

AVERY DENNISON CORPORATION

Form 424B5

November 15, 2007

Table of Contents**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered	Maximum Offering Price Per Unit	Maximum Aggregate Offering Price	Amount of Registration Fee(1)(2)
7.875% Corporate HiMEDS Units	\$ 440,000,000	100%	\$ 440,000,000	\$ 13,508

(1) Calculated in accordance with Rule 457(r) and 457(o) under the Securities Act of 1933.

(2) Pursuant to Rule 457(p) under the Securities Act, a registration fee of \$63,350 was paid with respect to securities available for issuance under a Registration Statement on Form S-3 (Registration No. 333-120239) filed by Avery Dennison Corporation on November 5, 2004. Pursuant to Rule 457(b) and 457(p), \$63,350 of prepaid registration fees is presently available for offset. The \$13,508 registration fee associated with the instant offering is hereby offset against the prepaid registration fees made in connection with the securities available for issuance under Registration Statement No. 333-120239. Since the prepaid registration fees completely offset the registration fee for this offering, no additional registration fee is being paid for this offering, and, following this offering, \$49,842 will remain available for future offset under Registration No. 333-120239 against registration fees that would otherwise be payable under the Automatic Shelf Registration Statement on Form S-3 filed on November 14, 2007 by Avery Dennison Corporation (Registration No. 333-147369).

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-147369

Prospectus supplement
(To Prospectus dated November 14, 2007)

8,000,000 HiMEDSSM Units
(Initially Consisting of 8,000,000 Corporate HiMEDS Units)
Avery Dennison Corporation
7.875% Corporate HiMEDS Units

Each HiMEDS Unit will have a stated amount of \$50 and will consist of a purchase contract issued by us and, initially, a 1/20, or 5%, undivided beneficial ownership interest in \$1,000 principal amount of our 5.350% senior notes due November 15, 2020, which we refer to as a Corporate HiMEDS Unit.

The purchase contract will obligate you to purchase from us, no later than November 15, 2010, for a price of \$50 in cash, the following number of shares of our common stock:

if the adjusted applicable market value of our common stock, which will be determined by reference to average closing prices for our common stock over the 20-trading day period ending on the third trading day prior to November 15, 2010, is equal to or greater than \$65.09, which we refer to as the threshold appreciation price, 0.7682 or more shares of our common stock (which in no event will be more than 0.9756 shares), as adjusted for anti-dilution events, with the actual number of shares issuable being determined based on the formula described herein;

if the adjusted applicable market value is less than \$65.09, the threshold appreciation price, but greater than \$51.25, which we refer to as the reference price, a number of shares of our common stock having a value, based on the average closing price, equal to \$50; and

if the adjusted applicable market value is less than or equal to \$51.25, the reference price, 0.9756 shares of our common stock, as adjusted for anti-dilution events.

We will also pay you quarterly contract adjustment payments at a rate of 2.525% per year of the stated amount of \$50 per HiMEDS Unit, or \$1.2625 per year, subject to our right to defer contract adjustment payments, as described in this prospectus supplement.

The senior notes will initially bear interest at a rate of 5.350% per year, payable, initially, quarterly. The senior notes will be remarketed as described in this prospectus supplement. After a successful remarketing, the interest rate on the senior notes will be reset on November 15, 2010 to the fixed interest rate determined by the remarketing agent and thereafter interest will become payable semi-annually. If the senior notes are not successfully remarketed, the interest rate on the senior notes will remain unchanged and interest will continue to be paid on a quarterly basis. In connection with a successful remarketing of the senior notes, we may elect to change the stated maturity of the senior notes to an earlier date not earlier than November 15, 2012, as described in this prospectus supplement.

You can create Treasury HiMEDS Units from Corporate HiMEDS Units by substituting Treasury securities for the senior notes comprising a part of the Corporate HiMEDS Units, and you can recreate Corporate HiMEDS Units by substituting senior notes for the Treasury securities comprising a part of the Treasury HiMEDS Units.

Your ownership interest in a senior note or, if substituted for the ownership interest in a senior note, the Treasury securities, will be pledged to us to secure your obligation under the related purchase contract.

The Corporate HiMEDS Units will initially be sold by the underwriters in minimum increments of 20 units.

HiMEDS is a service mark of J.P. Morgan Securities Inc.

Our common stock is traded on the New York Stock Exchange under the symbol AVY. The last reported sale price of our common stock on November 14, 2007 was \$51.25 per share.

The Corporate HiMEDS Units have been approved for listing on the New York Stock Exchange under the symbol AVY PrA, subject to official notice of issuance. We expect trading of the Corporate HiMEDS Units on the New York Stock Exchange to commence on the date of the initial delivery of the Corporate HiMEDS Units.

Investing in the HiMEDS Units involves risks. See Risk factors beginning on page S-24 of this prospectus supplement.

	Price to Public	Underwriting Commissions	Proceeds to Avery Dennison
Per Corporate HiMEDS Unit	\$ 50.00	\$ 1.50	\$ 48.50
Total	\$ 400,000,000	\$ 12,000,000	\$ 388,000,000

We have granted the underwriters a 30-day option to purchase up to 800,000 additional Corporate HiMEDS Units solely to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Corporate HiMEDS Units will be ready for delivery in book-entry form only through The Depository Trust Company on or about November 20, 2007.

Joint Book-Running Managers

JPMorgan

Sole Structuring Advisor

Banc of America Securities LLC

November 14, 2007

Citi

Barclays Capital

Wachovia Securities

In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information. If any person provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, properties, results of operations or financial condition may have changed since those dates. Neither the delivery of this prospectus supplement nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this prospectus supplement.

Table of contents

Prospectus Supplement

	Page
<u>About this prospectus supplement</u>	ii
<u>Summary</u>	S-1
<u>Forward-looking statements</u>	S-23
<u>Risk factors</u>	S-24
<u>Use of proceeds</u>	S-29
<u>Capitalization</u>	S-30
<u>Market price of common stock</u>	S-31
<u>Description of the HiMEDS Units</u>	S-32
<u>Description of the purchase contracts</u>	S-37
<u>Certain provisions of the purchase contracts and the purchase contract and pledge agreement</u>	S-62
<u>Description of the senior notes</u>	S-68
<u>Accounting treatment</u>	S-72
<u>Certain U.S. federal income tax consequences</u>	S-73
<u>Certain ERISA considerations</u>	S-82
<u>Underwriting</u>	S-84
<u>Validity of the securities</u>	S-90
<u>Experts</u>	S-90

Prospectus

	Page
<u>ABOUT THIS PROSPECTUS</u>	1
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	1
<u>INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE</u>	2
<u>FORWARD-LOOKING STATEMENTS</u>	3
<u>AVERY DENNISON CORPORATION</u>	4
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	5
<u>USE OF PROCEEDS</u>	5
<u>DESCRIPTION OF SECURITIES</u>	5
<u>DESCRIPTION OF COMMON STOCK AND PREFERRED STOCK</u>	6
<u>VALIDITY OF THE SECURITIES</u>	8
<u>EXPERTS</u>	8

Table of Contents

About this prospectus supplement

This document contains two parts. The first part consists of this prospectus supplement, which describes the specific terms of this offering and the securities offered. The second part, the accompanying prospectus, provides more general information, some of which may not apply to this offering. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Before purchasing any securities, you should carefully read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the headings **Where You Can Find More Information** and **Incorporation of Certain Documents by Reference** in the accompanying prospectus.

You should rely only on the information we provide or incorporate by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different or additional information. We are offering to sell the securities offered by this prospectus supplement, and seeking offers to buy these securities, only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement or any sales of the securities.

References to the **Company**, **we**, **our** and **us** and similar terms mean Avery Dennison Corporation and its subsidiaries unless the context otherwise requires. References to **Paxar** mean Paxar Corporation. This prospectus supplement incorporates documents by reference which are not presented or delivered with this prospectus supplement. You may review and obtain these documents at our Internet website at www.averydennison.com, provided that no other information on our website shall be deemed incorporated by reference.

Table of Contents

Summary

*In this summary, we have highlighted certain information in this prospectus supplement and the accompanying prospectus. This summary may not contain all of the information that is important to you. To understand the terms of the HiMEDS Units, as well as the considerations that are important to you in making your investment decision, you should carefully read this entire prospectus supplement and the accompanying prospectus. You should pay special attention to the discussion under *Risk factors* in this prospectus supplement and Part I, Item IA, *Risk Factors* in our Annual Report on Form 10-K for the fiscal year ended December 30, 2006, as well as Part II, Item IA, *Risk Factors* in our Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2007 to determine whether an investment in the HiMEDS Units is appropriate for you. You should also read the documents we have referred you to in *Incorporation of Certain Documents by Reference* on page 2 of the accompanying prospectus.*

Unless otherwise specifically indicated, all information in this prospectus supplement assumes that the underwriters option to purchase additional HiMEDS Units is not exercised.

Avery Dennison Corporation

We are a global leader in pressure-sensitive labeling materials, retail tag, ticketing and branding systems, and office products. Headquartered in Pasadena, California, we are a FORTUNE 500 Company with sales of \$5.6 billion for 2006. Following the acquisition of Paxar Corporation in June 2007, we have more than 30,000 employees in over 50 countries worldwide, who develop, manufacture and market a wide range of products for both consumer and industrial markets. Products offered by us include: Fasson brand self-adhesive materials; Avery Dennison and Paxar brand products for the retail and apparel industries; Avery brand office products and graphics imaging media; specialty tapes, peel-and-stick postage stamps, and labels for a wide variety of automotive, industrial and durable goods applications.

The Paxar acquisition

We completed the acquisition of Paxar on June 15, 2007 for a purchase price of approximately \$1.3 billion excluding transaction costs. The Paxar business is being combined with our Retail Information Services segment, which serves the global retail information and brand identification market. Paxar provides innovative identification solutions to the retail and apparel manufacturing industries worldwide. These solutions include brand development, information services and supply chain logistics. Paxar had sales of \$880.8 million and net income of \$56.8 million for the year ended December 31, 2006, and sales of \$215.1 million and net income of \$4.1 million for the three months ended March 31, 2007. Paxar also had total assets of \$769.2 million as of March 31, 2007.

Avery Dennison is a Delaware corporation whose principal executive offices are located at 150 North Orange Grove Boulevard, Pasadena, California 91103. Our main telephone number is (626) 304-2000.

Table of Contents

The offering

References to Avery Dennison, we, our and us and the Company in this section are to Avery Dennison Corporation only and exclude its subsidiaries.

What are HiMEDS Units?

HiMEDS Units may be either Corporate HiMEDS Units or Treasury HiMEDS Units, as described below. The HiMEDS Units offered will initially consist of 8,000,000 Corporate HiMEDS Units (up to 8,800,000 Corporate HiMEDS Units if the underwriters exercise their over-allotment option in full), each with a stated amount of \$50. The Corporate HiMEDS Units will initially be sold by the underwriters in minimum increments of 20 units. You can create Treasury HiMEDS Units from the Corporate HiMEDS Units in the manner described below under How can I create Treasury HiMEDS Units from Corporate HiMEDS Units?

What are the components of a Corporate HiMEDS Unit?

Each Corporate HiMEDS Unit consists of a purchase contract and, initially, a 1/20, or 5%, undivided beneficial ownership interest in \$1,000 principal amount of our senior notes due November 15, 2020, which we call the applicable ownership interest in senior notes. The senior notes will be issued in minimum denominations of \$1,000 and integral multiples thereof, except in certain limited circumstances. The applicable ownership interest in senior notes underlying a Corporate HiMEDS Unit is owned by you, but it will initially be pledged to us through the collateral agent to secure your obligation under the related purchase contract.

What is a purchase contract?

Each purchase contract underlying a HiMEDS Unit obligates the holder of the purchase contract to purchase, and obligates us to sell, on November 15, 2010, which we refer to as the purchase contract settlement date, for \$50 in cash, a number of newly issued shares of our common stock equal to the settlement rate. The settlement rate will be calculated, subject to adjustment under the circumstances set forth in Description of the purchase contracts Anti-dilution adjustments, by reference to the average closing price per share of our common stock over the 20 consecutive trading day period ending on the third trading day prior to November 15, 2010, which 20 day period we refer to as the observation period, as follows:

if the adjusted applicable market value (as defined under Description of the purchase contracts) of our common stock is equal to or greater than \$65.09, which we refer to as the threshold appreciation price, the settlement rate will be 0.7682 or more shares of our common stock (which in no event will be more than 0.9756 shares), as adjusted for anti-dilution events, with the actual number of shares issuable being determined based on the formula described herein;

if the adjusted applicable market value of our common stock is less than the threshold appreciation price of \$65.09 but greater than \$51.25, which we refer to as the reference price, the settlement rate will be a number of shares of our common stock equal to \$50 divided by the applicable market value (as defined under Description of the purchase contracts); and

Table of Contents

if the adjusted applicable market value of our common stock is less than or equal to the reference price, the settlement rate will be 0.9756 shares of our common stock, as adjusted for anti-dilution events.

The reference price represents the last reported sale price of our common stock on the New York Stock Exchange on November 14, 2007. The threshold appreciation price represents appreciation of approximately 27.0% over the reference price.

We will not issue any fractional shares of common stock pursuant to the purchase contracts. In lieu of fractional shares otherwise issuable (calculated on an aggregate basis) in respect of purchase contracts being settled by a holder of Corporate HiMEDS Units or Treasury HiMEDS Units, the holder will be entitled to receive an amount of cash equal to the fraction of a share times the applicable market value.

Can I settle the purchase contract early?

You can settle a purchase contract for cash at any time on or prior to 4:00 p.m., New York City time, on the business day immediately preceding the first scheduled trading day of the observation period, subject to certain exceptions described under **Description of the purchase contracts** **Early settlement**. If a purchase contract is settled early, the number of shares of our common stock to be issued per purchase contract will be the stated amount of \$50 divided by the threshold appreciation price (the **minimum settlement rate**), which is initially 0.7682 shares.

In addition, if we are involved in a consolidation, acquisition or merger in which 10% or more of the consideration for our common stock consists of cash or cash equivalents, you will have the right to accelerate and settle the purchase contract early at the settlement rate in effect immediately prior to the closing of that consolidation, acquisition or merger and, under certain circumstances, we will increase the settlement rate by a number of additional shares, which we refer to as make-whole shares.

If you hold Corporate HiMEDS Units, you may settle early only in integral multiples of 20 Corporate HiMEDS Units. If you hold Treasury HiMEDS Units, you may settle early only in integral multiples of 20 Treasury HiMEDS Units.

Your early settlement right is subject to the condition that, if required under the U.S. federal securities laws, we have a registration statement under the Securities Act of 1933, as amended (the **Securities Act**), in effect covering the shares of common stock and other securities, if any, deliverable upon settlement of a purchase contract. We have agreed that, if required by U.S. federal securities laws, we will use our commercially reasonable efforts to have a registration statement in effect covering those shares of common stock and other securities, if any, to be delivered in respect of the purchase contracts being settled.

What is a Treasury HiMEDS Unit?

A Treasury HiMEDS Unit is a unit created from a Corporate HiMEDS Unit and consists of a purchase contract and a 1/20, or 5%, undivided beneficial ownership interest in a zero-coupon U.S. Treasury security with a principal amount at maturity of \$1,000 that matures on November 15, 2010 (CUSIP No. 912820MJ3), which we refer to as a Treasury security. The ownership interest in the Treasury security that is a component of a Treasury HiMEDS Unit will be owned

Table of Contents

by you, but will be pledged to us through the collateral agent to secure your obligation under the related purchase contract.

How can I create Treasury HiMEDS Units from Corporate HiMEDS Units?

Each holder of Corporate HiMEDS Units will have the right, at any time on or prior to 4:00 p.m., New York City time, on the second business day immediately preceding the first remarketing date, to substitute for the underlying senior notes held by the collateral agent, Treasury securities in a total principal amount at maturity equal to the aggregate principal amount of the senior notes underlying the Corporate HiMEDS Units with respect to which substitution is being made. Because Treasury securities and senior notes are issued in integral multiples of \$1,000, holders of Corporate HiMEDS Units may make this substitution only in integral multiples of 20 Corporate HiMEDS Units.

Upon creation of Treasury HiMEDS Units by the substitution of Treasury securities, the senior notes underlying the applicable ownership interests in senior notes will be released to the holder and be tradable separately from the Treasury HiMEDS Units.

How can I recreate Corporate HiMEDS Units from Treasury HiMEDS Units?

Each holder of Treasury HiMEDS Units will have the right, at any time on or prior to 4:00 p.m., New York City time, on the second business day immediately preceding the first remarketing date, to substitute for the related Treasury securities held by the collateral agent, senior notes having a principal amount equal to the aggregate principal amount at stated maturity of the Treasury securities for which substitution is being made. Because Treasury securities and senior notes are issued in integral multiples of \$1,000, holders of Treasury HiMEDS Units may make these substitutions only in integral multiples of 20 Treasury HiMEDS Units.

Upon the re-creation of Corporate HiMEDS Units by the substitution of senior notes, the applicable Treasury securities will be released to the holder and be separately tradable from the Corporate HiMEDS Units.

What payments am I entitled to as a holder of Corporate HiMEDS Units?

Holders of Corporate HiMEDS Units will be entitled to receive quarterly cash distributions consisting of (i) their pro rata share of interest payments on the senior notes, equivalent to the rate of 5.350% per year on the applicable beneficial ownership interests in senior notes and (ii) contract adjustment payments payable by us at the rate of 2.525% per year on the stated amount of \$50 per Corporate HiMEDS Unit, subject to our right to defer the contract adjustment payments as described below.

If you settle your purchase contracts early other than on a merger early settlement date, you will have no right to receive any accrued but unpaid contract adjustment payments. If your purchase contracts are terminated upon the occurrence of certain events of our bankruptcy, insolvency, or reorganization, you will have no right to receive any accrued and unpaid contract adjustment payments and deferred contract adjustment payments.

Table of Contents

What payments will I be entitled to if I transform my Corporate HiMEDS Units to Treasury HiMEDS Units?

Holders of Treasury HiMEDS Units will be entitled to receive quarterly contract adjustment payments payable by us at the rate of 2.525% per year on the stated amount of \$50 per Treasury HiMEDS Unit, subject to our right to defer the contract adjustment payments as described below. There will be no distributions by us in respect of the Treasury securities that are a component of the Treasury HiMEDS Units but the holders of the Treasury HiMEDS Units will continue to receive the scheduled quarterly interest payments on the senior notes that were released to them when they created the Treasury HiMEDS Units as long as they continue to hold such senior notes.

If you settle your purchase contracts early other than on a merger early settlement date, you will have no right to receive any accrued but unpaid contract adjustment payments. If your purchase contracts are terminated upon the occurrence of certain events of our bankruptcy, insolvency, or reorganization, you will have no right to receive any accrued and unpaid contract adjustment payments and deferred contract adjustment payments.

Do we have the option to defer current payments?

We are not entitled to defer payments of interest on the senior notes.

We have the right to defer the payment of contract adjustment payments to any subsequent payment date until no later than the purchase contract settlement date; *provided, however*, that in a merger early settlement upon a cash merger or any other early settlement of the purchase contracts, we will pay deferred contract adjustment payments to but not including the cash merger settlement date or the most recent quarterly payment date, as applicable (unless earlier paid in full). Any deferred contract adjustment payments would accrue additional contract adjustment payments at the rate of 6.00% per year until paid, compounded quarterly, until paid in full.

In the event that we exercise our option to defer the payment of contract adjustment payments, then until the deferred contract adjustment payments have been paid, we will not, with certain exceptions, declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of our capital stock, or make guarantee payments with respect to the foregoing.

What are the payment dates for the Corporate HiMEDS Units?

The payments described above in respect of the Corporate HiMEDS Units will be payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on February 15, 2008, subject to, in the case of that portion of the current payment attributable to contract adjustment payments, the deferral provisions described in this prospectus supplement.

What is the remarketing?

The remarketing is one way in which the obligations of holders of Corporate HiMEDS Units to purchase common stock under the related purchase contracts may be satisfied. The remarketing agent will attempt to remarket the senior notes of holders of Corporate HiMEDS Units and will

Table of Contents

use the proceeds from any successful remarketing to settle directly the purchase contracts on the purchase contract settlement date.

We will enter into a remarketing agreement with a nationally recognized investment banking firm that will act as remarketing agent. The remarketing agent will agree to use reasonable best efforts to remarket the senior notes that are included in Corporate HiMEDS Units (as well as separately held senior notes) that are participating in the remarketing, at a price per senior note that will result in net cash proceeds equal to 100.25% of the remarketing value. The remarketing value of a senior note will be equal to the \$1,000 principal amount of the senior note. The settlement date of any successful remarketing is expected to be the purchase contract settlement date.

The remarketing agent will deduct out of the proceeds in excess of the remarketing value as a remarketing fee an amount not exceeding 25 basis points (0.25%) of the remarketing value from such remarketing (namely up to 0.25% of the total 100.25% remarketing value).

The proceeds of the remarketing, less the remarketing fee, will be paid directly to us in settlement of the obligations of the holders of Corporate HiMEDS Units to purchase our common stock. The remarketing agent will remit the remaining portion of the proceeds, if any, for payment to the holders of the Corporate HiMEDS Units or senior notes participating in the remarketing, as appropriate.

A holder of Corporate HiMEDS Units may elect not to participate in any remarketing and, instead, retain the ownership interests in senior notes underlying those Corporate HiMEDS Units by delivering to the collateral agent, in respect of each senior note to be retained, cash in the amount and on the date specified in the Remarketing Notice to satisfy its obligations under the related purchase contracts.

As described below, a holder of a senior note in which interests are not held as part of Corporate HiMEDS Units may elect to have the separately held senior note remarketed along with the senior notes in which interests are held as part of the Corporate HiMEDS Units.

In connection with a successful remarketing, a fixed reset rate on the senior notes will be determined on the date that the remarketing agent is able to successfully remarket the senior notes. Following a successful remarketing, interest on all of the senior notes (including any senior notes that are not remarketed) will be payable semi-annually on May 15 and November 15 at the reset rate, effective on the reset effective date which will be November 15, 2010, the same date as the purchase contract settlement date.

If the senior notes are not successfully remarketed, the interest rate on the senior notes will remain unchanged and interest will continue to be paid on a quarterly basis on February 15, May 15, August 15 and November 15 of each year.

In connection with a successful remarketing, we may elect, in our sole discretion, to change the stated maturity of the senior notes from November 15, 2020 to one of the following earlier dates: November 15, 2012, November 15, 2013, November 15, 2015 and November 15, 2017. For the avoidance of doubt, in no event may we elect a maturity date earlier than November 15, 2012, which is the second anniversary of the purchase contract settlement date. Any such election would take effect on the reset effective date.

Table of Contents

Prior to any remarketing, we will use our commercially reasonable efforts to have an effective registration statement if so required under the U.S. federal securities laws at the time for use in connection with the remarketing.

What happens if the remarketing agent does not successfully remarket the senior notes on the remarketing date?

If the remarketing agent cannot remarket the senior notes participating in the remarketing at a price per senior note that will result in net cash proceeds equal to 100.25% of the remarketing value on the ninth scheduled business day prior to the purchase contract settlement date, the remarketing agent will attempt to remarket the senior notes on each of the six business days immediately following the initial proposed remarketing date. We refer to this period as the remarketing period ; provided, however, that in no event shall the remarketing period extend beyond the third scheduled trading day immediately preceding the purchase contract settlement date. If the remarketing agent fails to remarket the senior notes underlying the Corporate HiMEDS Units at that price by the end of the remarketing period, holders of Corporate HiMEDS Units will be deemed to have directed us to retain the securities pledged as collateral in satisfaction of the holders obligations under the related purchase contracts and we will exercise our rights as a secured party and may, subject to applicable law, retain or dispose of such securities to satisfy in full such holders obligation to purchase our common stock under the related purchase contracts on the purchase contract settlement date. In no event will a holder of a purchase contract be liable for any deficiency between the amount of such proceeds and the purchase price for the common stock under the purchase contract. In addition, holders of senior notes that have been separated from Corporate HiMEDS Units will, following a failed remarketing, have the right to put their senior notes to us on the date set forth in the Remarketing Notice for an amount equal to the principal amount of the senior notes, plus accrued and unpaid interest, by notifying the indenture trustee in accordance with the procedures set forth in the Remarketing Notice.

If I am not a party to a purchase contract, may I still participate in a remarketing of my senior notes?

Holders of senior notes whose interests are not included as part of Corporate HiMEDS Units may, on or prior to 4:00 p.m., New York City time, on the second business day immediately preceding the first remarketing date, elect to have their senior notes included in the remarketing in the manner described in Description of the purchase contracts Optional participation in remarketing. The remarketing agent will use reasonable best efforts to remarket the separately held senior notes included in the remarketing at a price per senior note that will result in net cash proceeds equal to 100.25% of the remarketing value, determined on the same basis as for the other senior notes being remarketed. After deducting as a remarketing fee an amount not exceeding 25 basis points (0.25%) of the remarketing value from such remarketing, the remaining portion of the proceeds will be remitted for payment to the holders whose separate senior notes were remarketed in the remarketing. If a holder of senior notes elects to have its senior notes remarketed during the remarketing period but the remarketing agent fails to remarket the senior notes during such remarketing period, the senior notes will be promptly returned to the custodial agent for release to the holder at the end of that period.

Table of Contents

Besides participating in a remarketing, how else can I satisfy my obligation under the purchase contracts?

Holders of Corporate HiMEDS Units or Treasury HiMEDS Units may also satisfy their obligations under the purchase contracts as follows:

through early settlement as described under **Can I settle the purchase contract early?** above;

with respect to Corporate HiMEDS Units, through cash settlement on or prior to 4:00 p.m., New York City time, on the second business day prior to the first remarketing date, as described in **Description of the purchase contracts** ;

with respect to Treasury HiMEDS Units, through the automatic application of the proceeds of the Treasury securities; or

with respect to Corporate HiMEDS Units, in the case of a failed remarketing, the senior notes being retained and cancelled or resold.

Holders' obligations under the purchase contracts will be terminated without any further action, upon the termination of the purchase contracts as a result of our bankruptcy, insolvency or reorganization.

What interest payments will I receive on the senior notes or on the applicable ownership interests in senior notes?

Interest on the senior notes will initially be payable quarterly in arrears at the annual rate of 5.350% per annum of the principal amount of \$1,000 to, but excluding, the reset effective date. Following a successful remarketing, the senior notes will bear interest from and including the reset effective date at the reset rate to but excluding November 15, 2020, or such earlier maturity date not earlier than November 15, 2012 as we may elect in connection with a successful remarketing, payable semi-annually. If the senior notes are not successfully remarketed, the interest rate on the senior notes will remain unchanged and interest will continue to be paid on a quarterly basis on February 15, May 15, August 15 and November 15 of each year. On the interest payment date next following the reset effective date, holders of senior notes will receive a payment of interest accrued from and including the reset effective date, to but excluding such interest payment date at the reset rate.

What are the interest payment dates on the senior notes?

On or prior to the reset effective date, interest payments will be payable quarterly in arrears on each February 15, May 15, August 15 and November 15 of each year, commencing on February 15, 2008.

If the senior notes are successfully remarketed, from the reset effective date, interest payments on all senior notes will be paid semi-annually in arrears on May 15 and November 15. If the senior notes are not successfully remarketed, interest will continue to be paid on a quarterly basis on February 15, May 15, August 15 and November 15 of each year.

Table of Contents

When will the interest rate on the senior notes be reset and what is the reset rate?

In the event of a successful remarketing, the interest rate on all of the senior notes (including any senior notes that are not remarketed) will be reset, with such reset rate becoming effective on the purchase contract settlement date. In the event of a successful remarketing, the reset rate will be the interest rate determined by the remarketing agent as the rate the senior notes should bear in order for the senior notes that are included in Corporate HiMEDS Units (as well as separately held senior notes) that are participating in the remarketing, to be sold at a price per senior note that will result in net cash proceeds equal to 100.25% of the remarketing value. The remarketing value of a senior note will be equal to the \$1,000 principal amount of the senior note. Any reset rate may not exceed the maximum rate, if any, permitted by applicable law. If the senior notes are not successfully remarketed, the interest rate on the senior notes will remain unchanged and interest will continue to be paid on a quarterly basis on February 15, May 15, August 15 and November 15 of each year.

When is the maturity of the senior notes?

The maturity date of the senior notes will be November 15, 2020, or such earlier date not earlier than November 15, 2012 as we may elect in connection with a successful remarketing. Description of the purchase contracts Remarketing.

May the senior notes be redeemed?

The senior notes will not be redeemable at our option.

What is the ranking of the senior notes?

The senior notes will rank equally with all of our other unsecured and unsubordinated obligations and senior to any future subordinated obligations. The senior notes will rank junior to the obligations of our subsidiaries. The indenture under which the senior notes will be issued will not limit our ability to issue or incur other unsecured debt or issue preferred or common stock.

What is the ranking of the contract adjustment payments?

Our obligations with respect to the contract adjustment payments will be subordinate in right of payment to our senior indebtedness. Senior indebtedness with respect to the contract adjustment payments means indebtedness of any kind unless the instrument under which such indebtedness is incurred expressly provides that it is on a parity in right of payment with or subordinate in right of payment to the contract adjustment payments.

What are the principal U.S. federal income tax consequences of an investment in HiMEDS Units?

The U.S. federal income tax treatment of an investment in HiMEDS Units is not entirely clear. We intend to treat a Corporate HiMEDS Unit as an investment unit consisting of an interest in a senior note and a purchase contract, and each Treasury HiMEDS Unit as an investment unit consisting of an interest in a Treasury security and a purchase contract for U.S. federal income

Table of Contents

tax purposes. The purchase price of each Corporate HiMEDS Unit will be allocated between the senior note and the purchase contract in proportion to their respective fair market values at the time of purchase. We will report the fair market value of each senior note as \$50 and the fair market value of each purchase contract as \$0.

We intend to treat our senior notes as indebtedness for tax purposes and the interest payments on our senior notes as taxable to you as ordinary interest income at the time the payments are accrued or received, in accordance with your normal method of accounting, for U.S. federal income tax purposes.

We intend to treat contract adjustment payments as taxable ordinary income to a U.S. holder (as defined in Certain U.S. federal income tax consequences) when received or accrued, in accordance with the U.S. holder's regular method of tax accounting.

Withholding may apply to payments made to a non-U.S. holder (as defined in Certain U.S. federal income tax consequences) unless an income tax treaty reduces or eliminates such tax or the payment is effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States or another exception to withholding applies.

For additional information, see Certain U.S. federal income tax consequences. You should consult your tax advisor concerning the U.S. federal income tax consequences of the purchase, ownership and disposition of Corporate HiMEDS Units, Treasury HiMEDS Units, the senior notes, purchase contracts and our common stock.

What are the rights and privileges of our common stock?

The shares of our common stock that you will be obligated to purchase under the purchase contracts have one vote per share. For more information regarding our common stock, please see the discussion in this prospectus supplement under the heading Risk factors and in the accompanying prospectus under the heading Description of Common and Preferred Stock Common Stock.

Table of Contents

The offering explanatory diagrams

The following diagrams demonstrate some of the key features of the purchase contracts, applicable ownership interests in senior notes, Corporate HiMEDS Units and Treasury HiMEDS Units, and the transformation of Corporate HiMEDS Units into Treasury HiMEDS Units and senior notes.

The following diagrams assume that the senior notes are successfully remarketed and the interest rate on the senior notes is reset on the purchase contract settlement date.

Purchase contract

Corporate HiMEDS Units and Treasury HiMEDS Units both include a purchase contract under which the holder agrees to purchase shares of our common stock on the purchase contract settlement date. In addition, these purchase contracts include unsecured contract adjustment payments as shown in the diagrams on the following pages.

Notes:

- (1) The reference price represents the last reported sale price of our common stock on the New York Stock Exchange on November 14, 2007.
- (2) The threshold appreciation price represents appreciation of approximately 27.0% over the reference price.
- (3) If the adjusted applicable market value of our common stock is less than or equal to the reference price of \$51.25, the number of shares of our common stock to be delivered to a holder of a HiMEDS Unit will be calculated by dividing the stated amount of \$50 by the reference price.
- (4) If the adjusted applicable market value of our common stock is less than the threshold appreciation price of \$65.09, but greater than the reference price, the number of shares of our common stock to be delivered to a holder of a HiMEDS Unit will be calculated by dividing the stated amount of \$50 by the applicable market value.
- (5) If the adjusted applicable market value of our common stock is equal to or greater than the threshold appreciation price, the number of shares of our common stock to be delivered to a holder of a HiMEDS Unit will be calculated by application of the formula set forth in Description of the purchase contracts, but in no event will exceed 0.9756 shares.

Table of Contents

Corporate HiMEDS Units

A Corporate HiMEDS Unit consists of two components as described below:

Purchase Contract	1/20 Ownership Interest in Senior Note⁽¹⁾⁽²⁾
(Owed to Holder) Common Stock + Contract Adjustment Payment 2.525% per annum paid quarterly (unless deferred)	(Owed to Holder) Interest 5.350% per annum paid quarterly (at the reset rate from and including the reset effective date and paid semi-annually thereafter)
(Owed to Avery Dennison) \$50 at Settlement (November 15, 2010)	(Owed to Holder) \$50 at Maturity (November 15, 2020) ⁽³⁾

The holder of a Corporate HiMEDS Unit owns the 1/20 undivided beneficial ownership interest in the senior note but will pledge it to us through the collateral agent to secure the holder's obligation under the related purchase contract.

Notes:

- (1) Each holder will own a 1/20, or 5%, undivided beneficial ownership interest in, and will be entitled to a corresponding portion of each interest payment payable in respect of, a \$1,000 principal amount senior note.
- (2) Senior notes will be issued in minimum denominations of \$1,000 and integral multiples thereof.
- (3) The senior notes are due on November 15, 2020, or such earlier maturity date not earlier than November 15, 2012 as we may elect in connection with a successful remarketing.

Table of Contents

Treasury HiMEDS Units

A Trea