Common Stock pursuant to a Stock Award the Company may issue shares of Common Stock from its authorized but unissued Common Stock. Upon the exercise of any Option the Company may deliver to the Participant (or the Participant's broker if the Participant so directs), shares of Common Stock from its authorized but unissued Common Stock.

5.02. ***Aggregate Limit.***

The maximum aggregate number of shares of Common Stock that may be issued under this Plan pursuant to the exercise of Options and the grant of Stock Awards is 15,000 shares. The maximum aggregate number of shares that may be issued under this Plan shall be subject to adjustment as provided in Article VIII.

5.03. **Reallocation of Shares.**

If an Option is terminated, in whole or in part, for any reason other than its exercise, the number of shares of Common Stock allocated to the Option or portion thereof may be reallocated to other Options and Stock Awards to be granted under this Plan. If a Stock Award is forfeited, in whole or in part, the number of shares of Common Stock allocated to the Stock Award or portion thereof may be reallocated to other Options and Stock Awards to be granted under this Plan.

**ARTICLE VI**

**OPTIONS**

6.01. **Award.**

In accordance with the provisions of Article IV, the Committee, subject to the approval of the Board, will designate each individual to whom an Option is to be granted.

6.02. **Option Price.**

The price per share for Common Stock purchased on the exercise of an Option shall be determined by the Committee on the date of grant, subject to the approval of the Board, but shall not be less than the Fair Market Value on the date the Option is granted.

6.03. **Maximum Option Period**

The maximum period in which an Option may be exercised shall be determined by the Committee on the date of grant, subject to the approval of the Board, except that no Option shall be exercisable after the expiration of ten years from the date such Option was granted.

6.04. **Nontransferability.**

Except as provided in Section 6.05, each Option granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. Except as provided in Section 6.05, during the lifetime of the Participant to whom the Option is granted, the Option may be exercised only by the Participant. No right or interest of a Participant in any Option shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

6.05. **Transferable Options.**

Section 6.04 to the contrary notwithstanding, if the Agreement provides, an Option may be transferred by a Participant to the Participant's children, grandchildren, spouse, one or more trusts for the benefit of such family members or a partnership in which such family members are the only partners, on such terms and conditions as may be permitted under Securities Exchange Commission Rule 16b-3 as in effect from time to time. The holder of an Option transferred pursuant to this section shall be bound by the same terms and conditions that governed the Option during the period that it was held by the Participant; provided, however, that such transferee may not transfer the Option except by will or the laws of descent and distribution.

6.06. **Director Status.**

In the event that the terms of any Option provide that it may be exercised only during a Participant's service on the Board or within a specified period of time thereafter, the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous service.

6.07. **Exercise.**

Subject to the provisions of this Plan and the applicable Agreement, an Option may be exercised in whole at any time or in part from time to time at such times and in compliance with such requirements as the Committee, with the approval of the Board, shall determine. An Option granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the Option could be exercised. A partial exercise of an Option shall not affect the right to exercise the Option from time to time in accordance with this Plan and the applicable Agreement with respect to the remaining shares subject to the Option.

6.08. **Payment.**

Unless otherwise provided by the Agreement, payment of the Option price shall be made in cash or a cash equivalent. If the Agreement provides, payment of all or part of the Option price may be made by surrendering shares of Common Stock to the Company. If Common Stock is used to pay all or part of the Option price, the sum of the cash and cash equivalent and the Fair Market Value (determined as of the day preceding the date of exercise) of the shares surrendered must not be less than the Option price of the shares for which the Option is being exercised.

6.09. **Shareholder Rights.**

No Participant shall have any rights as a shareholder with respect to shares subject to his Option until the date of exercise of such Option.

## ARTICLE VII

### STOCK AWARDS

#### 7.01. *Award.*

In accordance with the provisions of Article IV, the Committee, subject to the approval of the Board, will designate each individual to whom a Stock Award is to be made and the number of shares of Common Stock subject to the Stock Award.

#### 7.02. *Vesting.*

The Committee on the date of the award, subject to the approval of the Board, may prescribe that a Participant's rights in a Stock Award shall be forfeitable or otherwise restricted for a period of time or subject to such conditions as may be set forth in the Agreement.

#### 7.03. *Director Status.*

In the event that the terms of any Stock Award provide that shares may become transferable and nonforfeitable thereunder only after completion of a specified period of service on the Board, the Committee may decide in each case to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous service.

#### 7.04. *Shareholder Rights*

Prior to their forfeiture (in accordance with the applicable Agreement and while the shares of Common Stock granted pursuant to the Stock Award may be forfeited or are nontransferable), a Participant will have all rights of a shareholder with respect to a Stock Award, including the right to receive dividends and vote the shares; provided, however, that during such period (i) a Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of shares of Common Stock granted pursuant to a Stock Award, and (ii) the Company shall retain custody of the certificates evidencing shares of Common Stock granted pursuant to a Stock Award, and (iii) the Participant will deliver to the Company a stock power, endorsed in blank, with respect to each Stock Award. The limitations set forth in the preceding sentence shall not apply after the shares of Common Stock granted under the Stock Award are transferable and are no longer forfeitable.

## **ARTICLE VIII**

### ***ADJUSTMENT UPON CHANGE IN COMMON STOCK***

The maximum number of shares as to which Options and Stock Awards may be granted under this Plan and the terms of outstanding Options and Stock Awards shall be adjusted as the Board shall determine to be equitably required in the event that (a) the Company (i) effects one or more stock dividends, stock split-ups, subdivisions or consolidations of shares or (ii) engages in a transaction to which Section 424 of the Code applies or (b) there occurs any other event which, in the judgment of the Board necessitates such action. Any determination made under this Article VIII by the Board shall be final and conclusive.

The issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the maximum number of shares as to which Options and Stock Awards may be granted or the terms of outstanding Options and Stock Awards.

## **ARTICLE IX**

### ***COMPLIANCE WITH LAW AND APPROVAL OF REGULATORY BODIES***

No Option shall be exercisable, no Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered, and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations (including, without limitation, withholding tax requirements), any listing agreement to which the Company is a party, and the rules of all domestic stock exchanges on which the Company's shares may be listed. The Company shall have the right to rely on an opinion of its counsel as to such compliance. Any share certificate issued to evidence Common Stock when an Option is exercised or a Stock Award is granted may bear such legends and statements as the Committee may deem advisable to assure compliance with federal and state laws and regulations. No Option shall be exercisable, no Common Stock shall be issued, no certificate for shares shall be delivered, and no payment shall be made under this Plan until the Company has obtained such consent or approval as the Committee may deem advisable from regulatory bodies having jurisdiction over such matters.

## ARTICLE X

### GENERAL PROVISIONS

#### 10.01. *Effect on Service.*

Neither the adoption of this Plan, its operation, nor any documents describing or referring to this Plan (or any part thereof), shall confer upon any individual any right to continue in the service of the Company or in any way affect any right and power of the Company to terminate the service of any individual at any time with or without assigning a reason therefor.

#### 10.02. *Unfunded Plan.*

The Plan, insofar as it provides for grants, shall be unfunded, and the Company shall not be required to segregate any assets that may at any time be represented by grants under this Plan. Any liability of the Company to any person with respect to any grant under this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

#### 10.03. *Rules of Construction.*

Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

## ARTICLE XI

### AMENDMENT

The Board may amend or terminate this Plan from time to time; provided, however, that no amendment may become effective until shareholder approval is obtained if (i) the amendment increases the aggregate number of shares of Common Stock that may be issued under the Plan (other than an adjustment pursuant to Article VIII) or (ii) the amendment changes the class of individuals eligible to become Participants. No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any Option or Stock Award outstanding at the time such amendment is made.

**ARTICLE XII**

***DURATION OF PLAN***

No Option or Stock Award may be granted under this Plan after February 24, 2008. Options and Stock Awards granted before that date shall remain valid in accordance with their terms.

**ARTICLE XIII**

***EFFECTIVE DATE OF PLAN***

Options may be granted under this Plan upon its adoption by the Board, provided that no Option shall be effective or exercisable unless this Plan is approved by a majority of the votes cast by the Company's shareholders, voting either in person or by proxy, at a duly held shareholders' meeting at which a quorum is present. Stock Awards may be granted under this Plan upon its approval by the company's shareholders in accordance with the preceding sentence.

**Summary of Director Compensation for Fiscal 2005**

Effective January 1, 2005, each member of the Board of Directors (the "Board") who is not an employee of Tredegar or any of its subsidiaries will receive \$1,500 for attendance at each Board meeting with respect to which such director participates. Each director who is a member of Tredegar's Audit Committee, Executive Compensation Committee and Nominating and Governance Committee (the "Committees"), including the chairperson of each such Committee, will receive \$1,250 for attendance at each meeting of the Committee with respect to which such director participates.

In addition to individual meeting fees, the chairpersons of such Committees will receive the following annual retainers, payable in equal quarterly installments commencing after their election to such position by the Board:

Audit Committee Chairperson	\$	5,000
Executive Compensation Committee Chairperson	\$	2,000
Nominating & Governance Committee Chairperson	\$	2,000

John D. Gottwald, Chairman of the Board, does not receive the aforementioned retainer and meeting fees that are paid to members of Tredegar's Board. As compensation for his advisory role and other significant contributions to Tredegar, as well as service as Chairman of the Board, Mr. Gottwald will receive a salary of \$250,000 in 2005. In addition, in August 2004, the Executive Compensation Committee, as administrator of Tredegar's 2004 Equity Incentive Plan, approved a stock award of 12,000 shares of Tredegar common stock that will be awarded to Mr. Gottwald on August 31, 2005, but will be granted and vest immediately if Mr. Gottwald dies or becomes disabled or if there is a change of control of Tredegar before that date. The granting of this stock award, which reflects the significant contributions that Mr. Gottwald has made and is expected to continue to make to Tredegar, is contingent upon Mr. Gottwald's continued service as Chairman of the Board through August 2005. The award was reviewed by the Board.

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**TREDEGAR CORPORATION**  
**Virginia**

Name of Subsidiary	Jurisdiction of Incorporation
Apolo Tool & Die Manufacturing, Inc.	Canada
AUS Corporation	Virginia
Bon L Aluminum LLC	Virginia
Bon L Campo Limited Partnership	Texas
Bon L Canada Inc.	Canada
Bon L Holdings Corporation	Virginia
Bon L Manufacturing Company	Virginia
The William L. Bonnell Company, Inc.	Georgia
Capital Square Insurance Company	Vermont
El Campo GP, LLC	Virginia
Guangzhou Tredegar Film Products Limited	China
Idlewood Properties, Inc.	Virginia
Molecumetics Institute, Ltd. <sup>1</sup>	Virginia
Molecumetics, Ltd.	Virginia
PROMEA Engineering srl	Italy
TFP Netherlands C.V.	Netherlands
Therics, Inc.	Virginia
Tredegar Brazil Industria De Plasticos Ltda.	Brazil
Tredegar Development Corporation	Virginia
Tredegar Europe S.a.r.l.	Italy
Tredegar Far East Corporation	Virginia
Tredegar Film Products, B.V.	Netherlands
Tredegar Film Products Company Shanghai, Limited	Shanghai
Tredegar Film Products Corporation	Virginia
Tredegar Film Products (Europe), Inc.	Virginia
Tredegar Film Products Italia S.r.l.	Italy
Tredegar Film Products (Japan) Ltd.	Virginia
Tredegar Film Products Kft.	Hungary
Tredegar Film Products - Lake Zurich, LLC	Virginia
Tredegar Film Products (Latin America), Inc.	Virginia
Tredegar Film Products (U.S.) LLC	Virginia
Tredegar Films Development, Inc.	Virginia
Tredegar Foreign Sales Corporation	U.S. Virgin Islands
Tredegar Performance Films Inc.	Virginia
Tredegar Reserves, Inc.	Virginia
Tredegar Investments Inc.	Virginia
Tredegar Investments II, Inc.	Virginia

<sup>1</sup> This company is a wholly-owned subsidiary of Molecumetics, Ltd., of which the Company owns 90.5% of the outstanding common stock.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 33-57268) and on Forms S-8 (File No. 33-31047, File No. 33-50276, File No. 333-12985, File No. 333-63487, File No. 333-88177, File No. 333-120132 and File No. 333-115432) of Tredegar Corporation of our report dated March 14, 2005 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting which appears in this Form 10-K.

PricewaterhouseCoopers LLP  
Richmond, Virginia  
March 15, 2005

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**Section 302 Certification**

I, Norman A. Scher, certify that:

- (1) I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2004, of Tredegar Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 15, 2005

By /s/ Norman A. Scher

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Norman A. Scher  
President and Chief Executive Officer  
(Principal Executive Officer)

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## Section 302 Certification

I, D. Andrew Edwards, certify that:

- (1) I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2004, of Tredegar Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 15, 2005

By /s/ D. Andrew Edwards

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D. Andrew Edwards  
Vice President, Chief Financial Officer and Treasurer  
(Principal Financial Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Tredegar Corporation (the "Company") for the year ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Norman A. Scher, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Norman A. Scher

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Norman A. Scher  
President and Chief Executive Officer  
(Principal Executive Officer)  
March 15, 2005

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Tredegar Corporation (the "Company") for the year ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. Andrew Edwards, Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ D. Andrew Edwards

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D. Andrew Edwards  
Vice President, Chief Financial Officer and Treasurer  
(Principal Financial Officer)  
March 15, 2005

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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