FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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CHESAPEAKE CORP /VA/

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

FORM 10-Q

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

For the quarterly period ended **June 29, 2008**

OR

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

For the transition period from _________ to _________.

Commission file number: 1-3203

CHESAPEAKE CORPORATION
(Exact name of registrant as specified in its charter)

Virginia	**54-0166880**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1021 East Cary Street **Richmond, Virginia**	**23219**
(Address of principal executive offices)	Zip Code
Registrant's telephone number, including area code:	**804-697-1000**

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

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

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller Reporting Company ☐

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

Yes ☐ No ☑

Number of shares of $1.00 par value per share common stock outstanding as of August 1, 2008:
20,560,782 shares.

CHESAPEAKE CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 29, 2008
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PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

CHESAPEAKE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data; unaudited)

	Quarters Ended		Six Months Ended	
	Jun. 29, 2008	Jul. 1, 2007	Jun. 29, 2008	Jul. 1, 2007
Net sales	$251.4	$250.9	$504.3	$522.9
Costs and expenses:				
Cost of products sold	213.3	207.9	431.4	430.3
Selling, general and administrative expenses	36.1	33.6	71.4	66.3
Goodwill impairment charge	215.5	–	215.5	–
Restructuring expenses, asset impairments and other exit costs	4.0	10.9	4.6	11.7
Other income, net	1.3	0.4	3.3	1.0
Operating (loss) income	(216.2)	(1.1)	(215.3)	15.6
Interest expense, net	12.3	10.8	23.8	21.5
Loss from continuing operations before taxes	(228.5)	(11.9)	(239.1)	(5.9)
Income tax (benefit) expense	(0.8)	(1.3)	(4.0)	2.8
Loss from continuing operations	$(227.7)	$(10.6)	$(235.1)	$(8.7)
Discontinued operations:				
Loss from discontinued operations, net of income tax expense of $0.5 and $0.4 for the quarters ended June 29, 2008 and July 1, 2007, respectively, and $0.9 and $0.9 for the six months ended June 29, 2008 and July 1, 2007, respectively	(33.3)	(0.9)	(33.7)	(1.1)
Net loss	$(261.0)	$(11.5)	$(268.8)	$(9.8)
Basic earnings per share:				
Loss from continuing operations	$(11.67)	$(0.54)	$(12.05)	$(0.45)
Discontinued operations	(1.71)	(0.05)	(1.73)	(0.06)
Net loss	$(13.38)	$(0.59)	$(13.78)	$(0.51)
Diluted earnings per share:				
Loss from continuing operations	$(11.67)	$(0.54)	$(12.05)	$(0.45)
Discontinued operations	(1.71)	(0.05)	(1.73)	(0.06)
Net loss	$(13.38)	$(0.59)	$(13.78)	$(0.51)
Weighted average number of common shares outstanding:				
Basic	19.5	19.4	19.5	19.4
Diluted	19.5	19.4	19.5	19.4

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CHESAPEAKE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions; unaudited)

	Jun. 29, 2008	Dec. 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$21.1	$10.0
Accounts receivable (less allowance of $3.2 and $3.6)	161.9	163.6
Inventories:		
Finished goods	70.2	70.4
Work-in-process	20.6	17.1
Materials and supplies	35.5	33.9
Total inventories	126.3	121.4
Prepaid expenses	12.7	13.0
Income taxes receivable	6.3	6.3
Other current assets	36.0	16.9
Total current assets	364.3	331.2
Property, plant and equipment, net	356.6	358.7
Goodwill	169.4	387.4
Other assets	93.5	134.5
Total assets	$983.8	$1,211.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$123.9	$147.2
Accrued expenses	105.6	81.4
Current maturities of long-term debt	222.8	6.9
Income taxes payable	5.7	1.8
Total current liabilities	458.0	237.3
Long-term debt	351.3	508.4
Environmental liabilities	35.5	58.9
Pensions and postretirement benefits	34.7	36.4
Deferred income taxes	42.2	42.3
Long-term income taxes payable	28.9	28.5
Other long-term liabilities	15.8	17.1
Total liabilities	966.4	928.9
Stockholders' equity:		
Common stock, $1 par value; authorized, 60 million shares; outstanding, 20.6 million shares and 19.9 million shares, respectively	20.6	19.9
Additional paid-in-capital	94.6	94.2
Accumulated other comprehensive income	70.5	67.5
(Accumulated deficit)retained earnings	(168.3)	101.3
Total stockholders' equity	17.4	282.9
Total liabilities and stockholders' equity	$983.8	$1,211.8

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

CHESAPEAKE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions; unaudited)

	Six Months Ended Jun. 29, 2008	Six Months Ended Jul. 1, 2007
Operating activities:		
Net loss	$(268.8)	$(9.8)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	25.9	25.9
Goodwill impairment charge	215.5	-
Fox River indemnification	32.7	-
Deferred income taxes	(11.2)	0.2
Defined benefit pension and postretirement expense	1.1	4.5
Gain on sales of property, plant and equipment	(0.7)	(0.3)
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Accounts receivable, net	(2.0)	2.2
Inventories	(2.9)	(8.1)
Other assets	(2.2)	1.8
Accounts payable	(25.1)	(5.4)
Accrued expenses	1.6	4.0
Income taxes payable and receivable, net	5.9	2.5
Contributions to defined benefit pension plans	(3.8)	(4.2)
Other	5.2	2.1
Net cash (used in) provided by operating activities	(28.8)	15.4
Investing activities:		
Purchases of property, plant and equipment	(22.5)	(24.9)
Proceeds from sales of property, plant and equipment	16.4	1.3
Net cash used in investing activities	(6.1)	(23.6)
Financing activities:		
Net borrowings on lines of credit	49.1	12.5
Payments on long-term debt	(1.6)	(1.1)
Debt issue costs	(4.4)	(0.2)
Dividends paid	-	(8.5)
Other	-	0.6
Net cash provided by financing activities	43.1	3.3
Effect of exchange rate changes on cash and cash equivalents	2.9	1.2
Increase (decrease) in cash and cash equivalents	11.1	(3.7)
Cash and cash equivalents at beginning of period	10.0	7.8
Cash and cash equivalents at end of period	$21.1	$4.1

The accompanying Notes to Consolidated Financial Statements are an integral part of the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated interim financial statements of Chesapeake Corporation and subsidiaries included herein are unaudited. The December 30, 2007 consolidated balance sheet was derived from audited financial statements. These statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in accordance with those rules and regulations, we have condensed or omitted certain information and footnotes normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). We believe that the disclosures made are adequate for a fair presentation of results of our operations and financial position. In the opinion of management, the consolidated financial statements reflect all adjustments, all of a normal recurring nature, necessary to present fairly our consolidated financial position and results of operations for the interim periods presented herein. All significant intercompany accounts and transactions are eliminated. The preparation of consolidated financial statements in conformity with GAAP requires management to make extensive use of estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates

As of the end of the second quarter of 2008, we have changed our application of SFAS 87 “Employers' Accounting for Pensions” related to our methodology for calculating the expected return on plan assets component of net periodic pension cost. Our new method employs actual fair market value of plan assets rather than a market-related value, which we believe is a preferred method. This change in accounting policy has been reflected retrospectively to all periods presented. See Note 11 – Employee Retirement and Post Retirement Benefits.

Our fiscal year ends on the Sunday nearest to December 31.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our latest Annual Report on Form 10-K; additional details on our significant accounting policies are provided therein. The results of operations for the 2008 interim periods are not necessarily indicative of the results that may be expected for the full year.

In this report, unless the context requires otherwise, references to "we," "us," "our," "Chesapeake" or the "Company" are intended to mean Chesapeake Corporation and its consolidated subsidiaries.

Adjustments for Items Related to Prior Periods

The 2008 consolidated statements of operations include adjustments from prior periods, which were recorded in the first and second quarters of fiscal 2008. The net impact of the adjustments recorded in the first quarter of fiscal 2008 increased net loss from continuing operations before taxes by $0.6 million, decreased loss from continuing operations by $0.3 million and decreased net loss by $0.3 million. These adjustments included (1) an overstatement of revenue due to invoicing errors for a particular customer; (2) incorrect capitalization of expenses associated with an inter-company fixed asset transfer; and (3) an understatement of deferred tax assets associated with the sale of one of our U.K. manufacturing facilities. The net impact of the adjustment recorded in the second quarter of fiscal 2008 increased net loss from continuing operations before taxes and loss from continuing operations by $0.2

million. This adjustment was related to an error in the calculation of an accrued expense. These adjustments from prior periods, which were recorded in the first and second quarters of fiscal 2008, were deemed immaterial to the current and prior periods.

Adoption of Accounting Pronouncements

On December 31, 2007 the Company adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157") which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. The framework for measuring fair value as established by SFAS 157 requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes three levels of inputs that may be used to measure fair value which are provided below.

> Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
>
> Level 2: Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates); inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).
>
> Level 3: Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

In February 2008 the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* ("FSP 157-1"). FSP 157-1 amends SFAS 157 to exclude FASB Statement No. 13, *Accounting for Leases* ("SFAS 13"), and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS 13. The Company has adopted the provisions of FSP 157-1 effective December 31, 2007.

In February 2008 the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"). FSP 157-2 delayed the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company has adopted the provisions of FSP 157-2 effective December 31, 2007.

For more information on the fair value of the Company's respective assets and liabilities see "Note 3 – Fair Value Measurements."

On December 31, 2007 the Company adopted Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FAS 115* ("SFAS 159"). SFAS 159 allows companies to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. Unrealized gains and losses shall be reported on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 also establishes presentation and disclosure requirements. SFAS 159 is effective for fiscal years beginning after November 15, 2007 and
has been applied prospectively. The adoption of SFAS 159 did not have a significant impact on our financial statements as we did not elect the fair value option for any of our eligible financial assets or liabilities.

New Accounting Pronouncements

In December 2007 the FASB issued SFAS No. 141R, *Business Combinations* ("SFAS 141R"). SFAS 141R amends SFAS 141 and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in the acquiree. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. It is effective for fiscal years beginning on or after December 15, 2008 and will be applied prospectively. We are currently evaluating the impact that SFAS 141R will have on our financial statements.

In December 2007 the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51* ("SFAS 160"). SFAS 160 requires that ownership interests in subsidiaries held by parties other than the parent, and the amount of consolidated net income, be clearly identified, labeled, and presented in the consolidated financial statements. It also requires that once a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value. Sufficient disclosures are required to clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. It is effective for fiscal years beginning on or after December 15, 2008 and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements shall be applied prospectively. We are currently evaluating the impact that SFAS 160 will have on our financial statements.

In March 2008 the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the impact that SFAS 161 will have on our financial statements.

In June 2008, the FASB issued FASB Staff Position No. EITF 03-6-1 "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-6-1"). FSP EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities and therefore shall be included in the earnings per share calculation pursuant to the two class method described in SFAS No. 128, "Earnings Per Share." FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and requires all prior-period earnings per share data to be adjusted retrospectively. We are currently evaluating the impact that FSP EITF 03-6-1 will have on our financial statements.

NOTE 2. LIQUIDITY

For the fiscal years ended December 30, 2007, December 31, 2006 and December 31, 2005, we incurred net losses of $11.2 million, $36.7 million and $318.3 million, respectively. Additionally, for the first six months of 2008, we incurred net losses of $268.8 million. As a result the Company has total stockholders' equity of $17.4 million at June 29, 2008. Factors contributing to these net losses included, but were not limited to: goodwill impairment charges, costs associated with our cost-savings plan and other restructuring efforts, environmental liabilities, price competition, rising raw material costs and lost customer business due to geographic shifts in production within the consumer products industry which we serve. These and other factors may adversely affect our ability to generate profits in the future.

Credit Facility

On March 5, 2008 we obtained agreement from a majority of the lenders under our senior secured bank credit facility (the “Credit Facility”) to amend the facility through the end of fiscal 2008. The amendment affected financial maintenance covenants in all four quarters of fiscal 2008, providing an increase in the total leverage ratios and a decrease in the interest coverage ratios. In addition, interest rates were increased and basket limitations were imposed for acquisitions, dispositions and other indebtedness, among other changes. The amendment also stipulated that in the event that the Credit Facility was not fully refinanced prior to March 31, 2008, the Company would provide a security interest in substantially all tangible assets of its European subsidiaries. Activities are currently underway by the lenders under the Credit Facility to obtain security interests in certain of the Company’s assets located in the U.K., Ireland, France, Germany, Belgium and the Netherlands.

On July 15, 2008, we agreed with our lenders on a further amendment of certain provisions of our Credit Facility which increased the total leverage ratio to 7.00:1 for the second fiscal quarter of 2008 and the senior leverage ratio to 3.40:1 for the second fiscal quarter. In addition, interest rates were increased to 550 basis points over LIBOR. The amendment also provided for agreement on an amended recovery plan (“Amended Recovery Plan”) for one of our U.K. subsidiaries and its defined benefit pension plan (the "Plan") discussed in Note 11, which provides for an intercreditor agreement among the Credit Facility lenders, Chesapeake and the Trustee; placed a limit on the future borrowing of the U.S. borrower under the Credit Facility; and provided for a new event of default if The Pensions Regulator in the U.K. issues a Contribution Notice or Financial Support Direction.

While we are in compliance with all of the amended debt covenants as of the end of the second quarter of fiscal 2008, based on current projections we are likely to not be in compliance with the financial covenants under the Credit Facility at the end of the third quarter of fiscal 2008. Because the Credit Facility terminates within 12 months, we have classified that debt as a current liability at June 29, 2008 and we currently do not have the cash or a new debt facility in place to repay the amounts due under our Credit Facility at its maturity. Additionally, should the Company not comply with the debt covenants we would be in default under the Credit Facility. If such an event were to occur, the lenders under the Credit Facility could require immediate payment of all amounts outstanding under the Credit Facility and terminate their commitments to lend under the Credit Facility and, pursuant to cross-default provisions in many of the instruments that govern other outstanding indebtedness, immediate payment of substantially all of our other outstanding indebtedness could be required. These matters raise substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On August 1, 2008, we announced that we had developed a comprehensive refinancing plan to address the upcoming maturity of our Credit Facility and our general liquidity needs. We expect that, if successfully implemented, this proposed refinancing plan will address our short- and long-term liquidity and capital resource requirements.

The proposed refinancing plan is expected to include: (1) new senior secured credit facilities to be used to fully repay our existing $250-million Credit Facility and provide incremental liquidity, and (2) an offer to exchange our outstanding 10-3/8% Sterling-denominated senior subordinated notes due in 2011 and our 7% euro-denominated senior subordinated notes due in 2014 for new debt and equity securities. We expect to continue to work with GE Commercial Finance Limited and General Electric Capital Corporation to participate in elements of the new senior secured credit facilities. We anticipate commencing the exchange offer and marketing for the new senior secured credit facilities in September 2008.

We expect to address compliance issues with the financial covenants of our existing Credit Facility (1) through the proposed refinancing plan, or (2) by reducing outstanding indebtedness, amending the existing Credit Facility or obtaining waivers from our lenders. There can be no assurances that the proposed refinancing plan or these other alternatives will be successfully implemented in the amounts and timeframe contemplated, if at all. Failure to successfully implement the refinancing plan or otherwise address anticipated compliance issues under the Credit Facility would have a material adverse effect on our business, results of operations and financial position.

NOTE 3. FAIR VALUE MEASUREMENTS

On December 31, 2007 the Company adopted SFAS 157 which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. The adoption of SFAS 157 had no impact on the Company's Consolidated Statements of Operations or Consolidated Balance Sheets for the period ending and as of June 29, 2008.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	June 29, 2008			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Assets and Liabilities at Fair Value
Assets:				
VEBA trust assets	$6.1	$-	$-	$6.1
Available for sale securities	2.6	-	-	2.6
Insurance contract investment	-	1.0	-	1.0
Total assets	$8.7	$1.0	$-	$9.7
Liabilities:				
Derivative liabilities	$-	$11.7	$-	$11.7
Total liabilities	$-	$11.7	$-	$11.7

NOTE 4. EARNINGS PER SHARE ("EPS")

Calculation

Basic EPS is calculated using the weighted-average number of outstanding common shares during each period. Diluted EPS is calculated using the weighted-average number of diluted outstanding common shares during each period. Diluted EPS reflects the potential dilution that could occur if securities are exercised or converted into common stock, or result in the issuance of common stock that would then share in earnings. The difference between the weighted-average shares used for the basic and diluted calculation is due to the number of shares for which "in-the-money" stock options are outstanding.

There were no dilutive shares outstanding as of June 29, 2008 and July 1, 2007 for purposes of calculating diluted EPS. As of June 29, 2008 and July 1, 2007, 1.8 million and 1.4 million, respectively, of potentially dilutive common shares were not included in the computation of diluted EPS because the effect would be antidilutive.

NOTE 5. COMPREHENSIVE INCOME

Comprehensive (loss) income is as follows:

(in millions)	Quarters Ended		Six Months Ended	
	Jun. 29, 2008	Jul. 1, 2007	Jun. 29, 2008	Jul. 1, 2007
Net loss	$(261.0)	$(11.5)	$(268.8)	$(9.8)
Foreign currency translation	(1.7)	6.7	-	8.0
Change in fair market value of derivatives, net of tax	(0.2)	0.9	2.0	1.9
Amortization of unrecognized amounts in net periodic benefit cost, net of tax	0.2	0.5	0.6	1.9
Comprehensive (loss) income	$(262.7)	$(3.4)	$(266.2)	$2.0

NOTE 6. RESTRUCTURING AND OTHER EXIT COSTS

During the fourth quarter of fiscal 2005 Chesapeake announced plans for a two-year global cost savings program, the scope of which was extensive and involved a number of locations being sold, closed or downsized. The program also involved broad-based workforce reductions and a general reduction in overhead costs throughout the Company. This program was completed at the end of fiscal 2007, and over the course of fiscal years 2006 and 2007 annualized cost savings in excess of the $25-million goal were achieved.

We have identified additional restructuring and cost savings actions that could result in broad-based workforce reductions, general reductions in overhead costs, and locations being sold, closed or downsized. The ultimate costs and timing of these actions could be dependent on consultation and, in certain circumstances, negotiation with European works councils or other employee representatives.

Costs associated with these actions have been recorded in "restructuring expenses, asset impairments and other exit costs" in the accompanying consolidated statements of operations. Charges recorded during the second quarters and first six months of fiscal 2008 and fiscal 2007 were primarily within the Paperboard Packaging segment. These charges are summarized as follows:

(in millions)	Quarters Ended		Six Months Ended	
	Jun. 29, 2008	Jul. 1, 2007	Jun. 29, 2008	Jul. 1, 2007
Employee-related costs	$2.8	$10.7	$3.3	$11.8
Asset impairments	0.2	-	0.2	(0.5)
Loss on asset sales, redeployment costs, and other exit costs	1.0	0.2	1.1	0.4
Total restructuring expenses, asset impairment and other exit costs	$4.0	$10.9	$4.6	$11.7

Expenses during the second quarter and first half of fiscal 2008 were primarily related to broad-based workforce and overhead reductions as well as costs associated with the potential closure or disposal of underperforming assets.

On May 13, 2008 we announced the proposed closure of our carton operation at Brussels, Belgium to improve overall plant utilization. The proposal was subject to consultation with the Belgian works council. When the closure is implemented, our carton operation at Gent, Belgium will support the Brussels plant's current customer requirements. The planned closure is expected to take place over the coming months and it is anticipated that there may be up to 42 redundancies. We expect to incur employee severance costs of approximately $2.0 million, to be paid during 2008. In addition, we expect to record approximately $0.5 million of asset redeployment costs and $0.5 million in professional fees, both of which are expected to be recognized, as incurred, through 2008. During the second quarter of fiscal 2008 we recorded approximately $1.8 million of expense associated with this planned closure, all of which was employee-related costs.

The following table displays the activity and balances of the restructuring charges, asset impairments and other exit costs for the first six months of fiscal 2008.

(*in millions*)	Employee-related Costs	Asset Impairments	Other Exit Costs	Total
Balance December 30, 2007	$2.7	$—	$0.1	$2.8
Restructuring charges, asset impairments and other exit costs (benefits), continuing operations	3.3	0.2	1.1	4.6
Cash payments	(3.0)	—	(0.2)	(3.2)
Asset impairments	—	(0.2)	—	(0.2)
Balance June 29, 2008	3.0	—	1.0	4.0

NOTE 7. DEBT

Outstanding borrowings under our Credit Facility as of June 29, 2008 totaled $217.6 million, all of which is recorded in "current maturities of long-term debt" on the consolidated balance sheet, as the Credit Facility matures in February 2009.

In February 2004 the Credit Facility, under which we can borrow up to $250 million, was amended and restated and its maturity extended to February 2009. Amounts available under the Credit Facility are limited by the amount currently borrowed and the amounts of outstanding letters of credit. The Credit Facility is collateralized by a pledge of the inventory, receivables, intangible assets and other assets of Chesapeake Corporation and certain U.S., U.K., Republic of Ireland and mainland European subsidiaries, and is guaranteed by Chesapeake Corporation, each material U.S. subsidiary and certain U.K., Republic of Ireland and mainland European subsidiaries, although most U.K. subsidiary borrowers and European guarantors only guarantee borrowings made by U.K. subsidiaries. Obligations of our U.K. subsidiary borrowers under the Credit Facility are collateralized by a security interest in substantially all tangible assets of the Company's European subsidiaries. See Note 2 for additional information regarding our Credit Facility.

NOTE 8. GOODWILL AND INTANGIBLE ASSETS

In conjunction with the ongoing discussions with our current lenders under our Credit Facility and our continued efforts to refinance the Credit Facility, during the second quarter of fiscal 2008 we accelerated our annual review of our strategic business plan. This review resulted in a decline in our expectations of the operating performance of our Paperboard Packaging reporting segment as a result of competitive pricing pressure and general economic conditions within this segment. Based on these results, we conducted a review of the recoverability of our goodwill, and recorded a non-cash goodwill impairment charge of $215.5 million during the second quarter of fiscal 2008. Management reviews the recorded value of our goodwill annually on December 1, or sooner if events or changes in circumstances indicate that the carrying amount of our reporting units may exceed their fair values. With the assistance of a third-party valuation firm, fair value of our reporting units is determined using a discounted cash flow model and confirmed using a guideline public companies model which uses peer group metrics to value a company. For the discounted cash flow model, management projects future cash flows produced by the reporting units. The projections of future cash flows are necessarily dependent upon assumptions about our operating performance and the economy in general.

The following table sets forth the details of our goodwill balance:

(*in millions*)	**Paperboard Packaging**	**Plastic Packaging**	**Total**
Balance December 30, 2007	$311.5	$75.9	$387.4
Impairment loss	(215.5)	—	(215.5)
Foreign currency translation	(2.6)	0.1	(2.5)
Balance June 29, 2008	$93.4	$76.0	$169.4

In connection with our September 2005 acquisition of Impaxx Pharmaceutical Packaging Group, Inc., which now trades as Chesapeake Pharmaceutical and Healthcare Packaging – North America ("CPHPNA"), a portion of the purchase price was ascribed to certain finite-lived intangible assets, primarily customer relationships. The cost and accumulated amortization of customer relationships as of June 29, 2008 were $16.2 million and $4.5 million, respectively. The cost and accumulated amortization of customer relationships as of December 30, 2007 were $16.2 million and $3.7 million, respectively. Amortization expense recorded during the first six months of fiscal 2008 and fiscal 2007 for customer relationships was $0.8 million.

Amortization expense of our intangible assets for the next five fiscal years is estimated as follows (amounts in millions):

2008 (remaining 6 months)	$0.8
2009	1.6
2010	1.6
2011	1.6
2012	1.6
2013	1.6

NOTE 9. DISCONTINUED OPERATIONS

Summarized results of discontinued operations are shown separately in the accompanying consolidated statements of operations.

For the second quarter and first six months of 2008, expense recorded in discontinued operations was $33.3 million and $33.7 million, respectively. These charges were primarily related to the environmental indemnification resulting from the acquisition of the former Wisconsin Tissue Mills Inc. and the subsequent disposition of assets of Wisconsin Tissue Mills Inc. in 1999. In connection with the Company's acquisition of the former Wisconsin Tissue Mills Inc. (now WTM I Company, "WT") from Philip Morris Inc. (now Philip Morris USA, Inc., "PM USA") in 1985, PM USA agreed to indemnify WT and the Company for losses relating to breaches of representations and warranties set forth in the acquisition agreement. The Company identified PCB contamination in the Fox River in Wisconsin as a basis for a claim for indemnification. Beginning in 1994, PM USA has made indemnification payments in excess of $53 million for Fox River losses. In mid-June 2008, PM USA asserted a claim that it did not have an indemnification obligation and refused to continue to indemnify WT and the Company for their losses related to the Fox River. That claim was resolved on June 26, 2008 in a settlement described in a Consent Decree filed with the Circuit Court of Henrico County, Virginia, by which, among other things, (i) PM USA released its claims for recovery of past indemnification payments; (ii) PM USA agreed to cooperate in WT's recovery under certain general liability insurance policies; and (iii) PM USA's maximum liability for future indemnification under the 1985 acquisition agreement was capped to $36 million. The cap placed on the future indemnification resulted in a reduction in the receivable from PM USA previously recorded related to the Fox River environmental liability. We expect to seek recovery for the Fox River losses under certain general liability insurance policies and believe that the insurance recoveries, together with the indemnification from PM USA, will provide funds to substantially cover our reasonably probable cost related to the Fox River matter. However, there are risks related to the anticipated recovery under the general liability insurance policies, including certain coverage defenses which may be asserted by the insurance carriers.

Expense recorded in the second quarter and first six months of fiscal 2007 principally relate to the tax treatment of the disposition of assets of Wisconsin Tissue Mills Inc. in 1999.

NOTE 10. INCOME TAXES

The Company has a total of $28.9 million of unrecognized tax benefits at June 29, 2008 of which $17.9 million is for potential interest that could be due on unrecognized tax benefits. If these benefits of $28.9 million were recognized, they would have a positive effect on the Company's effective tax rate.

The Company has adopted a policy to recognize interest and penalties related to unrecognized tax benefits in income tax expense. The Company recognized a tax benefit of $0.6 million of unrecognized tax benefits in the second quarter of 2008 related to the closing of state income tax audits. The Company does not expect any of its unrecognized tax benefits to significantly increase or decrease within the next twelve months. The Company's U.S. federal income tax returns are open for audit for the years 1999 and 2004 to 2006. The Company's U.K. income tax returns remain open for audit for the years 2002 to 2006.

The comparability of our effective income tax rates is heavily affected by our inability to fully recognize a benefit from our U.S. tax losses, the inability to recognize the benefit of losses in certain non-U.S. tax jurisdictions, and the goodwill impairment charge recorded in the second quarter of fiscal 2008, none of which is deductible for income tax purposes. Additionally, the tax rate is influenced by management's expectations as to the recovery of our U.S. and certain non-U.S. jurisdiction deferred income tax assets and any settlements of income tax contingencies with U.K. tax authorities.

NOTE 11. EMPLOYEE RETIREMENT AND POSTRETIREMENT BENEFITS

As of the end of the second quarter of 2008, we have changed our application of SFAS 87 "Employers' Accounting for Pensions" related to our methodology for calculating the expected return on plan assets component of net periodic pension cost. Our new method employs actual fair market value of plan assets, which we believe is a preferred method, rather than a market-related value. Historically, the Company computed a market-related value of plan assets by determining an asset gain or loss for each year as the difference between the actual return on the fair value of assets compared to the expected return on the fair value of assets and then deferring and amortizing the gains or losses over a five year period. The Company has switched to a method that uses the actual fair value of the plan assets and reflects gains and losses on those assets in the expected and actual return calculations instead of amortizing the gains and losses over a five year period. Accounting principles generally accepted in the United States require that changes in accounting policies are reflected retrospectively to all periods presented. Accordingly, previously reported financial information for all periods presented herein has been adjusted to reflect the retrospective application of this change in accounting policy. At December

30, 2007 retained earnings reflects an unfavorable cumulative effect adjustment of $22.2 million, after-tax, attributed to the above change in accounting policy. In addition see the table below for the impact of the change in accounting on the Company's pension related assets and liabilities, stockholders' equity, loss from continuing operations and net loss.

Impact of accounting change on the Company's Consolidated Statements of Operations:

	Quarter Ended		Six Months Ended	
	Jun. 29, 2008	Jul. 1, 2007	Jun. 29, 2008	Jul. 1, 2007
Income from continuing operations	$1.0	$1.0	$2.0	$2.1
Net income	1.0	1.0	2.0	2.1
Diluted earnings per share	$0.05	$0.05	$0.10	$0.11

Impact of accounting change on the Company's Consolidated Balance Sheets:

	Jun. 29, 2008	Dec. 30, 2007
Assets:		
Deferred tax assets	$(0.4)	$(2.2)
Other long-term assets	0.3	0.3
Liabilities:		
Pensions and postretirement benefits	(1.5)	(2.1)
Deferred tax liabilities	0.1	(1.5)
Stockholders' equity:		
Accumulated other comprehensive income	(1.7)	19.6
Retained earnings	3.0	(17.9)

On December 31, 2006 the Company adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS 158"), which requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize the changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The measurement date provisions are effective for fiscal years ending after December 15, 2008. The Company adopted the measurement date provisions of SFAS 158 effective December 31, 2007 and utilized the second approach, or fifteen-month approach, as described in SFAS 158 to transition to a year-end measurement date for its fiscal 2008 year end. The adoption had the following impact to beginning retained earnings and accumulated other comprehensive income:

(in millions)	U.S. Plans	Non-U.S. Plans	OPEB
Retained earnings, net of tax	($0.1)	($0.4)	($0.3)
Accumulated other comprehensive income, net of tax	$0.2	$0.1	$0.1

The components of the net periodic benefit cost recognized during the quarters ended June 29, 2008 and July 1, 2007 were as follows:

	Pension Benefits				Postretirement Benefits Other Than Pensions	
(in millions)	U.S. Plans		Non-U.S. Plans			
Quarters ended:	Jun. 29, 2008	Jul. 1, 2007	Jun. 29, 2008	Jul. 1, 2007	Jun. 29, 2008	Jul. 1, 2007
Service cost	$-	$0.1	$1.5	$1.6	$-	$-
Interest cost	1.0	0.9	6.2	5.5	0.2	0.2
Expected return on plan assets	(1.4)	(1.2)	(7.4)	(6.3)	-	-
Recognized actuarial loss	0.2	0.2	0.2	1.2	0.1	0.1
Net pension (benefit) expense	$(0.2)	$-	$0.5	$2.0	$0.3	$0.3

	Pension Benefits				Postretirement Benefits Other Than Pensions	
(in millions)	U.S. Plans		Non-U.S. Plans			
Six Months ended:	Jun. 29, 2008	Jul. 1, 2007	Jun. 29, 2008	Jul. 1, 2008	Jun. 29, 2008	Jul. 1, 2007
Service cost	$0.1	$0.1	$2.9	$3.2	$-	$-
Interest cost	1.9	1.9	12.3	11.0	0.4	0.4
Expected return on plan assets	(2.6)	(2.5)	(14.6)	(12.6)	-	-
Recognized actuarial loss	0.2	0.4	0.3	2.4	0.2	0.2
Net pension (benefit) expense	$(0.4)	$(0.1)	$0.9	$4.0	$0.6	$0.6

U.K. Pension Recovery Plan

One of our U.K. subsidiaries was party to a recovery plan (the "Recovery Plan") for its U.K. Pension Plan (“the Plan”), which required that the subsidiary make annual cash contributions to the Plan in July of each year of at least £6 million above otherwise required levels in order to achieve a funding level of 100 percent by July 2014. In addition, if an interim funding level for the Plan of 90 percent was not achieved by April 5, 2008, the Recovery Plan required that an additional supplementary contribution to achieve an interim funding level of 90 percent be paid on or before July 15, 2008.

The funding level of the Plan is dependent upon certain actuarial assumptions, including assumptions related to inflation, investment returns and market interest rates, changes in the numbers of plan participants and changes in the benefit obligations and related laws and regulations. Changes to these assumptions potentially have a significant impact on the calculation of the funding level of the Plan. An interim valuation of the Plan as of April 5, 2008 determined that the additional supplementary contribution necessary, in addition to the £6 million annual payment due on or before July 15, 2008, to achieve an interim funding level of 90% was £29.6 million.

On July 15, 2008 our U.K. subsidiary agreed with the Trustee of the Plan on the Amended Recovery Plan. Under the terms of the Amended Recovery Plan, the Plan Trustee agreed to accept annual supplemental payments of £6 million over and above those needed to cover benefits and expenses until the earlier of (a) 2021 or (b) the Plan attaining 100% funding on an on-going basis after 2014, and has waived the requirement for the additional supplementary contribution due on or before July 15, 2008, to achieve an interim funding level of 90%. Our U.K. subsidiary has agreed, subject to certain terms and conditions, to grant to the Plan fixed equitable and floating charges on assets of the U.K. subsidiary and its subsidiaries in the United Kingdom and the Republic of Ireland securing an amount not to exceed the Plan funding deficit on a scheme-specific basis. The security being granted to the Plan Trustee will be subordinated to the security given to the lenders under our Credit Facility. Our subsidiary's agreement with the Plan Trustee also includes provisions for releases of the Plan Trustee's security interest under certain conditions in the event of the sale, transfer or other disposal of assets over which the Plan Trustee holds a security interest and upon the Plan Trustee's receipt of agreed cash payments to the Plan in addition to those described above. Our U.K. subsidiary has made the £6 million supplemental payment to the Plan due for 2008.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Environmental Matters

The costs of compliance with existing environmental regulations are not expected to have a material adverse effect on our financial position or results of operations.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar state "Superfund" laws impose liability, without regard to fault or to the legality of the original action, on certain classes of persons (referred to as potentially responsible parties or "PRPs") associated with a release or threat of a release of hazardous substances into the environment. Financial responsibility for the remediation and restoration of contaminated property and for natural resource damages can extend to previously owned or used properties, waterways and properties owned by third parties, as well as to properties currently owned and used by a company even if contamination is attributable entirely to prior owners. As discussed below the U.S. Environmental Protection Agency ("EPA") has given notice of its intent to list the Lower Fox River in Wisconsin on the National Priorities List under CERCLA and identified our subsidiary, Wisconsin Tissue Mills Inc., now WTM I Company ("WT"), as a PRP for the Lower Fox River site.

Except for the Fox River matter we have not been identified as a PRP at any other CERCLA-related sites. However, there can be no assurance that we will not be named as a PRP at any other sites in the future or that the costs associated with additional sites would not be material to our financial position or results of operations.

In June 1994 the U.S. Department of Interior, Fish and Wildlife Service ("FWS"), a federal natural resources trustee, notified WT that it had identified WT as a PRP for natural resources damage liability under CERCLA arising from alleged releases of polychlorinatedbiphenyls ("PCBs") in the Fox River and Green Bay System in Wisconsin (the "Lower Fox River Site") from WT's former recycled tissue mill in Menasha, Wisconsin. In addition to WT six other companies (Appleton Papers Inc. ("Appleton Papers"), Fort Howard Corporation, P.H. Glatfelter Company ("Glatfelter"), NCR Corporation ("NCR"), Riverside Paper Corporation and U.S. Paper Mills Corporation) were identified as PRPs for the Lower Fox River Site. The FWS and other governmental and tribal entities, including the State of Wisconsin ("Wisconsin"), allege that natural resources, including federal lands, state lands, endangered species, fish, birds, tribal lands or lands held by the U.S. in trust for various Indian tribes, have been exposed to PCBs that were released from facilities located along the Lower Fox River. On January 31, 1997 the FWS notified WT of its intent to file suit, subject to final approval by the U.S. Department of Justice ("DOJ"), against WT to recover alleged natural resource damages, but the FWS has not yet instituted such litigation. On June 18, 1997 the EPA announced that it was initiating the process of listing the

Lower Fox River on the CERCLA National Priorities List of hazardous waste sites. On September 30, 2003 EPA and the Wisconsin Department of Natural Resources ("DNR"), in connection with the issuance of General Notice Letters under CERCLA to the PRPs requesting a good faith offer to conduct the remedial design for downstream portions of the Lower Fox River Site, also notified Menasha Corporation and Sonoco Products Company that those companies were also considered potentially liable for the cost of response activities at the Lower Fox River Site.

In January 2003 DNR and EPA released a Record of Decision (the "OU1-2 ROD") for Operable Units 1 and 2 ("OU1" and "OU2") of the Lower Fox River Site. OU1 is the reach of the river that is the farthest upstream and is immediately adjacent to the former WT mill. The OU1-2 ROD selected a remedy, consisting primarily of dredging, to remove substantially all sediment in OU1 with concentrations of PCBs of more than 1 part per million in order to achieve a surface weighted-average PCB concentration level ("SWAC") of not more than 0.25 parts per million. In June 2008 EPA and Wisconsin released an Amended Record of Decision for OU1 (the “Amended OU1 ROD”) which includes a balanced approach of capping, sand covering and dredging in OU1. The Amended OU1 ROD estimates the new total cost of the amended remedy to be $102 million, including funds already expended. The $102 million estimate includes all active remedial work, agency oversight costs, a contingency and a present value estimate for post-remedy response work. For OU2, the reach of the river covering approximately 20 miles downstream from OU1, the OU1-2 ROD was amended as of June 2007 by a Record of Decision Amendment (the “Amended OU2-5 ROD”) to provide for dredging and disposal of a single deposit in OU2. The remainder of OU2 will be addressed by monitored natural recovery as provided in the original OU1-2 ROD.

On July 1, 2003 DNR and EPA announced that they had signed an agreement with WT under which WT will complete the design work for the sediment clean-up in OU1. On April 12, 2004, a Consent Decree (the "Consent Decree") regarding the remediation of OU1 by WT and Glatfelter was entered by a federal court. Under the terms of the Consent Decree, WT and Glatfelter agreed to perform appropriate remedial action in OU1 in accordance with the OU1-2 ROD under oversight by EPA and DNR. To fund the remedial action, WT and Glatfelter each paid $25 million to an escrow account, and EPA and Wisconsin obtained an additional $10 million from another source to supplement the funding. The escrow account will earn more than $4 million in income which is also being used to pay for OU1 response work. Contributions and cooperation may also be obtained from local municipalities, and additional assistance may be sought from other potentially liable parties. As provided in the Consent Decree, WT has been reimbursed from the escrow account for $2 million of OU1 design costs expended under the July 1, 2003, design agreement.

Under the terms of the Consent Decree WT also paid EPA and the State of Wisconsin $375,000 for past response costs, and paid $1.5 million for natural resource damages ("NRD") for the Fox River site and $150,000 for past NRD assessment costs. These payments have been credited toward WT's potential liability for response costs and NRD associated with the Lower Fox River Site as a whole.

In March 2007, as an alternative to a determination by EPA and Wisconsin that the funds remaining in the Consent Decree escrow account would be insufficient to complete the OU1 remedial action described in the OU1-2 ROD, WT and Glatfelter agreed with EPA and Wisconsin on an Agreed Supplement to Consent Decree (the “First Supplement”) which was filed with the federal court on March 28, 2007. Under the provisions of the First Supplement, WT and Glatfelter each deposited an additional total of $6 million in the Consent Decree escrow account as additional funding for remediation of OU1. In addition, Menasha Corporation deposited $7 million into the Consent Decree escrow account pursuant to a Second Agreed Supplement to Consent Decree ("Second Supplement") filed with the federal court on November 13, 2007. Under the Consent Decree, if the funding provided through the Consent Decree escrow account is not adequate to pay for the required OU1 remedial action, WT and Glatfelter have the option, but not the obligation, to again contribute additional funds to complete the remedial action.

In June 2008 based on the Amended OU1 ROD, WT and Glatfelter entered into an Amended Consent Decree with EPA and Wisconsin agreeing to complete the remediation in OU1 as required by the Amended OU1 ROD, without a limitation as to cost. The Amended Consent Decree has been lodged with a federal court and is awaiting entry following a public comment period. To fund the estimated cost of completing the remediation described in the Amended OU1 ROD, the 2008 Amended Consent Decree provides that WT and Glatfelter will each deposit into the Consent Decree escrow account, or secure payment of, an additional $9.5 million on July 15, 2008. If the funding in that escrow account is not adequate to pay for the work necessary to achieve the performance standards for OU1 specified in the Amended OU1 ROD and maintain a $4 million balance for work in the year 2010 and thereafter, WT and Glatfelter are each obligated to pay one-half of the amount of additional funding needed to maintain that $4 million balance. The $4 million balance will be used to pay for work in 2010 and beyond, including post-remedy response work. WT and Glatfelter remain obligated to pay for post-remedy response work if the escrow account becomes depleted. Upon completion of the remedial action for OU1 to the satisfaction of EPA and Wisconsin, WT and Glatfelter will receive covenants not to sue from EPA and Wisconsin for OU1, subject to conditions typical of settlements under CERCLA.

In July 2003 EPA and DNR announced a Record of Decision (the "OU3-5 ROD") for Operable Units 3, 4 and 5 ("OU3," "OU4" and "OU5," respectively), the remaining operable units for this site. The OU3-5 ROD required primarily dredging and disposal of PCB contaminated sediments from OU3 and OU4 (the downstream portion of the river) and monitored natural recovery in OU5 (Green Bay). In June 2007 EPA and Wisconsin issued the Amended OU2-5 ROD. The Amended OU2-5 ROD modified the remediation requirements for OUs 3 and 4 by reducing the volume of sediment to be dredged and providing for capping or sand cover as prescribed remediation where specific criteria are met. For OUs 2 and 5 the remedy is unchanged except that dredging is now required in a single deposit in OU2 and at the mouth of the Fox River in OU5. When the Amended OU2-5 ROD was issued, EPA and DNR estimated the cost of the amended remedy to be $390.3 million, which consisted of an estimate of $384.7 million in 2005 dollars for remedial work plus an estimate of $5.6 million for the present value of long-term maintenance and monitoring over 100 years. In June 2008, the draft 60 per cent design document estimates the cost of the remedy in the Amended 2-5 ROD to be $600 million, including a present value estimate of $6.4 million for long-term maintenance and monitoring and excluding any contingency and agency oversight costs.

On November 14, 2007 WT and seven other PRPs, namely Appleton Papers; CBC Coating, Inc. (formerly known as Riverside Paper Corporation); Georgia-Pacific Consumer Products, LP (formerly known as Fort James Operating Company); Menasha Corporation; NCR; Glatfelter; and U.S. Paper Mills Corp., were issued a Unilateral Administrative Order for Remedial Action by EPA under Section 106 of CERCLA to perform and fund work required by the Amended OU2-5 ROD. WT has given notice to EPA of its intent to comply with the terms of the order currently applicable to WT and is involved in negotiations with the other recipients of the order on how they will comply with the order.

In June 2008 Appleton Papers and NCR joined WT as a defendant in a pending lawsuit in federal district court in Wisconsin seeking recovery of their response costs and natural resources damages and an allocation of future response cost and natural resources damages. The lawsuit also names as defendants most of the identified PRPs and numerous other parties who have not been previously identified by EPA or DNR as PRPs. WT is defending its interests in the litigation and believes that it has paid more than its appropriate share of the response costs to date. The litigation is not expected to materially adversely affect the share of WT's liability for the Lower Fox River Site.

Based on information available to us at this time we believe that the range of reasonable estimates of the remaining total cost of remediation and restoration for the Fox River site is $650 million to $875 million. The low end of this range assumes that the remedy for OU1 will be completed consistent with the Amended OU1 ROD for no additional future cost beyond the payments, and financial security, required on July 15, 2008 under the 2008 Amended OU1 Consent Decree. For OU2-5, the low end of this range is based on the draft 60% design estimate for the remedial work and present value cost for long-term maintenance and monitoring, with provision for agency oversight costs. The upper end of the range assumes a higher estimate of the costs to complete the OU1 remediation than estimated by the Amended OU1 ROD and that the costs of the remedial work under the Amended OU2-5 ROD will significantly exceed those in the draft 60% design document. The active remediation components of the amended remedy for OU1 are expected to be substantially completed in 2009, while the Amended OU2-5 ROD indicates that active remediation is expected to take approximately nine years from the commencement of substantial activity. Any enforcement of a definitive remedial action plan may be subject to judicial review.

On October 25, 2000 the federal and tribal natural resources trustees released a Restoration and Compensation Determination Plan ("RCDP") presenting the federal and tribal trustees' planned approach for restoring injured federal and tribal natural resources and compensating the public for losses caused by the release of PCBs at the Fox River site. The RCDP states that the final natural resource damage claim (which is separate from, and in addition to, the remediation and restoration costs that will be associated with remedial action plans) will depend on the extent of PCB clean-up undertaken by EPA and DNR, but estimates past interim damages to be $65 million, and, for illustrative purposes only, estimates additional costs of restoration to address present and future PCB damages in a range of $111 million to $268 million. To date Wisconsin has not issued any estimate of natural resource damages. We believe, based on the information currently available to us, that the estimate of natural resource damages in the RCDP represents the reasonably likely upper limit of the total natural resource damages. We believe that the alleged damages to natural resources are overstated in the RCDP and joined in the PRP group comments on the RCDP to that effect. No final assessment of natural resource damages has been issued.

Under CERCLA each PRP generally will be jointly and severally liable for the full amount of the remediation and restoration costs and natural resource damages, subject to a right of contribution from other PRPs. In practice PRPs generally negotiate among themselves to determine their respective contributions to any multi-party activities based upon factors including their respective contributions to the alleged contamination, equitable considerations and their ability to pay. In draft analyses by DNR and federal government consultants the volume of WT's PCB discharges into the Fox River has been estimated to range from 2.72 percent to 10 percent of the total discharges of PCBs. This range may not be indicative of the share of the cost of the remediation and restoration costs and natural resource damages that ultimately will be allocated to WT because of: inaccuracies or incompleteness of information about mill operations and discharges; inadequate consideration of the nature and location of various discharges of PCBs to the river, including discharges by persons other than the named PRPs and the relationship of those discharges to identified contamination; uncertainty of the geographic location of the remediation and restoration eventually performed; uncertainty about the ability of other PRPs to participate in paying the costs and damages; and uncertainty about the extent of responsibility of the manufacturers of the carbonless paper recycled by WT which contained the PCBs. We have evaluated the ability of other PRPs to participate in paying the remediation and restoration costs and natural resource damages based on our estimate of their reasonably possible shares of the liability and on public financial information indicating their ability to pay such shares. While we are unable to determine at this time what shares of the liability for the Fox River costs will be paid by the other identified PRPs (or other entities who are subsequently determined to have liability), based on information currently available to us and the analysis described above, we believe that most of the other PRPs have the ability to pay their reasonably possible shares of the liability.

The ultimate cost to WT of remediation and restoration costs and natural resource damages related to the Lower Fox River Site and the time periods over which the costs and damages may be incurred cannot be predicted with certainty at this time due to uncertainties with respect to: what remediation and restoration will be implemented; the actual cost of that remediation and restoration; WT's share of any multi-party remediation and restoration costs and natural resource damages; the outcome of the federal and state natural resource damage assessments; the timing of any remediation and restoration; the evolving nature of remediation and restoration technologies and governmental regulations; controlling legal precedent; the extent to which contributions will be available from other parties; and the scope of potential recoveries from insurance carriers and prior owners of WT. While such costs and damages cannot be predicted with certainty at this time, we believe that WT's reasonably likely share of the ultimate remediation and restoration costs and natural resource damages associated with the Lower Fox River Site, including disbursement on behalf of WT of the remaining amount deposited by WT under the terms of the Consent Decree, may fall within the range of $38 million to $142 million, payable over a period of up to 40 years. In our estimate of the lower end of the range we have assumed remediation and restoration costs as estimated by our consultants for OU1, the draft 60% design estimate for OU2-5 and the low end of the governments' estimates of natural resource damages and WT's share of the aggregate liability. In our estimate of the upper end of the range we have assumed higher costs in all OUs and that our share of the ultimate aggregate liability for all PRPs will be higher than we believe it will ultimately be determined to be. We have accrued an amount for the Fox River liability based on our estimate of the reasonably probable costs within the range as described above.

In connection with Chesapeake's acquisition of WT from Philip Morris Incorporated (now known as Philip Morris USA Inc., or "PM USA," a wholly owned subsidiary of Altria Group, Inc.) in 1985, the seller agreed to indemnify WT and Chesapeake for losses related to breaches of representations and warranties set forth in the acquisition agreement. Chesapeake identified PCB contamination in the Fox River as a basis for a claim for indemnification. Beginning in 1994, PM USA has made indemnification payments in excess of $53 million for Fox River losses. In mid-June 2008, PM USA asserted a claim that it did not have an indemnification obligation and refused to continue to indemnify WT and Chesapeake for their losses related to the Fox River. The claim was resolved in a settlement described in a consent decree approved by a judge of the Circuit Court of Henrico County, Virginia, on July 1, 2008, by which, among other things, (i) PM USA released its claims for recovery of past indemnification payments; (ii) PM USA agreed to cooperate in WT's recovery under certain general liability policies; and (iii) PM USA's maximum liability for future indemnification payments under the 1985 acquisition agreement was capped at $36 million. We intend to seek recovery for the Fox River losses under certain general liability insurance policies and believe that the insurance recoveries, together with the indemnification from PM USA will provide funds to substantially cover our reasonably probable cost related to the Fox River matter. We understand, however, that PM USA is subject to certain risks (including litigation risk in cases relating to health concerns regarding the use of tobacco products). Accordingly, there can be no assurance that PM USA will be able to satisfy its indemnification obligations in the future. However, PM USA is currently meeting its indemnification obligations under the consent decree and, based on our review of currently available financial information, we believe that PM USA has the financial ability to continue to meet its indemnification obligations. We further understand that there are risks related to our anticipated recovery under certain general liability insurance policies, including certain coverage defenses which may be asserted by the insurance carriers.

Pursuant to the Joint Venture Agreement with Georgia-Pacific Corporation for Georgia-Pacific Tissue, LLC, WT has retained liability for, and the third party indemnity rights associated with, the discharge of PCBs and other hazardous materials in the Fox River and Green Bay System. Based on currently available information we believe that if remediation and restoration are done in an environmentally appropriate, cost effective and responsible manner, and if natural resource damages are determined in a reasonable manner, the matter is unlikely to have a material adverse effect on our financial position or results of operations. However, because of the uncertainties described above, there can be no assurance that the ultimate liability with respect to the Lower Fox River site will not have a material adverse effect on our financial position or results of operations.

In the second quarter of 2008, we reviewed, and decreased, our estimate of our reasonably probable environmental costs based on remediation activities to date and other developments. Our accrued environmental liabilities totaled approximately $71.8 million as of June 29, 2008, of which $36.3 million was considered short-term, and $75.1 million as of December 30, 2007, of which $16.2 million was considered short-term.

Legal and Other Commitments

Chesapeake is a party to various other legal actions and tax audits which are ordinary and incidental to our business. While the outcome of environmental, tax and legal actions cannot be predicted with certainty, we believe the outcome of any of these proceedings, or all of them combined, will not have a material adverse effect on our consolidated financial position or results of operations.

The Internal Revenue Service (“IRS”) has proposed Federal income tax adjustments relating to a transfer of assets in 1999 by our subsidiary, WTM I Company, to a joint venture with Georgia-Pacific Corporation. The IRS issued a Notice of Deficiency based on those adjustments on May 25, 2006. Taking into account correlative adjustments to the Company’s tax liability in other years, the amount in dispute, including interest through June 29, 2008, is approximately $37 million.

We intend to defend our position vigorously with respect to the asserted deficiency. We have estimated our maximum potential exposure with respect to the matter to be approximately $37 million; however, we continue to believe that our tax treatment of the transaction was appropriate and that we should prevail in this dispute with the IRS. A trial date in U.S. tax court has been set with respect to this matter for March 9, 2009. We currently do not have any estimate with regards to the timing of the ultimate resolution of this case. We do not expect that the ultimate resolution of this matter will have a material adverse effect on our financial condition or results of operations.

Guarantees and Indemnifications

We have entered into agreements for the sale of assets or businesses that contain provisions in which we agree to indemnify the buyers or third parties involved in the sale for certain liabilities or risks related to the sale. In these sale agreements we typically agree to indemnify the buyers or other involved third parties against a broadly-defined range of potential "losses" (typically including, but not limited to, claims, costs, damages, judgments, liabilities, fines or penalties, and attorneys' fees) arising from: (i) a breach of our representations or warranties in the sale agreement or ancillary documents; (ii) our failure to perform any of the covenants or obligations of the sale agreement or ancillary documents; and (iii) other liabilities expressly retained or assumed by us related to the sale. Most of our indemnity obligations under these sale agreements are: (i) limited to a maximum dollar value significantly less than the final purchase price; (ii) limited by time within which indemnification claims must be asserted (often between one and three years); and (iii) subject to a deductible or "basket." Many of the potential indemnification liabilities under these sale agreements are unknown, remote or highly contingent, and most are unlikely to ever require an indemnity payment. Furthermore, even in the event that an indemnification claim is asserted, liability for indemnification is subject to determination under the terms of the applicable sale agreement, and any 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 the sale agreements. However, we accrue for any potentially indemnifiable liability or risk under these sale agreements for which we believe a future payment is probable and a range of loss can be reasonably estimated. Other than the Fox River matter discussed in Environmental Matters above, as of June 29, 2008 we believe our liability under such indemnification obligations was immaterial.

In the ordinary course of our business we may enter into agreements for the supply of goods or services to customers that provide warranties to their customers on one or more of the following: (i) the quality of the goods and services supplied by us; (ii) the performance of the goods supplied by us; and (iii) our compliance with certain specifications and applicable laws and regulations in supplying the goods and services. Liability under such warranties often is limited to a maximum amount by the nature of the claim or by the time period within which a claim must be asserted. As of June 29, 2008 we believe our liability under such warranties was immaterial.

In the ordinary course of our business we may enter into service agreements with service providers in which we agree to indemnify the service provider against certain losses and liabilities arising from the service provider's performance of the agreement. Generally, such indemnification obligations do not apply in situations in which the service provider is grossly negligent, engages in willful misconduct or acts in bad faith. As of June 29, 2008 we believe our liability under such service agreements was immaterial.

In the ordinary course of our business, we may enter into supply agreements (such as those discussed above), service agreements (such as those discussed above), purchase agreements, leases, and other types of agreements in which we agree to indemnify the party or parties with whom we are contracting against certain losses and liabilities arising from, among other things: (i) our breach of the agreement or representations or warranties under the agreement; (ii) our failure to perform any of our obligations under the agreement; (iii) certain defined actions or omissions by us; and (iv) our failure to comply with certain laws, regulations, rules, policies, or specifications. As of June 29, 2008 we believe our liability under these agreements was immaterial.

NOTE 13. SEGMENT DISCLOSURE

We conduct our business in three operating segments: Plastic Packaging, Pharmaceutical and Healthcare Packaging ("Pharma"), and Branded Products Packaging ("Branded Products"). The Branded Products operating segment includes the former tobacco operating segment. The Pharma and Branded Products operating segments are aggregated into the Paperboard Packaging reportable segment. Our Paperboard Packaging segment designs and manufactures folding cartons, spirally wound composite tubes, leaflets, labels and other paper and paperboard packaging products. The primary end-use markets for this segment are pharmaceutical and healthcare and branded products (such as alcoholic drinks, confectioneries, foods and tobacco). The Plastic Packaging segment designs and manufactures plastic containers, bottles and preforms. The primary end-use markets for this segment are agrochemicals and other specialty chemicals, and food and beverages. General corporate expenses are shown as Corporate.

Segments are determined by the "management approach" as described in SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, which we adopted in 1998. Management assesses continuing operations based on operating income before interest and taxes derived from similar groupings of products and services. Consistent with management's assessment of performance, goodwill impairments, gains (losses) on divestitures and restructuring expenses, asset impairments and other exit costs are excluded from segment operating income.

There were no material intersegment sales during the second quarter and first six months of fiscal 2008 or fiscal 2007. Segment identifiable assets are those that are directly used in segment operations. Corporate assets are primarily cash, certain nontrade receivables and other assets.

(in millions)	**Second Quarter**		**Year to Date**	
	2008	**2007**	**2008**	**2007**
Net sales:				
Paperboard Packaging	$205.2	$207.2	$405.5	$432.5
Plastic Packaging	46.2	43.7	98.8	90.4
Consolidated net sales	$251.4	$250.9	$504.3	$522.9
Operating income:				
Paperboard Packaging	$4.2	$8.4	$4.5	$22.5
Plastic Packaging	3.4	6.0	8.4	13.0
Corporate	(4.3)	(4.6)	(8.1)	(8.2)
Goodwill impairment charge	(215.5)	-	(215.5)	-
Restructuring expenses, asset impairments and other exit costs	(4.0)	(10.9)	(4.6)	(11.7)
Consolidated operating income	$(216.2)	$(1.1)	$(215.3)	$15.6
Depreciation and amortization:				
Paperboard Packaging	$11.1	$10.9	$21.9	$22.3
Plastic Packaging	1.9	1.8	3.9	3.5
Corporate	0.1	-	0.1	0.1
Discontinued operations	-	-	-	-
Consolidated depreciation and amortization	$13.1	$12.7	$25.9	$25.9

(in millions)	**Jun. 29, 2008**	**Dec. 30, 2007**
Identifiable assets:		
Paperboard Packaging	$724.6	$899.1
Plastic Packaging	189.4	207.8
Corporate	69.8	104.9
Total	$983.8	$1,211.8

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The 2008 consolidated statements of operations include adjustments from prior periods, which were recorded in the first and second quarters of fiscal 2008. The net impact of the adjustments recorded in the first quarter of fiscal 2008 increased net loss from continuing operations before taxes by $0.6 million, decreased loss from continuing operations by $0.3 million and decreased net loss by $0.3 million. These adjustments included (1) an overstatement of revenue due to invoicing errors for a particular customer; (2) incorrect capitalization of expenses associated with an inter-company fixed asset transfer; and (3) an understatement of deferred tax assets associated with the sale of one of our U.K. manufacturing facilities. The net impact of the adjustment recorded in the second quarter of fiscal 2008 increased net loss from continuing operations before taxes and loss from continuing operations by $0.2 million. This adjustment was related to an error in the calculation of an accrued expense. These adjustments from prior periods, which were recorded in the first and second quarters of fiscal 2008, were deemed immaterial to the current and prior periods.

As of the end of the second quarter of 2008, we have changed our application of SFAS 87 "Employers' Accounting for Pensions" related to our methodology for calculating the expected return on plan assets component of net periodic pension cost. Our new method employs actual fair market value of plan assets, which we believe is a preferred method, rather than a market-related value. This change in accounting policy has been reflected retrospectively to all periods presented. See Note 11 – Employee Retirement and Postretirement Benefits.

Consistent with our segment reporting in Note 13 to the Consolidated Financial Statements, operating income by segment excludes any goodwill impairments, gains or losses related to divestitures and restructuring expenses, asset impairments and other exit costs. Excluding these amounts from our calculation of segment operating income is consistent with how our management reviews segment performance and, we believe, affords the reader consistent measures of our operating performance.

The following table sets forth second quarter and year-to-date net sales from continuing operations and operating income by reportable business segment:

(in millions)	Quarter Ended Jun. 29, 2008		Quarter Ended Jul. 1, 2007		Six Months Ended Jun. 29, 2008		Six Months Ended Jul. 1, 2007	
	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income	Net Sales	Operating Income
Paperboard Packaging	$205.2	$4.2	$207.2	$8.4	$405.5	$4.5	$432.5	$22.5
Plastic Packaging	46.2	3.4	43.7	6.0	98.8	8.4	90.4	13.0
Corporate	-	(4.3)	-	(4.6)	-	(8.1)	-	(8.2)
Goodwill impairment charge	-	(215.5)	-	--	-	(215.5)	-	-
Restructuring expenses, asset impairments and other exit costs	-	(4.0)	-	(10.9)	-	(4.6)	-	(11.7)
Total	$251.4	$(216.2)	$250.9	$(1.1)	$504.3	$(215.3)	$522.9	$15.6

Net sales from continuing operations for the second quarter of fiscal 2008 were $251.4 million, an increase of $0.5 million from the comparable period in fiscal 2007. Excluding changes in foreign currency exchange rates, which increased sales by $14.3 million, sales were down 5 percent for the second quarter of fiscal 2008 compared to the second quarter fiscal 2007. Net sales from continuing operations for the first six months of fiscal 2008 were $504.3 million, a decrease of $18.6 million, or 4 percent, over the comparable period in fiscal 2007. Excluding changes in foreign currency exchange rates, which increased net sales by $30.3 million, sales were down 9 percent for the first six months of the year. For the second quarter and first six months of fiscal 2008 the reduction in sales was primarily due to reduced sales of both branded products packaging and pharmaceutical products packaging within our Paperboard segment.

Gross margin, which is defined as net sales less cost of products sold, for the second quarter of fiscal 2008 was $38.1 million, a decrease of $4.9 million, or 11 percent, compared to gross margin of $43.0 million for the second quarter of fiscal 2007. As a percentage of sales, gross margin decreased from 17 percent to 15 percent for the second quarter of fiscal 2008 versus fiscal 2007. Gross margin was $72.9 million for the first six months of 2008 compared to gross margin of $92.6 for the same period in 2007. As a percentage of sales, gross margin decreased from 18 percent to 14 percent for the first six months of fiscal 2008 versus fiscal 2007. For the second quarter and first six months of fiscal 2008 the decrease in gross margin was due to the significantly lower sales volume, as well as pricing pressures and increased material costs.

Selling, general and administrative expenses ("SG&A") as a percentage of net sales for the second quarter of fiscal 2008 increased from 13 percent to 14 percent compared to SG&A for the second quarter of fiscal 2007, and increased from 13 percent to 14 percent for the first six months of fiscal 2008 compared to the first six months of fiscal 2007. The increase in SG&A as a percentage of net sales for the second quarter and first six months of fiscal 2008 compared to fiscal 2007 reflects increased professional fees and travel associated with strategic initiatives and process improvement activities, partially offset by decreases in pension costs.

In the second quarter of fiscal 2008 we recorded a non-cash charge of $215.5 million related to impairment of goodwill within the reporting units of our Paperboard Packaging segment. In conjunction with the ongoing discussions with our current lenders under our Credit Facility and our continued efforts to refinance the Credit Facility, during the second quarter of fiscal 2008 we accelerated our annual review of our strategic business plan. This review resulted in a decline in our expectations of the operating performance of our Paperboard Packaging reporting segment as a result of competitive pricing pressure and general economic conditions within this segment. We do not expect the impairment charges to affect compliance with covenants under our borrowing arrangements.

During the second quarter and first six months of fiscal 2008 we recorded restructuring costs, asset impairments and other exit costs of approximately $4.0 million and $4.6 million, respectively. These expenses were primarily related to broad-based workforce and overhead reductions as well as costs associated with the potential closure or disposal of underperforming assets. During the second quarter and first six months of fiscal 2007 we recorded restructuring costs, asset impairments and other exit costs of approximately $10.9 million and $11.7 million, respectively. These expenses primarily related to the Company's cost savings program and other employee-related costs for workforce reductions within the tobacco packaging business. During the first six months of fiscal 2008 and fiscal 2007 the company made cash payments of approximately $3.2 million and $4.2 million, respectively, related to restructuring activities. (See Note 6 to the Consolidated Financial Statements.)

The operating loss for the second quarter of fiscal 2008 was $216.2 million compared to operating loss of $1.1 million for the second quarter of fiscal 2007. The operating loss for the second quarter of fiscal

2008 included a goodwill impairment charge of $215.5 million and restructuring expenses and other exit costs of $4.0 million. The operating loss for the second quarter of fiscal 2007 included restructuring expenses and other exit costs of $10.9 million. Changes in foreign currency exchange rates decreased operating loss by approximately $2.7 million for the second quarter of fiscal 2008.

The operating loss for the first six months of fiscal 2008 was $215.3 million compared to income of $15.6 million for the first six months of fiscal 2007. The operating loss for the first six months of fiscal 2008 included a goodwill impairment charge of $215.5 million and restructuring expenses and other exit costs of $4.6 million. The operating loss for the first six months of fiscal 2007 included restructuring expenses and other exit costs of $11.7 million. Changes in foreign currency exchange rates decreased operating loss by approximately $3.7 million for the first half of 2008.

Net interest expense was $12.3 million for the second quarter of fiscal 2008, an increase of $1.5 million compared to the second quarter of fiscal 2007. Net interest expense was $23.8 million for the first six months of fiscal 2008 compared to $21.5 million for the first six months of fiscal 2007. The increase in net interest expense for both the second quarter and first six months of fiscal 2008 was primarily due to increased borrowing levels during fiscal 2008 and changes in foreign currency exchange rates, which increased interest expense approximately $0.3 million and $0.7 million, respectively.

The effective income tax rates for continuing operations for the second quarter and first six months of fiscal 2008 were 0.4 percent and 2 percent, respectively. The effective income tax rates for continuing operations for the second quarter and first six months of fiscal 2007 were 11 percent and 47 percent, respectively. The comparability of our effective income tax rates is heavily affected by our inability to fully recognize a benefit from our U.S. tax losses, the inability to recognize the benefit of losses in certain non-U.S. tax jurisdictions and the goodwill impairment charge recorded in the second quarter of fiscal 2008, none of which is deductible for income tax purposes. Additionally, the tax rates are influenced by management’s expectations as to the recovery of our U.S. and certain non-U.S. jurisdiction deferred income tax assets and any settlements of income tax contingencies with non-U.S. tax authorities.

Loss from continuing operations for the second quarter of fiscal 2008 was $227.7 million, or $11.67 per diluted share, compared to a loss from continuing operations of $10.6 million, or $0.54 per diluted share, for the second quarter of fiscal 2007. Loss from continuing operations for the first half of fiscal 2008 was $235.1 million, or $12.05 per diluted share, compared to a loss from continuing operations of $8.7 million, or $0.45 per diluted share, in the first half of fiscal 2007.

Loss from discontinued operations for the second quarter of fiscal 2008 was $33.3 million compared to $0.9 million for the second quarter of fiscal 2007. Loss from discontinued operations for the first six months of 2008 was $33.7 million compared to $1.1 million for the first six months of 2007. For the second quarter and first six months of 2008, expense recorded in discontinued operations primarily related to the environmental indemnification resulting from the acquisition of WT and the subsequent disposition of assets of WT in 1999. In connection with our acquisition of WT from PM USA in 1985, PM USA agreed to indemnify WT and the Company for losses relating to breaches of representations and warranties set forth in the acquisition agreement. The Company identified PCB contamination in the Fox River in Wisconsin as a basis for a claim for indemnification. Beginning in 1994, PM USA has made indemnification payments in excess of $53 million for Fox River losses. In mid-June 2008, PM USA asserted a claim that it did not have an indemnification obligation and refused to continue to indemnify WT and the Company for their losses related to the Fox River. That claim was resolved on June 26, 2008 in a settlement described in a Consent Decree filed with the Circuit Court of Henrico

County, Virginia, by which, among other things, (i) PM USA released its claims for recovery of past indemnification payments; (ii) PM USA agreed to cooperate in WT's recovery under certain general liability insurance policies; and (iii) PM USA's maximum liability for future indemnification under the 1985 acquisition agreement was capped to $36 million. The cap placed on the future indemnification resulted in a reduction in the receivable from PM USA previously recorded related to the Fox River environmental liability. We intend to seek recovery for the Fox River losses under certain general liability insurance policies and believe that the insurance recoveries, together with the indemnification from PM USA, will provide funds to substantially cover our reasonably probable cost related to the Fox River matter. However, there are risks related to the anticipated recovery under the general liability insurance policies, including certain coverage defenses which may be asserted by the insurance carriers. Expense recorded in the second quarter and first six months of fiscal 2007 principally relate to the tax treatment of the disposition of assets of Wisconsin Tissue Mills Inc. in 1999.

Restructuring Expenses, Asset Impairments and Other Exit Costs

During the fourth quarter of fiscal 2005 Chesapeake announced plans for a two-year global cost savings program, the scope of which was extensive and involved a number of locations being sold, closed or downsized. The program also involved broad-based workforce reductions and a general reduction in overhead costs throughout the Company. This program was completed at the end of fiscal 2007 and over the course of fiscal years 2006 and 2007 annualized cost savings in excess of the $25-million goal were achieved. We have identified additional restructuring and cost savings actions that could result in broad-based workforce reductions, general reductions in overhead costs, and locations being sold, closed or downsized. The ultimate costs and timing of these actions could be dependent on consultation and, in certain circumstances, negotiation with European works councils or other employee representatives. Costs associated with these actions have been recorded in "restructuring expenses, asset impairments and other exit costs" in the accompanying consolidated statements of operations.

Segment Information

Paperboard Packaging

(in millions)			Increase/(Decrease)	
	2008	2007	$	%
Six Months:				
Net sales	$405.5	$432.5	$(27.0)	(6.2)%
Operating income	4.5	22.5	(18.0)	(80.0)
Operating income margin %	1.1%	5.2%		

(in millions)			Increase/(Decrease)	
	2008	2007	$	%
Second Quarter:				
Net sales	$205.2	$207.2	$(2.0)	(1.0)%
Operating income	4.2	8.4	(4.2)	(50.0)
Operating income margin %	2.0%	4.0%		

Net sales for the Paperboard Packaging segment were $205.2 million for the second quarter of 2008, a decrease of $2.0 million, or 1 percent, from the comparable period in 2007. Excluding changes in foreign currency exchange rates, which increased net sales by $11.0 million, net sales were down 6 percent for the second quarter of fiscal 2008. For the second quarter of fiscal 2008 the decrease in net sales was due to reduced volumes in both branded and pharmaceutical and healthcare products packaging. The sales decline in branded products was primarily due to decreased sales of tobacco packaging related to the previously announced loss of business with British American Tobacco, slightly offset by increased sales of U.K. drinks packaging and German confectionery packaging. The decline in pharmaceutical and healthcare packaging sales was primarily a result of lower customer demand and a competitive price environment.

Net sales for the Paperboard Packaging segment for the first six months of fiscal 2008 were $405.5 million, a decrease of $27.0 million, or 6 percent, compared to the first six months of fiscal 2007. Excluding changes in foreign currency exchange rates, which increased net sales by $22.9 million, net sales were down 11 percent for the first six months of fiscal 2008. For the first six months of fiscal 2008 the decrease in net sales was due to reduced volumes in both branded and pharmaceutical and healthcare products packaging. The sales decline in branded products was primarily due to decreased sales of tobacco and U.K. food and confectionery packaging slightly offset by increased sales of German confectionery packaging. The decline in pharmaceutical and healthcare packaging sales was primarily a result of lower customer demand and a competitive price environment.

Operating income for the Paperboard Packaging segment for the second quarter of fiscal 2008 was $4.2 million, a decrease of $4.2 million, or 50 percent, versus the comparable period in fiscal 2007. Excluding changes in foreign currency exchange rates, which increased operating income by $0.3 million, operating income was down 54 percent for the second quarter of fiscal 2008.

Operating income for the first six months of fiscal 2008 was $4.5 million, a decrease of $18.0 million, or 80 percent, from the first half of fiscal 2007. Excluding changes in foreign currency exchange rates, which increased operating income by $0.5 million, operating income was down 82 percent for the first six months of fiscal 2008. The decrease in operating income for the second quarter and first six months of fiscal 2008 was primarily due to decreased sales volumes, competitive pricing, start-up costs associated with new products and rising energy an related costs.

Plastic Packaging

(in millions)					Increase/(Decrease)			
	2008		2007		$		$ %	
Six Months:								
Net sales	$98.8		$90.4		$8.4		9.3	%
Operating income	8.4		13.0		(4.6	)	(35.4	)
Operating income margin %	8.5	%	14.4	%				

(in millions)					Increase/(Decrease)			
	2008		2007		$		$ %	
Second Quarter:								
Net sales	$46.2		$43.7		$2.5		5.7	%
Operating income	3.4		6.0		(2.6	)	(43.3	)
Operating income margin %	7.4	%	13.7	%				

Net sales for the Plastic Packaging segment for the second quarter of fiscal 2008 were $46.2 million, an increase of $2.5 million, or 6 percent, from the comparable period in fiscal 2007. Excluding changes in foreign currency exchange rates, which increased net sales by $3.3 million, net sales were down 2 percent for the second quarter of fiscal 2008 compared to the second quarter of fiscal 2007. For the second quarter of fiscal 2008 the decrease in net sales was due primarily to decreased sales in our South African beverage operations, partially offset by increased sales of specialty chemical packaging in the U.K. and Hungary.

Net sales for the Plastic Packaging segment were $98.8 million for the first six months of fiscal 2008, an increase of $8.4 million, or 9 percent, over the comparable period in fiscal 2007. Excluding changes in foreign currency exchange rates, which increased net sales by $7.4 million, sales were up 1% for the first six months of fiscal 2008 compared to the first six months of fiscal 2007. For the first six months of fiscal 2008 the slight increase in net sales relative to the prior year was due primarily to increased sales of specialty chemical packaging in the U.K. and Hungary, offset by decreased sales in the remainder of the segment.

Operating income for the Plastic Packaging segment for the second quarter of fiscal 2008 was $3.4 million, a decrease of $2.6 million, or 43 percent, from the comparable period in fiscal 2007. Excluding changes in foreign currency exchange rates, which increased operating income by $0.6 million, operating income was down 53% for the second quarter of fiscal 2008 compared to the second quarter of fiscal 2007.

Operating income for the first six months of fiscal 2008 was $8.4 million, a decrease of $4.6 million, or 35 percent, compared to the first six months of fiscal 2007. Excluding changes in foreign currency exchange rates, which increased operating income by $1.3 million, operating income was down 45% for the first six months of fiscal 2008 compared to fiscal 2007. The decrease in operating income for the second quarter and first six months of fiscal 2008 was primarily due to competitive market conditions and increased raw material costs throughout the Plastic Packaging segment.

Liquidity and Financial Position

Net cash used in operating activities was $28.8 million for the first six months of fiscal 2008, compared to net cash provided by operating activities of $15.4 million for the first six months of fiscal 2007. For the first six months of fiscal 2008, the decrease in net cash provided by operating activities was primarily due to the decrease in operating results and increased working capital requirements compared to the same period in 2007. Net cash flows related to operating activities for the first six months of fiscal 2008 and fiscal 2007 included spending under restructuring programs of $3.2 million and $4.2 million, respectively.

Net cash used in investing activities in the first six months of fiscal 2008 was $6.1 million compared to $23.6 million in the first six months of fiscal 2007. Net cash used in investing activities during the first six months of fiscal 2008 reflects proceeds of $14.9 million received in the first quarter of fiscal 2008 from the sale of our paperboard manufacturing facility in Bremen, Germany in December 2007, as well as the sale of our plastics manufacturing facility in Crewe, England in March 2008, which we subsequently have leased back from the purchaser. These sales proceeds were more than offset by capital spending of $22.5 million. Net cash used in investing activities during the first six months of fiscal 2007 reflects capital spending of $24.9 million, slightly offset by cash proceeds from sales of fixed assets.

Net cash provided by financing activities in the first six months of fiscal 2008 was $43.1 million, compared to net cash provided by financing activities of $3.3 million in the first six months of fiscal

2007. Net cash provided by financing activities in the first six months of fiscal 2008 primarily reflects increased borrowings on our lines of credit. Net cash provided by financing activities in the first six months of fiscal 2007 primarily reflects increased borrowings on our lines of credit, partially offset by payment of dividends. We paid cash dividends of $8.5 million, or $0.44 per share, in the first six months of fiscal 2007.

For the fiscal years ended December 30, 2007, December 31, 2006 and December 31, 2005, we incurred net losses of $11.2 million, $36.7 million and $318.3 million, respectively. Additionally, for the first six months of 2008, we incurred net losses of $268.8 million. As a result the Company has total stockholders' equity of $17.4 million at June 29, 2008. Factors contributing to these net losses included, but were not limited to: goodwill impairment charges, costs associated with our cost-savings plan and other restructuring efforts, environmental liabilities, price competition, rising raw material costs and lost customer business due to geographic shifts in production within the consumer products industry which we serve. These and other factors may adversely affect our ability to generate profits in the future.

Credit Facility

On March 5, 2008 we obtained agreement from a majority of the lenders under our senior secured bank credit facility (the “Credit Facility”) to amend the facility through the end of fiscal 2008. The amendment affected financial maintenance covenants in all four quarters of fiscal 2008, providing an increase in the total leverage ratios and a decrease in the interest coverage ratios. In addition, interest rates were increased and basket limitations were imposed for acquisitions, dispositions and other indebtedness, among other changes. The amendment also stipulated that in the event that the Credit Facility was not fully refinanced prior to March 31, 2008, the Company would provide a security interest in substantially all tangible assets of its European subsidiaries. Activities are currently underway by the lenders under the Credit Facility to obtain security interests in certain of the Company’s assets located in the U.K., Ireland, France, Germany, Belgium and the Netherlands.

On July 15, 2008 we agreed with our lenders on a further amendment of certain provisions of our Credit Facility which increased the total leverage ratio to 7.00:1 for the second fiscal quarter of 2008 and the senior leverage ratio to 3.40:1 for the second fiscal quarter. In addition, interest rates were increased to 550 basis points over LIBOR. The amendment also provided for agreement on an amended recovery plan (“Amended Recovery Plan”) for one of our U.K. subsidiaries and its defined benefit pension plan (the "Plan") discussed in Note 11, which provides for an intercreditor agreement among the Credit Facility lenders, Chesapeake and the Trustee; placed a limit on the future borrowing of the U.S. borrower under the Credit Facility; and provided for a new event of default if The Pensions Regulator in the U.K. issues a Contribution Notice or Financial Support Direction.

While we are in compliance with all of the amended debt covenants as of the end of the second quarter of fiscal 2008, based on current projections we are likely to not be in compliance with the financial covenants under the Credit Facility at the end of the third quarter of fiscal 2008. Because the Credit Facility terminates within 12 months, we have classified that debt as a current liability at June 29, 2008 and we currently do not have the cash or a new debt facility in place to repay the amounts due under our Credit Facility at its maturity. Additionally, should the Company not comply with the debt covenants we would be in default under the Credit Facility. If such an event were to occur, the lenders under the Credit Facility could require immediate payment of all amounts outstanding under the Credit Facility and terminate their commitments to lend under the Credit Facility and, pursuant to cross-default provisions in many of the instruments that govern other outstanding indebtedness, immediate payment of substantially all of our other outstanding indebtedness could be required. These matters raise substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On August 1, 2008 we announced that we had developed a comprehensive refinancing plan to address the upcoming maturity of our Credit Facility and our general liquidity needs. We expect that, if successfully implemented, this proposed refinancing plan will address our short- and long-term liquidity and capital resource requirements.

The proposed refinancing plan is expected to include: (1) new senior secured credit facilities to be used to fully repay our existing $250-million Credit Facility and provide incremental liquidity, and (2) an offer to exchange our outstanding 10-3/8% Sterling-denominated senior subordinated notes due in 2011 and our 7% euro-denominated senior subordinated notes due in 2014 for new debt and equity securities. We expect to continue to work with GE Commercial Finance Limited and General Electric Capital Corporation to participate in elements of the new senior secured credit facilities. We anticipate commencing the exchange offer and marketing for the new senior secured credit facilities in September 2008.

We expect to address compliance issues with the financial covenants of our existing Credit Facility (1) through the proposed refinancing plan, or (2) by reducing outstanding indebtedness, amending the existing Credit Facility or obtaining waivers from our lenders. There can be no assurances that the proposed refinancing plan or these other alternatives will be successfully implemented in the amounts and timeframe contemplated, if at all. Failure to successfully implement the refinancing plan or otherwise address anticipated compliance issues under the Credit Facility would have a material adverse effect on our business, results of operations and financial position.

U.K. Pension Recovery Plan

One of our U.K. subsidiaries was party to a recovery plan (the "Recovery Plan") for its U.K. Pension Plan (the “Plan”), which required that the subsidiary make annual cash contributions to the Plan in July of each year of at least £6 million above otherwise required levels in order to achieve a funding level of 100 percent by July 2014. In addition, if an interim funding level for the Plan of 90 percent was not achieved by April 5, 2008, the Recovery Plan required that an additional supplementary contribution to achieve an interim funding level of 90 percent be paid on or before July 15, 2008.

The funding level of the Plan is dependent upon certain actuarial assumptions, including assumptions related to inflation, investment returns and market interest rates, changes in the numbers of plan participants and changes in the benefit obligations and related laws and regulations. Changes to these assumptions potentially have a significant impact on the calculation of the funding level of the Plan. An interim valuation of the Plan as of April 5, 2008 determined that the additional supplementary contribution necessary, in addition to the £6 million annual payment due on or before July 15, 2008, to achieve an interim funding level of 90% was £29.6 million.

On July 15, 2008, our U.K. subsidiary agreed with the Trustee of the Plan on the Amended Recovery Plan. Under the terms of the Amended Recovery Plan, the Plan Trustee agreed to accept annual supplemental payments of £6 million over and above those needed to cover benefits and expenses until the earlier of (a) 2021 or (b) the Plan attaining 100% funding on an on-going basis after 2014, and has waived the requirement for the additional supplementary contribution due on or before July 15, 2008 to achieve an interim funding level of 90%. Our U.K. subsidiary has agreed, subject to certain terms and conditions, to grant to the Plan fixed equitable and floating charges on assets of the U.K. subsidiary and its subsidiaries in the United Kingdom and the Republic of Ireland securing an amount not to exceed the Plan funding deficit on a scheme-specific basis. The security being granted to the Plan Trustee will be subordinated to the security given to the lenders under our Credit Facility. Our subsidiary's agreement with the Plan Trustee also includes provisions for releases of the Plan Trustee's security interest under certain conditions in the event of the sale, transfer or other disposal of assets over which the Plan Trustee holds a security interest and upon the Plan Trustee's receipt of agreed cash payments to the Plan in addition to those described above. Our U.K. subsidiary has made the £6 million supplemental payment to the Plan due for 2008.

Critical Accounting Policies

Our consolidated financial statements have been prepared by management in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. We believe that the estimates, assumptions and judgments described in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" of our most recent Annual Report on Form 10-K have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. These policies include our accounting for: (a) goodwill and other long-lived asset valuations; (b) environmental and other contingencies; (c) pension and other postretirement employee benefits; (d) income taxes; and (e) restructuring and other exit costs. Because of the uncertainty inherent in these matters, reported results could have been materially different using a different set of assumptions and estimates for these critical accounting policies. We believe that the consistent application of these policies enables us to provide readers of our financial statements with useful and reliable information about our operating results and financial condition. There has been no significant change in these policies, or the estimates used in the application of the policies, since our 2007 fiscal year end, except that, as of the end of the second quarter of 2008, we have changed our application of SFAS 87 "Employers' Accounting for Pensions" related to our methodology for calculating the expected return on plan assets component of net periodic pension cost. For more information on this change in accounting policy, see Note 11 - Employee Retirement and Postretirement Benefits.

Environmental

See Note 12 to the Consolidated Financial Statements for additional information on environmental matters.

Seasonality

Our Paperboard Packaging segment competes in several end-use markets, such as alcoholic drinks and confectioneries, that are seasonal in nature. As a result, our Paperboard Packaging segment's earnings stream is seasonal, with peak operational activity during the third and fourth quarters of the year. Our Plastic Packaging segment's markets include beverage and agrochemical markets in the southern hemisphere, and agrochemical markets in the northern hemisphere, that are seasonal in nature. As a result, our Plastic Packaging segment's earnings stream is also seasonal, with peak operational activity during the first and fourth quarters of the year.

Adoption of Accounting Pronouncements

On December 31, 2007 the Company adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157") which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. The framework for measuring fair value as established by SFAS 157 requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes three levels of inputs that may be used to measure fair value which are provided below.

> Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
>
> Level 2: Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates); inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).
>
> Level 3: Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

In February 2008 the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* ("FSP 157-1"). FSP 157-1 amends SFAS 157 to exclude FASB Statement No. 13, *Accounting for Leases* ("SFAS 13"), and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS 13. The Company has adopted the provisions of FSP 157-1 effective December 31, 2007.

In February 2008 the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"). FSP 157-2 delayed the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company has adopted the provisions of FSP 157-2 effective December 31, 2007.

For more information on the fair value of the Company's respective assets and liabilities see "Note 3 – Fair Value Measurements."

On December 31, 2007 the Company adopted Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FAS 115* (“SFAS 159”). SFAS 159 allows companies to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. Unrealized gains and losses shall be reported on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 also establishes presentation and disclosure requirements. SFAS 159 is effective for fiscal years beginning after November 15, 2007 and
has been applied prospectively. The adoption of SFAS 159 did not have a significant impact on our financial statements as we did not elect the fair value option for any of our eligible financial assets or liabilities.

New Accounting Pronouncements

In December 2007 the FASB issued SFAS No. 141R, *Business Combinations* ("SFAS 141R"). SFAS 141R amends SFAS 141 and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in the acquiree. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. It is effective for fiscal years beginning on or after December 15, 2008 and will be applied prospectively. We are currently evaluating the impact that SFAS 141R will have on our financial statements.

In December 2007 the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51* ("SFAS 160"). SFAS 160 requires that ownership interests in subsidiaries held by parties other than the parent, and the amount of consolidated net income, be clearly identified, labeled, and presented in the consolidated financial statements. It also requires that once a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value. Sufficient disclosures are required to clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. It is effective for fiscal years beginning on or after December 15, 2008 and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements shall be applied prospectively. We are currently evaluating the impact that SFAS 160 will have on our financial statements.

In March 2008 the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* (“SFAS 161”). SFAS 161 requires enhanced disclosures about an entity’s derivative and hedging activities and thereby improves the transparency of financial reporting. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the impact that SFAS 161 will have on our financial statements.

In June 2008, the FASB issued FASB Staff Position No. EITF 03-6-1 "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-6-1"). FSP EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities and therefore shall be included in the earnings per share calculation pursuant to the two class method described in SFAS No. 128, "Earnings Per Share." FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and requires all prior-period earnings per share data to be adjusted retrospectively. We are currently evaluating the impact that FSP EITF 03-6-1 will have on our financial statements.

Forward-Looking Statements

Forward-looking statements in the foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations include statements that are identified by the use of words or phrases including, but not limited to, the following: "will likely result," "expected to," "will continue," "is anticipated," "estimated," "project," "believe," "expect" and words or phrases of similar import. Changes in the following important factors, among others, could cause Chesapeake's actual results to differ materially from those expressed in any such forward-looking statements: our inability to realize the full extent of the expected savings or benefits from restructuring or cost savings initiatives, and to complete such activities in accordance with their planned timetables and within their expected cost ranges; the effects of competitive products and pricing; changes in production costs, particularly for raw materials such as folding carton and plastics materials, and our ability to pass through increases in raw material costs to our customers; fluctuations in demand; possible recessionary trends in U.S. and global economies; changes in governmental policies and regulations; changes in interest rates and credit availability; changes in actuarial assumptions related to our pension and postretirement benefits plans; changes in our liabilities and cash funding obligations associated with our defined benefit pension plans; our ability to remain in compliance with our current debt covenants and to refinance our outstanding debt, which raises substantial doubt about our ability to continue as a going concern; our ability to regain compliance with the listing standards of the New York Stock Exchange ("NYSE") and avoid being suspended by the NYSE or delisted by the SEC; fluctuations in foreign currency exchange rates; and other risks that are detailed from time to time in reports filed by Chesapeake with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There are no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended December 30, 2007.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of June 29, 2008. Based upon that evaluation our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 29, 2008.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the second quarter of fiscal 2008 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Note 12 of the Notes to Consolidated Financial Statements included herein.

Item 1A Risk Factors

Item 1A of our Annual Report on Form 10-K for the year ended December 30, 2007 describes some of the risks and uncertainties associated with our business. These risks and uncertainties have the potential to materially affect our results of operations and our financial condition. We do not believe that there have been any material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 30, 2007, except the following:

Our common stock may be delisted from the New York Stock Exchange ("NYSE")

On August 5, 2008, the NYSE notified us that we were "below criteria" due to the fact that over a 30 trading day period our total market capitalization was less than $75 million and our most recently reported stockholders' equity was less than $75 million. We intend to present a plan to the NYSE within the required 45-day period demonstrating how we plan to comply with the NYSE's continued listing standards. If we fail to regain compliance with these continued listing standards, our common stock will be subject to suspension by the NYSE and delisting by the SEC. A delisting may cause a reduction in the liquidity of an investment in our common stock, could reduce the ability of holders of our securities to purchase or sell our securities as quickly and inexpensively as they would have been able to do had our common stock remained listed. This lack of liquidity also could make it more difficult for us to raise capital in the future.

Certain matters raise substantial doubt about our ability to continue as a going concern.

We have suffered recurring losses from operations and based on current projections we are likely to not be in compliance with the financial covenants under our Credit Facility at the end of the third quarter of fiscal 2008. These factors raise substantial doubt about our ability to continue as a going concern. Doubts concerning our ability to continue as a going concern could adversely affect our ability to enter into business combination or other agreements and make it more difficult to obtain required financing on favorable terms, if at all. Such an outcome may negatively affect the market price of our common stock and could otherwise have a material adverse effect on our business, financial condition and results of operations.

In addition, see the "Liquidity and Financial Position" section of our Management Discussion and Analysis for an update of the risks previously disclosed regarding compliance with our senior secured credit facility and funding of our non-U.S. pension plans.

The risks described in the 2007 Annual Report and the information presented herein are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results.

Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Stockholders on April 23, 2008, the following business was transacted:

(1) Election of Directors -
All of the nominees for election to Class I of the Board of Directors were elected:

	Number of Shares For	Number of Shares Authority Withheld
Sir David Fell	14,439,621	3,202,582
John W. Rosenblum	14,436,058	3,206,145
Beverly L. Thelander	14,455,342	3,186,861

The nominee for election to Class II of the Board of Directors was elected:

	Number of Shares For	Number of Shares Authority Withheld
Mary Jane Hellyar	14,457,398	3,184,805

(2) The appointment of PricewaterhouseCoopers LLP as independent auditors was ratified: 17,096,362 shares voted in favor; 97,498 shares voted against and 448,343 shares abstained (including broker non-votes)

(3) Two stockholder proposals were voted on:

Proposal regarding establishing a pay-for-superior-performance standard in the Company's executive compensation plan: 3,594,561 shares voted in favor; 11,566,453 shares voted against and 2,481,189 shares abstained (including broker non-votes)

Proposal regarding the declassification of the Company's board of directors: 12,982,537 shares voted in favor; 2,171,723 shares voted against and 2,487,943 shares abstained (including broker non-votes)

Item 6. Exhibits

(a) Exhibits:

3.1 Amended and Restated Bylaws of Chesapeake Corporation, as adopted April 23, 2008 (filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 30, 2008)

4.1 Amendment No. 7 dated July 15, 2007 to the Second Amended and Restated Credit Agreement dated February 23, 2004, filed herewith

10.1 Order and Consent Decree in the matter of Philip Morris USA v. Chesapeake Corporation and WTM I Company, filed herewith

10.2 Field Group Pension Plan Recovery Plan (Revised July 2008), dated July 15, 2008, filed herewith

18.1 Letter from PricewaterhouseCoopers LLP regarding Change in Accounting Principles, filed herewith

31.1 Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certifications of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURE

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

		CHESAPEAKE CORPORATION (Registrant)
Date: August 7, 2008	BY:	/s/ Guy N. A. Faller
		Guy N. A. Faller Controller (Principal Accounting Officer)

Exhibit 4.1

EXECUTION VERSION

**AMENDMENT NO. 7 TO THE
SECOND AMENDED AND RESTATED CREDIT AGREEMENT**

Dated July 15, 2008

AMENDMENT NO. 7 (this "Amendment") TO THE SECOND AMENDED AND RESTATED CREDIT AGREEMENT among Chesapeake Corporation, a Virginia corporation (the "U.S. Borrower"), Chesapeake U.K. Holdings Limited, Chesapeake U.K. Acquisitions plc, Boxmore International Limited, Chesapeake plc (formerly known as Field Group plc) (collectively, the "U.K. Borrowers"), the banks, financial institutions and other institutional lenders party to the Credit Agreement referred to below (collectively, the "Lenders") and Wachovia Bank, National Association, as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

PRELIMINARY STATEMENTS:

WHEREAS, the U.S. Borrower, the U.K. Borrowers, the Lenders, the Administrative Agent, Bank of America, N.A. and Citicorp North America, Inc., as syndication agents, HSBC Bank plc, as documentation agent, Wachovia Capital Markets, LLC, as a co-lead arranger and the sole bookrunner, and Banc of America Securities LLC and Citicorp North America, Inc., as co-lead arrangers, have entered into a Second Amended and Restated Credit Agreement dated as of February 23, 2004, as amended by Amendment No. 1 dated as of June 10, 2004, Amendment No. 2 dated as of February 23, 2006, the Letter Waiver and Amendment No. 3 dated as of August 4, 2006, Amendment No. 4 dated as of June 18, 2007, Amendment No. 5 dated as of January 18, 2008, but effective as of December 28, 2007 and Amendment No. 6 ("Amendment No. 6") dated as of March 5, 2008 (as so amended, the "Credit Agreement;" capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement); and

WHEREAS, the Borrowers, the Lenders and the Administrative Agent have agreed to amend the Credit Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto hereby agree as follows:

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the Seventh Amendment Effective Date and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended as follows:

(a) Section 1.1 is hereby amended by inserting therein the following definitions in proper alphabetical order:

""Chesapeake plc Obligations" means the obligations of Chesapeake plc as set forth in the Recovery Plan in respect of the Field Group Pension Plan."

""Intercreditor Deed" means the Intercreditor Deed by and between Chesapeake plc, the Administrative Agent, the Pension Trustee and the other parties listed on the signature pages thereto providing the Pension Trustee with a second priority Lien on certain Collateral of Chesapeake plc and the other Charging Companies (as defined in the Pension Trustee Debenture), to be substantially in the form of Exhibit A hereto or otherwise in a form reasonably satisfactory to the Administrative Agent."

""Pension Trustee" means Field Group Pension Trustee Limited."

""Pension Trustee Debenture" means the debenture to be entered into by and among the U.S. Borrower, Chesapeake plc, the other Charging Companies (as defined therein) and the Pension Trustee reasonably satisfactory to the Administrative Agent."

""Pension Trustee Liens" means the Liens to secure the Chesapeake plc Obligations granted in favor of the Pension Trustee pursuant to the Pension Trustee Debenture and other security and collateral documents; provided that such Pension Trustee Liens shall be subject to the terms of the Intercreditor Deed."

""Recovery Plan" means the recovery plan in place from time to time in relation to the Field Group Pension Plan prepared in accordance with the requirements of section 226 Pensions Act 2004."

""Seventh Amendment" means Amendment No. 7 to this Agreement dated as of July 15, 2008."

"“Seventh Amendment Effective Date” means the date on which all conditions to effectiveness set forth in Section 2 of the Seventh Amendment have been satisfied."

(b) The definition of "Applicable Margin" contained in Section 1.1 is hereby amended, for the period commencing with July 1, 2008, by deleting the pricing grid contained therein and substituting in lieu thereof the following pricing grid:

"Leverage Ratio	Applicable Margin for LIBO Rate Loans	Applicable Margin for Base Rate Loans
Greater than or equal to 4.50:1	5.50%	4.50%
Less than 4.50:1	3.25%	2.25%"

(c) The definition of "Loan Documents" contained in Section 1.1 is hereby amended by inserting therein after the parenthetical contained therein the phrase ", the Intercreditor Deed,".

(d) Article II is hereby amended by inserting therein immediately following Section 2.9 thereof the following new Section 2.10.

"Section 2.10 Limitations on Borrowing. Notwithstanding anything set forth in this Agreement to the contrary, commencing with the Seventh Amendment Effective Date, the aggregate amount of Loans that the U.S. Borrower may borrow and have outstanding at any one time under the terms of this Agreement shall not exceed $10,000,000 and such amount may remain outstanding for a period no longer than 10 consecutive Business Days, unless otherwise agreed between the Administrative Agent and the U.S. Borrower."

(e) Section 7.2.3 is hereby amended by (i) deleting the "and" appearing at the end of clause (j) contained therein and substituting in lieu thereof a semi-colon, (ii) deleting the period appearing at the end of clause (k) contained therein and substituting in lieu thereof "and" and (iii) inserting after the clause (k) contained therein the following clause (l):

"(l) the Pension Trustee Liens."

(f) Section 7.2.4(a) is hereby amended and restated in its entirety, for the period commencing with the Seventh Amendment Effective Date, to read as follows:

"(a) the Borrowers will not permit the Leverage Ratio as of the last day of any Fiscal Quarter occurring during any period set forth below to be greater than the ratio set forth opposite such period:

Period	Leverage Ratio
The first Fiscal Quarter of 2008	6.25:1
The second Fiscal Quarter of 2008	7.00:1
The third Fiscal Quarter of 2008	6.25:1
Beginning of the fourth Fiscal Quarter of 2008 and thereafter	5:50:1"

(g) Section 7.2.4(b) is hereby amended and restated in its entirety, for the period commencing with the Seventh Amendment Effective Date, to read as follows:

"(b) the Borrowers will not permit the Senior Leverage Ratio as of the last day of any Fiscal Quarter occurring during any period set forth below to be greater than the ratio set forth opposite such period:

Period	Senior Leverage Ratio
The first Fiscal Quarter of 2008	3.25:1
The second Fiscal Quarter of 2008	3.40:1
The third Fiscal Quarter of 2008 and thereafter	3.25:1"

(h) Section 7.2.13 is hereby amended by adding at the end thereof, the following:

"In addition, neither the U.S. Borrower nor any of its Subsidiaries will prepay any obligations with respect to the Recovery Plan."

(i) Section 8.1.7 is hereby amended by (i) deleting the "or" appearing at the end of clause (b) thereof, (ii) deleting the period appearing at the end of clause (c) thereof and substituting in lieu thereof "; or" and (iii) inserting therein immediately following clause (c) thereof the following new clause (d):

"(d) The issue by the Pensions Regulator of a Financial Support Direction or Contribution Notice to any Borrower or any of their respective Subsidiaries.

For purposes of Section 8.1.7(d):

"Contribution Notice" means a contribution notice issued by the Pensions Regulator under section 38 or section 47 of the Pensions Act 2004 of the United Kingdom.

"Financial Support Direction" means a financial support direction issued by the Pensions Regulator under section 43 of the Pensions Act 2004 of the United Kingdom.

"Pensions Regulator" means the body corporate called the Pensions Regulator established under Part I of the Pensions Act 2004 of United Kingdom."

(j) Section 8.1.11 is hereby amended by deleting the phrase "Senior Notes Indenture" contained therein and substituting in lieu thereof the phrase "Senior Notes Documents".

(k) Article IX is hereby amended by inserting therein immediately following Section 9.10 thereof the following new Section 9.11:

"Section 9.11 Intercreditor Deed. Each of the Lenders agrees to be bound by the terms of the Intercreditor Deed. The Required Lenders (and each Person that becomes a Lender hereunder pursuant to Section 10.12.1) hereby (a) authorize and direct the Administrative Agent to finalize and enter into the Intercreditor Deed on behalf of all Lenders in such form with such terms and conditions as the Administrative Agent shall determine and (b) agree that the Administrative Agent may take such actions on behalf of all the Lenders as is contemplated by the terms of the Intercreditor Deed."

(l) Item 6.13 of Schedule I is hereby amended and restated in its entirety to read as follows:

"ITEM 6.13. ENVIRONMENTAL MATTERS. See "Environmental Matters" discussion in Note 11 to the Consolidated Financial Statements included in Chesapeake Corporation's quarterly report on Form 10-Q for the quarterly period ended March 30, 2008 regarding potential liability of WTM I Company for natural resources damages and certain environmental remediation related to the lower Fox River, Wisconsin, site."

SECTION 2. Conditions of Effectiveness. This Amendment shall be effective as of the Seventh Amendment Effective Date when, and only when,

(a) a Borrower shall have paid, on or before July 15, 2008, to the Administrative Agent for the ratable account and benefit of each Lender executing this Amendment on or before 5:00 p.m. Eastern time on July 15, 2008, a fee equal to 0.25% of the Total Exposure Amount of each such Lender;

(b) the Administrative Agent shall have received, on or before July 15, 2008, the following documents, each such document (unless otherwise specified) dated the date of receipt thereof by the Administrative Agent (unless otherwise specified) and in sufficient copies for each Lender, in form and substance satisfactory to the Administrative Agent:

(i) Counterparts of this Amendment executed by each Borrower and the Required Lenders or, as to any of the Required Lenders, advice satisfactory to the Administrative Agent that such Required Lender has executed this Amendment;

(ii) Counterparts of the Consent and Confirmation attached hereto executed by each Subsidiary Guarantor;

(iii) Evidence reasonably satisfactory to the Administrative Agent that any and all expenses of all counsel to the Administrative Agent for services rendered since the date of their last invoice, or since they commenced work, as well as all expenses in connection with this Amendment shall have been paid in full in accordance with Section 10.3 of the Credit Agreement;

(iv) A certificate signed by a duly authorized officer of each Borrower stating that:

(A) All representations and warranties made by such Borrower in Section 3 hereof and in the Credit Agreement (as amended hereby) and the other Loan Documents are true and correct in all material respects as of the date hereof as if made on the date hereof (unless stated to relate solely to an earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date); and

(B) after giving effect to the amendments contemplated by Section 1 above, no Default shall have occurred and be continuing;

(c) the Pension Trustees shall have passed a resolution to revise the Recovery Plan, or such revised Recovery Plan shall have been executed by the parties thereto, in either case as reasonably determined by the Administrative Agent, such that the revised Recovery Plan is in substantially the same form as the recovery plan heretofore provided to the Administrative Agent; and

(d) the Administrative Agent shall have received all reports and other data of the U.S. Borrower and its Subsidiaries setting forth the current liquidity situation of the U.S. Borrower and its Subsidiaries.

SECTION 3. Representations and Warranties of the Borrowers. Each Borrower represents and warrants as follows:

(a) Such Borrower and each Subsidiary Guarantor is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization.

(b) The execution, delivery and performance by such Borrower of this Amendment and the Loan Documents, as amended hereby, and by each Subsidiary Guarantor of the Consent and Confirmation attached hereto, are in each case within such Person's powers, have been duly authorized by all necessary action, and do not result in a default under or contravene any such Person's Organic Documents and, in the case of the U.S. Borrower, after giving effect to the grant of the Pension Trustee Liens (as provided for under this Amendment) the U.S. Borrower is in compliance with the covenants set forth in each of the Sub Debt Documents referred to in Section 6(j)(i).

(c) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other Person (other than those that have been duly obtained or made and which are in full force and effect) is required for the due execution, delivery or performance by such Borrower of this Amendment or any of the Loan Documents, as amended hereby, or in connection with the Pension Trustee Debenture (other than the filing thereof), to which it is or is to be a party, or by each Subsidiary Guarantor of the Consent and Confirmation attached hereto.

(d) This Amendment has been duly executed and delivered by such Borrower, and the Consent and Confirmation attached hereto has been duly executed and delivered by each Subsidiary Guarantor. This Amendment and each of the other Loan Documents, as amended hereby, to which such Borrower is a party, and the Consent and Confirmation attached hereto, are legal, valid and binding obligations of such Borrower or such Subsidiary Guarantor, as applicable, enforceable against such entity in accordance with their respective terms (except, in any case, as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity).

SECTION 4. Reference to and Effect on the Loan Documents. (a) On and after the Seventh Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes and each of the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement (including, without limitation, the guarantees by the Borrowers set forth in Section 4.10 thereof), the Notes and each of the other Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Without limiting the generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, in each case as amended by this Amendment.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 5. Costs and Expenses. The Borrowers agree to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder and prior amendments and agreements (including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent (including, Shearman and Sterling LLP, Wragge & Co LLP and local counsel in all foreign jurisdictions where collateral is being sought)) in accordance with the terms of Section 10.3 of the Credit Agreement, with any invoice submitted prior to the Seventh Amendment Effective Date to be paid on the Seventh Amendment Effective Date.

SECTION 6. Other Covenants. In consideration of the agreements contained herein, the Borrowers further agree (it being understood that failure to comply with the covenants contained in this Section 6 shall constitute an Event of Default):

(a) To promptly deliver, after receipt thereof, to the Administrative Agent all reports and analyses, including as to liquidity, intra-group funding, recapitalization proposals and other similar non-privileged reports to the extent prepared by Alvarez and Marsal, Goldman Sachs (to the extent permitted) and other financial advisors to the U.S. Borrower. In the case of Goldman Sachs, the U.S. Borrower hereby agrees to use commercially reasonable efforts to obtain the consent of Goldman Sachs to provide any of the foregoing.

(b) To deliver to the Administrative Agent, no later than July 30, 2008, the business plan analysis, and all material information related thereto, prepared by Alvarez and Marsal and to present such business plan analysis at a meeting with each of the Lenders and the Administrative Agent which is to be held no later than August 5, 2008 (at such time and place as determined by the Administrative Agent), unless otherwise agreed between the U.S. Borrower and the Administrative Agent.

(c) To use good faith efforts to promptly re-allocate any Borrowings of the U.S. Borrower to certain UK Borrowers and UK Subsidiaries reasonably approved by the Administrative Agent, as may be determined by the Administrative Agent; provided that such re-allocation shall not contravene any law or cause the U.S. Borrower, any UK Borrower and/or UK Subsidiaries any additional, direct or indirect, material tax liability.

(d) To establish fixed charges over receivables and cash at the option of the Administrative Agent and to complete other steps in respect of the grant of the security interest in the Phase II Collateral (and preference steps in respect of Phase I Collateral) as agreed with the Administrative Agent in that certain UK / European Collateral Side Letter dated as of May 15, 2008 and under Amendment No. 6. Nothing in this Section 6 shall limit the ability of the Administrative Agent to take dominion over cash of the Obligors, as determined by the Administrative Agent.

(e) To deliver, no later than three consecutive Business Days following the end of each week, 13-week cash flows on a weekly basis commencing for the week ending July 18, 2008 in a form reasonably satisfactory to the Administrative Agent, and other financial information reasonably requested by the Administrative Agent, including as to intra-group funding and transfers, accounts maintained with Barclays bank and other matters.

(f) To deliver, no later than the fifteenth day of each month, a monthly borrowing base report for the previous month commencing with the month ended July 31, 2008 in a form reasonably satisfactory to the Administrative Agent.

(g) With respect to each account maintained with Barclays bank, transfer such account to a Lender reasonably approved by the Administrative Agent no later than September 1, 2008 unless otherwise agreed between the U.S. Borrower and the Administrative Agent.

(h) The Borrowers hereby acknowledge that in accordance with Section 6 of Amendment No. 6 the Lenders have engaged FTI as a financial advisor and hereby agree to promptly pay all invoices submitted by FTI in connection with such engagement and to cooperate promptly and reasonably with FTI, and to cause each of its advisors and consultants (including, without limitation, Alvarez and Marsal and Goldman Sachs) to cooperate promptly and reasonably with any such requests made by FTI in connection with such engagement.

(i) To deliver, to the extent permitted, to the Administrative Agent, promptly after receipt thereof, all commitment letters or engagement letters (including related term sheets and other attachments) setting forth the commitment, or the agreement to arrange, of any financing to be provided to any Borrower the proceeds of which will be used to refinance, in whole or in part, the outstanding principal amount of the Loans and other Obligations under the Loan Documents. In the case of Goldman Sachs, the U.S. Borrower hereby agrees to use commercially reasonable efforts to obtain the consent of Goldman Sachs to provide any of the foregoing.

(j) Prior to, or concurrently with, the execution of the Intercreditor Deed and Pension Trustee Debenture, the Administrative Agent shall have received the following documents, each such document (unless otherwise specified) dated the date of receipt thereof by the Administrative Agent (unless otherwise specified) and in sufficient copies for each Lender, in a form and substance satisfactory to the Administrative Agent:

(i) A legal opinion of (A) Hunton and Williams LLP, counsel to the U.S. Borrower, addressed to the Administrative Agent and the Lenders, as to such matters as the Administrative Agent may reasonably request including, without limitation, that the grant of the Pension Trustee Liens (as provided for under this Amendment) will not result in a default under, or contravene any provision of, any material indenture, note, contract, lease, sublease or other material written agreement (including the Sub Debt Documents identified on Exhibit B hereto) described in the most recently filed Annual Report on Form 10-K and Quarterly Report on Form 10-Q of the U.S. Borrower to which a U.S. Obligor is a party or by which its properties are bound and (B) Hammonds LLP, counsel to the Obligors, addressed to the Administrative Agent and the Lenders, as to such matters as the Administrative Agent may reasonably request in respect of the Intercreditor Deed.

(ii) With respect to each Obligor party to the Intercreditor Deed, a legal opinion from local counsel to such Obligor as to such matters as the Administrative Agent may reasonably request including, without limitation, due authorization and delivery of the Intercreditor Deed, corporate formalities and such other opinions customary for the execution and delivery thereof.

(iii) Corporate resolutions of the Obligors (A) authorizing and ratifying the transactions contemplated under Amendment No. 6, including the grant of the security interests set forth in Section 7.1.14 of the Credit Agreement and (B) authorizing the entering into of the Intercreditor Deed.

(k) A Borrower shall have paid, no later than July 25, 2008, a retainer to (i) Shearman & Sterling LLP, as counsel to the Administrative Agent in an amount equal to $500,000 (in addition to any fees or expenses paid to Shearman & Sterling LLP pursuant to Section 5) and (ii) FTI Consulting, Inc. ("FTI"), as financial advisor to the Lenders in an amount equal to $200,000 (in addition to the $50,000 retainer set forth on the invoice dated as of July 9, 2008 submitted by FTI to the U.S. Borrower).

SECTION 7. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 8. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CHESAPEAKE CORPORATION

By /s./ Joel K. Mostrom
Name: Joel K Mostrom
Title: Executive Vice President & Chief Financial Officer

CHESAPEAKE U.K. HOLDINGS LIMITED

By /s/ J. P. Causey Jr.
Name: J. P. Causey Jr.
Title: Director

CHESAPEAKE U.K. ACQUISITIONS PLC

By /s/ J. P. Causey Jr.
Name: J. P. Causey Jr.
Title: Director

BOXMORE INTERNATIONAL LIMITED

By /s/ J. P. Causey Jr.
Name: J. P. Causey Jr.
Title: Director

CHESAPEAKE PLC (FORMERLY KNOWN AS FIELD GROUP PLC)

By /s/ J. P. Causey Jr.

Name: J. P. Causey Jr.
Title: Director

Agreed as of the date first above written:

WACHOVIA BANK, NATIONAL ASSOCIATION,
as a Lender and Administrative Agent

By /s/ Reginald T. Dawson
Name: Reginald T. Dawson
Title: Managing Director

CREDIT INDUTRIEL ET COMMERCIAL as a Lender

By /s/ Eric Longuet
Name: Eric Longuet
Title: Vice President

By /s/ Albert Calo
Name: Albert Calo
Title: Vice President

KBC Bank NV, as a Lender

By /s/ Sandra T. Johnson
Name: Sandra T. Johnson
Title: Managing Director

By /s/ Robert Snauffer
Name: Robert Snauffer
Title: Managing Director

Bank of America, N.A., as a Lender

By /s/ Patrick Honey
Name: Patrick Honey
Title: Senior Vice President

[Suntrust Bank], as a Lender

By /s/ Byron P. Kurtgis
Name: Byron P. Kurtgis
Title: Director

HSBC Bank plc as a Lender

By /s/ Clare Bullock
Name: Clare Bullock
Title: Senior Corporate Manager

AgStar Financial Services, PCA, as a Lender

By /s/ Joseph Oliver
Name: Joseph Oliver
Title: Director Lending Services

Citicorp North America, Inc, as a Lender

By /s/ George Van
Name: George Van
Title: Vice President

Exhibit 10.1

VIRGINIA: IN THE CIRCUIT COURT OF
HENRICO COUNTY

4301 E. Parham Road
Richmond, Virginia 23228

Plaintiff: PHILIP MORRIS USA INC.

6601 West Broad Street,
Richmond, Virginia 23230

Court Use Only

v.

Case Number:

Defendants: CHESAPEAKE CORPORATION and
WTM I COMPANY

1021 East Cary Street
James Center II, 22nd Floor
Richmond, Virginia 23219

Division: Courtroom:

ORDER AND CONSENT DECREE

Background

A. Plaintiff Philip Morris USA Inc. ("PM USA") filed this action against Defendants Chesapeake Corporation ("Chesapeake") and WTM I Company ("WTM I") (each a "Party" and collectively with PM USA, the "Parties") seeking a declaratory judgment that PM USA did not have an obligation to indemnify Chesapeake or WTM I for the clean up costs associated with the Fox River.

B. Chesapeake and WTM I have asserted that PM USA is obligated to indemnify them under the 1985 Stock Purchase Agreement ("1985 Stock Purchase Agreement") between Chesapeake and PM USA for the purchase and sale of Wisconsin Tissue Mills, Inc. ("WTM").

C. PM USA does not admit any liability to Chesapeake, WTM I, or any other party arising out of the transactions or occurrences alleged in the Complaint, nor does Chesapeake or WTM I admit any liability to PM USA or any other party arising out of the transactions or occurrences alleged in the Complaint. All Parties expressly deny that they are liable to the other.

D. The Parties recognize, and the Court by entering this Consent Decree finds, that this Consent Decree has been negotiated by the Parties in good faith and implementation of this Consent Decree will avoid litigation between the Parties, and that this Consent Decree is fair, reasonable, and in the public interest.

NOW, THEREFORE, it is hereby Ordered, Adjudged, and Decreed:

1. This Court has jurisdiction over the subject matter of this action pursuant to Va. Code § 8.01-184. This Court also has personal jurisdiction over the Parties. For the purposes of this Consent Decree, the Parties waive all objections and defenses that they may have to jurisdiction of the Court or to venue in this Court. The Parties shall not challenge the terms of this Consent Decree or this Court's jurisdiction to enter and enforce this Consent Decree.

2. This Consent Decree applies to and is binding upon each Party, as well as its respective successors, predecessors, agents, subsidiaries and assigns and any bankruptcy trustee, debtor in possession, creditors' committee or other party acting on its behalf. Any change in ownership or corporate status of a Party, including, but not limited to, any transfer of assets or real or personal property, shall in no way alter such Party's responsibilities under this Consent Decree.

3. PM USA waives and releases all claims to recover past indemnification payments made to Chesapeake or WTM I for the Fox River matter.

4. PM USA agrees to cooperate with WTM I claiming all funds available on general liability insurance policies covering the WTM I losses for the Fox River clean up. Cooperation includes waiving all claims relating to or arising from or connected with WTM I's liabilities for the Fox River matter. PM USA disclaims all rights to such insurance proceeds and agrees that all such insurance proceeds shall be paid to WTM I (subject to Paragraph 5) up to the full amount WTM I may become obligated to pay (exclusive of funds reimbursed by PM USA) for response costs, natural resource damages, and consultants' and attorneys' fees arising from the Fox River matter.

5. All insurance proceeds recovered on behalf of WTM I for the Fox River matter shall be used only to pay the liabilities (including, but not limited to, response costs, natural resource damages, and consultants' and attorneys' fees) of WTM I and Chesapeake arising from the Fox River clean up. Prior to using or obtaining any insurance proceeds, Chesapeake and WTM I agree to create an escrow account in a form reasonably acceptable to PM USA into which all insurance proceeds will be deposited directly from the insurance carriers to ensure that all such proceeds are used only to pay the liabilities of WTM I arising from the Fox River clean up.

6. PM USA will pay up to $36 million towards the liability of WTM I for all losses and expenses incurred by or on behalf of WTM I arising from the release of PCBs into the Fox River from WTM as and when such costs become due and have been paid by WTM I; provided, however, that, during 2008, PM USA will only pay (i) the outstanding statement of Chesapeake dated April 14, 2008, for legal, consulting and expert fees, which PM USA agrees to pay on or before June 27, 2008; (ii) the $9.5 million due July 15, 2008 under the Amended OU1 Consent Decree; and (iii) no more than an additional $10 million, if necessary and otherwise consistent with the terms set forth in this Consent Decree. Each of the 2008 payments described above shall be part of and count against the $36 million that PM USA is agreeing to pay under this Consent Decree. The $36 million that PM USA is agreeing to pay in this Consent Decree is in addition to the proceeds of any insurance obtained by WTM I as described in this Consent Decree. Under no circumstances will PM USA's obligations to pay Chesapeake and/or WTM I exceed a maximum of $36 million, regardless of the eventual or future liability of WTM I or Chesapeake for the Fox River clean up. Subject to the limitations described above on PM USA's obligations to make payments in 2008, for payments to EPA, Wisconsin Department of Natural Resources, or escrow accounts in excess of $2 million, PM USA will provide same day funding to WTM I or Chesapeake, provided that PM USA receives 30 days prior written notice. PM USA acknowledges adequate notice of the obligation to pay $9.5 million due July 15, 2008 under the Amended OU1 Consent Decree.

7. All moneys contributed by PM USA to Chesapeake or WTM I shall be used only to pay the liabilities (including, but not limited to, response costs, natural resource damages, and consultants' and attorneys' fees) of WTM I or Chesapeake arising from the Fox River clean up.

8. Except for the obligations created by this Consent Decree, Chesapeake and WTM I, for and on behalf of themselves, their successors, predecessors, agents, subsidiaries and assigns and any bankruptcy trustee, debtor in possession, creditors' committee or other party acting on their behalf, hereby release, remise, waive, forever discharge and surrender PM USA and all of its respective past and present affiliates, parents, subsidiaries, predecessors, employees, heirs, attorneys, agents, representatives, successors, and assigns, from and against any and all past, present and future claims, causes of action, debts, suits, liabilities, accounts, contracts, demands, attorneys' fees, costs, expenses, judgments, settlements and damages of whatever nature, whether direct or indirect, known or unknown, matured or unmatured, fixed or contingent, in law or equity, relating to, based upon or arising out of, directly or indirectly, or in any way resulting from the 1985 Stock Purchase Agreement or the Fox River matter, including, but not limited to, all claims for indemnification, contribution, or cost recovery arising from the Fox River clean up or the discharge of PCBs from WTM.

9. Except for the obligations created by this Consent Decree, PM USA, for and on behalf of itself, its successors, predecessors, agents, subsidiaries and assigns and any bankruptcy trustee, debtor in possession, creditors' committee or other party acting on their behalf, hereby release, remise, waive, forever discharge and surrender Chesapeake and WTM I and all of their respective past and present affiliates, parents, subsidiaries, predecessors, employees, heirs, attorneys, agents, representatives, successors, and assigns, from and against any and all past, present and future claims, causes of action, debts, suits, liabilities, accounts, contracts, demands, attorneys' fees, costs, expenses, judgments, settlements and damages of whatever nature, whether direct or indirect, known or unknown, matured or unmatured, fixed or contingent, in law or equity, relating to, based upon or arising out of, directly or indirectly, or in any way resulting from the 1985 Stock Purchase Agreement or the Fox River matter, including, but not limited to, all claims for indemnification, contribution, or cost recovery arising from the Fox River clean up or the discharge of PCBs from WTM.

10. WTM I will regularly keep PM USA reasonably advised of progress on the Fox River matter. PM USA will treat all such information as confidential and privileged.

11. PM USA will waive control of settlements and selection of counsel, provided that WTM I and Chesapeake exercise good faith in controlling settlements and selection of counsel and provide PM USA no less than 30 days written notice of any obligation under such settlements to make payments. WTM I and Chesapeake agree to use reasonable efforts to negotiate and obtain appropriate releases and protection for PM USA in any settlement agreements or consent decrees related to the Fox River clean up.

12. As long as PM USA fulfills its obligations under this Consent Decree, Chesapeake and WTM I, for and on behalf of themselves, their successors, predecessors, agents, subsidiaries and assigns and any bankruptcy trustee, debtor in possession, creditors'

committee or other party acting on their behalf, agree that they will not assist any other party or entity in any action seeking recovery against PM USA for any costs arising from the Fox River matter, except as required to do so to respond to any request for discovery.

13. At PM USA's request and expense, Chesapeake and WTM I agree to provide PM USA with access to and copies of all documents relating to operations at WTM during the period when it was a wholly-owned subsidiary of PM USA, as well as non-privileged documents generated within two years thereafter. At PM USA's request, Chesapeake and WTM I will provide PM USA on a priority basis contact information for and will not object to access to current or former employees, officers, and directors of WTM so that PM USA can interview them.

14. The Parties recognize that irreparable injury will result from a breach of any provision of this Consent Decree and that money damages will be inadequate to fully remedy the injury. Accordingly, in the event of a breach or threatened breach of one or more of the provisions of this Consent Decree, the Court orders and all Parties agree that any Party who may be injured by such action or threatened action shall be entitled to one or more preliminary or permanent orders (in addition to any other remedies which may be available to that party) as follows: (a) restraining and enjoining any act which would constitute a violation of this Consent Decree; or (b) compelling the performance of any obligation which, if not performed, would constitute a violation of this Consent Decree.

15. In consideration of Chesapeake and WTM I entering into this Consent Decree, PM USA hereby unconditionally and irrevocably agrees that, if an Insolvency Event (defined below) occurs, Chesapeake and WTM I shall be entitled to, and PM USA hereby unconditionally and irrevocably consents to the allowance or approval of, relief from the automatic stay so as to allow Chesapeake and WTM I to exercise their rights and remedies under this Consent Decree. In such event, PM USA shall not, in any manner, oppose or otherwise delay any motion filed by Chesapeake and WTM I for relief from the automatic stay. "Insolvency Event" means: (a) the commencement of a proceeding under any applicable bankruptcy, reorganization, liquidation, insolvency, creditors' rights or other similar law now or hereafter in effect or a proceeding in which a receiver, liquidator, trustee or other similar official is sought to be, or is, appointed for PM USA; (b) any vote, action or consent by PM USA in favor of causing PM USA to become a party to any of the foregoing proceedings set forth in clause (a) (including, without limitation, the failure to oppose any such proceeding); or (c) the execution of any written agreement by PM USA in furtherance of causing PM USA to become a party to any of the foregoing proceedings set forth in clause (a) above.

16. In consideration of PM USA entering into this Consent Decree, Chesapeake and WTM I hereby unconditionally and irrevocably agree that, if an Insolvency Event (defined below) occurs, PM USA shall be entitled to, and Chesapeake and WTM I hereby unconditionally and irrevocably consent to the allowance or approval of, relief from the automatic stay so as to allow PM USA to exercise its rights and remedies under this Consent Decree. In such event, Chesapeake and WTM I shall not, in any manner, oppose or otherwise delay any motion filed by PM USA for relief from the automatic stay. "Insolvency Event" means: (a) the commencement of a proceeding under any applicable bankruptcy, reorganization, liquidation, insolvency, creditors' rights or other similar law now or hereafter in effect or a proceeding in which a receiver, liquidator, trustee or other similar official is sought to be, or is, appointed for Chesapeake or WTM I; (b) any vote, action or consent by Chesapeake or WTM I in favor of causing Chesapeake or WTM I to become a party to any of the foregoing proceedings set forth in clause (a) (including, without limitation, the failure to oppose any such proceeding); or (c) the execution of any written agreement by Chesapeake or WTM I in furtherance of causing Chesapeake or WTM I to become a party to any of the foregoing proceedings set forth in clause (a) above.

17. The undersigned representatives of each Party certify that he or she is fully authorized to enter into the terms and conditions of this Consent Decree and to execute and legally bind such Party to this document.

18. Each Party hereby agrees to support the entry of this Consent Decree by this Court by means of a Joint Motion and further agrees not to challenge any provision of this Consent Decree.

19. Each Party will be responsible for its own fees and costs related to the litigation.

20. If for any reason the Court should decline to approve this Consent Decree in the form presented, the Parties shall meet promptly and attempt to ameliorate the Court's concerns. If the Court declines to approve a subsequent Consent Decree with agreed-upon modifications that attempt to ameliorate the Court's concerns, then the Parties will execute a settlement agreement substantially in the form of this Consent Decree.

21. Upon approval and entry of this Consent Decree by the Court, the Consent Decree shall constitute a final judgment between and among PM USA, Chesapeake, and WTM I. The Court finds that there is no just reason for delay and therefore enters this judgment as a final judgment.

SO ORDERED.

/s/ L. A. Harris, Jr.______________________

Henrico County Circuit Court Judge

July 1, 2008

THE UNDERSIGNED PARTY enters into this Order and Consent Decree in the matter of Philip Morris USA v. Chesapeake Corporation and WTM I Company (Henrico County Va. No. ______).

FOR PHILIP MORRIS USA INC.

June 26, 2008	Signature:	/s/ Craig A. Johnson
Date	Name (print):	Craig A. Johnson
	Title:	Executive VP Sales & Brand Management
	Address:	6601 West Broad Street
		Richmond, Virginia 23230

THE UNDERSIGNED PARTY enters into this Order and Consent Decree in the matter of Philip Morris USA v. Chesapeake Corporation and WTM I Company (Henrico County Va. No. ______).

FOR WTM I COMPANY

June 26, 2008	Signature:	/s/ J. P. Causey Jr.
Date	Name (print):	J. P. Causey Jr.
	Title:	Vice President
	Address:	3993 Howard Hughes Parkway
		Suite 250 North
		Las Vegas, NV 89109

THE UNDERSIGNED PARTY enters into this Order and Consent Decree in the matter of Philip Morris USA v. Chesapeake Corporation and WTM I Company (Henrico County Va. No. ______).

FOR CHESAPEAKE CORPORATION

June 26, 2008	Signature:	/s/ J. P. Causey Jr.
Date	Name (print):	J. P. Causey Jr.
	Title:	Vice President
	Address:	1021 East Cary Street
		Richmond, Virginia 23219

We ask for this:

/s/ T. A. Broughton
William R. Mauck, Jr. (VSB #25439)
Turner A. Broughton (VSB #42627)
WILLIAMS MULLEN
A Professional Corporation
Two James Center
1021 East Cary Street
Richmond, VA 23219
Telephone: (804) 643-1991
Facsimile: (804) 783-6507

Thomas H. Milch (D.C. Bar #935338)
Timothy R. Macdonald (CO Bar #29180)
Allison B. Rumsey (D.C. Bar #450475)
ARNOLD & PORTER LLP
555 Twelfth Street, N.W.
Washington, D.C. 20004
Telephone: (202) 942-5000
Facsimile: (202) 942-5999

Counsel for Plaintiff

/s/ John K. Burke, Jr.
John K. Burke, Jr. (VSB #16798)
TROUTMAN SANDERS LLP
P.O. Box 1122
Richmond, VA 23218
Telephone: (804) 697-1210
Facsimile: (804) 698-5105

Counsel for Defendants

Exhibit 10.2

FIELD GROUP PENSION PLAN
RECOVERY PLAN
(Revised July 2008)

Introduction

This recovery plan has been prepared by the Trustee to satisfy the requirements of Section 226 of the Pensions Act 2004, after obtaining the advice of Alison Higginbottom, the Scheme Actuary, and after obtaining the agreement of Chesapeake Plc (formerly Field Group Plc).

It follows the actuarial valuation of the Plan as at 5 April 2006, which revealed a funding shortfall (technical provisions minus value of assets) of £43.0 million.

The original version of this recovery plan dated 8 June 2007 has been revised in July 2008. Under the original recovery plan Chesapeake Plc (formerly Field Group Plc) was required to make additional contributions in 2007 and 2008 if these were necessary to bring the Plan's funding ratio up to 90% at 5 April 2008. The Annual Actuarial Report as at 5 April 2008 revealed an estimated funding shortfall of £58.9 million at 5 April 2008 equivalent to a funding ratio of 75%. Under the original recovery plan Chesapeake Plc was required to make a total contribution (over and above those needed to cover benefits being earned in the future and expenses) of £35.6 million by 15 July 2008. Chesapeake Plc is unable to afford this level of contribution in 2008 and so the Trustee and Chesapeake Plc have agreed a revised recovery plan after obtaining the advice of the Scheme Actuary.

Steps to be taken to ensure that the statutory funding objective is met

To eliminate this funding shortfall, the Trustee and the employer have agreed that additional contributions (i.e. contributions over and above those needed to cover benefits being earned in the future and expenses) will be paid to the Plan by Chesapeake Plc as follows:

- £6 million each year for 15 years (from 2007 to 2021 inclusive) payable in annual instalments by 15 July each year, save that the contribution payable in 2008 shall be paid by 16 July 2008.

These amounts are in addition to the additional contribution of £5.0m which was paid in July 2006.

The Scheme Actuary will carry out annual funding updates at 5 April each year using assumptions determined in line with the latest Statement of Funding Principles from time to time but with the financial assumptions based on market conditions at the effective date of the funding update. Should a funding update carried out at an effective date on or after 5 April 2015 reveal that the funding shortfall calculated at that date is estimated to have been eliminated then the Schedule of Contributions will be revised as soon as reasonably practicable. The revised Schedule of Contributions will not include any further shortfall contributions under this recovery plan or, if as a result of the immediate termination of shortfall contributions the Scheme Actuary would be unable to provide any certificate required under the Pensions Act 2004, will provide that shortfall contributions under this recovery plan will continue only until the date which the Scheme Actuary advises is the earliest he/she considers acceptable in order to be able to provide such certificate.

Period in which the statutory funding objective should be met

Under this recovery plan, if the assumptions made are borne out in practice the funding shortfall revealed by the valuation as at 5 April 2006 will be eliminated in 8 years, which is by 15 July 2014. The assumptions are:

- technical provisions will continue to be calculated according to the method and assumptions set out in the statement of funding principles dated July 2008, with financial conditions unchanged from those at the valuation effective date.
- the experience of the Plan will be in line with the assumptions underlying the technical provisions.

Under this recovery plan, the estimated funding shortfall revealed by the Annual Actuarial Report as at 5 April 2008 will be eliminated in 15 years from the date of the actuarial valuation as at 5 April 2006, which is by 15 July 2021 if the assumptions underlying the 2008 update are borne out in practice. The assumptions are:

- technical provisions will continue to be calculated according to the method and assumptions set out in the statement of funding principles dated July 2008, with financial conditions updated to 5 April 2008.

- the experience of the Plan after 5 April 2008 will be in line with the assumptions underlying the technical provisions.

Progress towards meeting the Statutory Funding Objective

On the assumptions made, 50% of the above additional contributions will be paid in 8 years, which is by 15 July 2014.

This Recovery Plan was agreed by the Trustee in June 2008.

This Recovery Plan may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Recovery Plan.

Signed on behalf of Chesapeake Plc

Signature: /s/ G. Faller
Name: G. Faller
Position: Director
Date: 15 Jul. 08

Signed on behalf of Field Group Pension Trustee Limited

Signature: /s/ M. H. O'Connell
Name: M. H. O'Connell
Position: Chairman
Date: 15.07.08.

Field Group Pension Plan (*the Plan*)
Statement of Funding Principles (*SFP*)
(Revised July 2008)

Introduction

This statement sets out the Trustee's policy for securing that the statutory funding objective (*SFO*) is met. The SFO is defined in section 222 of the Pensions Act 2004, which states that every scheme must have sufficient and appropriate assets to cover its technical provisions.

The original version of this Statement of Funding Principles dated 8 June 2007 has been revised in July 2008. The original Statement of Funding Principles stated that the employer maintained its commitment to reach a 90% funding level by 2008, as agreed following the 2003 valuation. Chesapeake Plc (formerly Field Group Plc) is unable to afford the contributions needed to achieve a funding level of 90% at April 2008 and so the Statement of Funding Principles has been revised to remove this commitment following advice from the Scheme Actuary. Both the Recovery Plan and the Schedule of Contributions are also being revised to reflect the removal of the commitment to achieve a 90% funding level by 2008. The Statement of Funding Principles has also been revised to reflect the fact that with effect from 1 July 2008 Chesapeake Plc will meet the Plan's administration expenses directly as they fall due rather than paying contributions to the Plan annually in arrears in respect of the Plan's expenses.

Technical provisions

The technical provisions are the amount that will be needed to pay the Plan benefits that relate to service up to the valuation date, if the assumptions made are borne out in practice.

The assumptions used to calculate the technical provisions are intended to provide a prudent estimate of the future experience of the Plan, with a modest allowance for the future potential outperformance over gilts from continued investment in more risky asset sectors such as equities. There is an underlying assumption that the Plan will continue with benefits being met from the Plan as they fall due.

The method and assumptions used to calculate the technical provisions are summarised in Appendices A and B.

Employer contributions

Employer contributions are assessed by calculating the cost of future benefit accrual using the same assumptions as for the technical provisions:

plus

- an estimate of the cost of providing lump sum death benefits;

reduced by

- the contributions made by members;

adjusted by

- the amounts needed to eliminate any shortfall or surplus relative to the technical provisions.

The employer will also pay an annual contribution to the Plan equal to the Plan's administrative expenses including the Pension Protection Fund (PPF) and other levies collected by the Pensions Regulator, in respect of expenses incurred before 1 July 2008. From 1 July 2008 the employer will pay the Plan's administrative expenses including the PPF and other levies collected by the Pensions Regulator directly as they fall due.

Dealing with shortfalls

Any shortfall in assets compared with technical provisions identified at an actuarial valuation will be eliminated as quickly as the employer can reasonably afford by the payment of additional contributions in accordance with the recovery plan agreed between the Trustee and the employer. The additional contributions will generally consist of a stream of regular level payments made over the recovery period.

In determining the recovery period at any particular valuation the following factors will be taken into account:

- the size of the funding shortfall;
- the business plans of the employer;
- the Trustee's assessment of the financial covenant of the employer; and
- any contingent security offered by the employer.

Should future valuations reveal a deficit larger than expected, the payments under the original plan will continue, but will be supplemented by additional payments.

	The assumptions to be used in the shortfall elimination calculations will be the same as those for calculating the technical provisions.
Policy on discretionary increases and funding strategy	Under the provisions of the Plan's Trust Deed and Rules, there are certain discretionary powers to provide or increase benefits for, or in respect of, all or any of the members of the Plan. The employer has confirmed that it does not wish to make any advance provision for any discretionary benefits that could be provided under the Plan's Trust Deed and Rules. Therefore no allowance for discretionary benefits is included in the technical provisions. If any discretionary increases to benefits are made, the Trustee's current policy is to request immediate additional contributions to meet the cost of such increases. This policy will be reviewed if there is a material improvement in the Plan's discontinuance funding level or if substantial financial security is offered to the Plan by the employer.
Interaction with investment strategy	• The assets that most closely match the Plan's liabilities are index-linked and fixed-interest gilts of appropriate term compared to the liabilities. • The Plan is partly invested in assets such as equities that are expected, although not guaranteed, to produce a higher return than gilts. The Trustee understands that investing in equities reduces the expected contributions required from the employer in the long-run. • An allowance for the extra return expected from equity investment has been taken into account in setting the Plan's technical provisions. If this extra return is not achieved over the long term, the shortfall will ultimately need to be met by increased contributions from the employer. • Both the employer and the Trustee appreciate that the contributions required can be volatile. • The Trustee regularly reviews the Plan's investment strategy taking into account the funding position and liability profile. The Trustee will consult fully with the employer before any changes are made to the investment strategy.
Risks	The Trustee and the employer recognise that there are a number of risks inherent in the funding plan and that additional funding may be required at future valuations if the experience of the Plan is not in line with the assumptions made. In addition to the investment risk detailed above, particular risks are: **Longevity risk** Future improvements in life expectancy may be greater than anticipated. In setting the Plan's funding target standard mortality tables have been used, adjusted to make some allowance for future improvements in longevity. The mortality assumptions are reviewed as part of the formal triennial actuarial valuations. **Discontinuance risk** The Trustee and the employer recognise that the Plan could be discontinued in accordance with Clause 12 of the Plan's Trust Deed & Rules. If the Plan is discontinued then the technical provisions may need to be revised to reflect the change in the Plan's circumstances. There is a risk that the assets in the Plan at that time may be insufficient to cover these revised technical provisions. In addition, there is a risk that the employer may at that time be unable to meet its obligation to contribute to the Plan. Furthermore, the capacity of the insurance market may be insufficient at that time to secure the liabilities externally, if the Trustee wished to do so.
Monitoring employer covenant	The employer will provide the Trustee with quarterly cashflow information for the participating employers. In addition, the employer will send copies of its annual accounts to the Trustee as soon as they become available and inform the Trustee as soon as possible of developments which have or could have a material adverse impact on the strength of the employer covenant. The Trustee will review the need for further information on employer covenant such as an independent assessment at least once a year, and following any valuation or funding report which shows a shortfall against the technical provisions.
Frequency of valuations	The Plan's first actuarial valuation to which this statement applies is being carried out as at 5 April 2006. Subsequent valuations will normally be carried out every three years. The Trustee will obtain an actuarial report on developments affecting the Plan's funding level as at each intermediate anniversary of the valuation date.

If, after considering the actuary's advice, the Trustee becomes of the opinion that it is unsafe to rely on the results of the previous full valuation as a basis for future employer contributions, it will consider seeking the employer's agreement to the calling of a full valuation.

Signatures

This statement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this statement.

This statement has been agreed by the employer.

Signed on behalf of Chesapeake Plc

Signature: /s/ G. Faller	Name: G. Faller
Position: Director	Date: 15 Jul. 08

This statement was agreed by the Trustee in June 2008 and is effective from the date of signature.

Signed on behalf of Field Group Pension Trustee Limited

Signature: /s/ M. H. O'Connell	Name: M. H. O'Connell
Position: Chairman	Date: 15.07.08.

Appendix A:
Method and financial assumptions for determining the technical provisions and the employer contributions

Method	The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method with a three year Control Period.
Financial assumptions - approach	The approach to be used in determining each of the financial assumptions for calculating the technical provisions and the employer contributions is set out below.
Price inflation	The assumption is derived from the difference between the market yields on long-dated fixed-interest and index-linked gilts at the valuation date.
Discount rate	The annualised gross redemption yield on the 20 year gilt index (all stocks) at the valuation date plus 1.0% p.a., rounded to the nearest 0.1% p.a. The same discount rate is to be used for both pre-retirement and post-retirement liabilities.
Pay increases	Each member's salary is assumed to increase in line with the assumed rate of price inflation plus 1.0% p.a.
Increases to pensions in payment	Derived from the price inflation assumption allowing for the maximum and minimum annual increases.
Revaluations of deferred pensions in excess of GMP	The price inflation assumption (subject to review if there is a significant change in the level of this assumption).
Expenses	No allowance in the calculation of the technical provisions. The employer will meet the cost of the Plan's administrative expenses each year.

Financial assumptions - summary

A summary of all the financial assumptions for calculating the technical provisions and the employer contributions for the valuation at 5 April 2006, determined using the approach outlined above, is as follows:

	(% p.a.)
Discount rate	5.3
Price inflation	3.0
Rate of pay increases	4.0
Rate of increases to pensions in payment in excess of GMPs	
- subject to inflationary increases up to 5% p.a.	2.9
- subject to inflationary increases up to 2.5% p.a.	2.1
Rate of increases to post-88 GMPs in payment	2.4
Rate of revaluation of deferred pensions in excess of GMP	3.0

Appendix B:
Demographic Assumptions

Post-retirement mortality	For current pensioners and dependants: 117.5% of standard tables PMA92 and PFA92 projected forward to calendar year 2016, making allowance for improvements in mortality in line with the PA92 Medium Cohort improvement factors. For future pensioners and dependants: 117.5% of standard tables PMA92 and PFA92 projected forward to calendar year 2026, making allowance for improvements in mortality in line with the PA92 Medium Cohort improvement factors. Sample life expectancies are shown below.
Pre-retirement mortality	Males: Standard table AM92 Ultimate rated down by 2 years Females: Standard table AF92 Ultimate rated down by 2 years Sample rates are shown below.
Early retirements	For active members: Members will be assumed to retire in accordance with the assumptions shown below. For deferred members: All members are assumed to retire at their Normal Retirement Date.
Withdrawals	Allowance made for withdrawals from service (see sample rates below).
Family Details	A man is assumed to be three years older than his wife. 90% of non-pensioners are assumed to be married at retirement or earlier death. 90% of pensioners are assumed to be married at the valuation date. These assumptions include allowance for pensions payable to other dependants including civil partners.
Commutation	No allowance.

Sample rates

The tables below illustrate the allowances made for withdrawals, deaths before retirement and retirements from service at various ages.

Men

Percentage leaving the Plan in the next year as a result of			
Current age	**Death before retirement**	**Withdrawal from service**	**Retirement**
25	0.06	12.5	0
30	0.06	10.0	0
35	0.06	7.5	0
40	0.08	5.0	0
45	0.12	2.5	0
50	0.20	0	0
55	0.35	0	0
60	0.64	0	20
61	0.71	0	10
62	0.80	0	10
63	0.90	0	10
64	1.01	0	10
65	1.13	0	100

Women

Percentage leaving the Plan in the next year as a result of			
Current age	**Death before retirement**	**Withdrawal from service**	**Retirement**
25	0.02	18.75	0
30	0.03	15.00	0
35	0.04	11.25	0
40	0.06	7.50	0
45	0.10	3.75	0
50	0.16	0	0
55	0.25	0	0
60	0.41	0	50
61	0.46	0	10
62	0.51	0	10
63	0.56	0	10
64	0.62	0	10
65	0.68	0	100

Life expectancy of retired members

Current age	Life expectancy of current male pensioners	Life expectancy of current female pensioners
60	25.0	27.8
65	20.5	23.2
70	16.3	18.9
75	12.4	14.9
80	9.0	11.2
85	6.2	8.0
90	4.1	5.6
95	2.9	3.9
100	2.1	2.9

Life expectancy of future pensioners

Current age	Life expectancy of future male pensioners	Life expectancy of future female pensioners
60	25.8	28.5
65	21.2	23.9
70	16.8	19.5
75	12.9	15.3
80	9.4	11.5
85	6.4	8.3
90	4.3	5.8
95	3.0	4.0
100	2.2	3.0

Appendix C:
Further information to meet requirements of Scheme Funding Regulations

Policy on reduction of cash equivalent transfer values	The Trustee will ask the actuary to advise them at each valuation of the extent to which assets are sufficient to provide cash equivalent transfer values (CETVs) for all non pensioners without adversely affecting the security of the benefits of other members and beneficiaries. Where coverage is less than 100%, the Trustee will take advice from the Scheme Actuary regarding whether to reduce CETVs and, if appropriate, the extent of such reduction. If at any other time, after obtaining advice from the actuary, the Trustee is of the opinion that the payment of CETVs at a previously agreed level may adversely affect the security of the benefits of other members and beneficiaries, the Trustee will commission a report from the actuary regarding the extent to which CETVs should be reduced.
Payments to the employer	Payments from the Plan to the employer are only permitted if the Trustee determines that there is a surplus following the wind-up of the Plan, under Rule 12.5(b) of the Trust Deed and Rules.
Contributions to the Plan	There are no arrangements currently in place for persons other than the employer or members of the Plan to contribute to the Plan.

FIELD GROUP PENSION PLAN
SCHEDULE OF CONTRIBUTIONS FOR THE PERIOD 5 APRIL 2007 TO 15 JULY 2021
(Revised July 2008)

This schedule of contributions has been prepared by the Trustee to satisfy the requirements of Section 227 of the Pensions Act 2004, after obtaining the advice of Alison Higginbottom, the Scheme Actuary, and after obtaining the agreement of Chesapeake Plc (formerly Field Group Plc).

The original version of this Schedule of Contributions dated 8 June 2007 has been revised in July 2008 to reflect the revised recovery plan agreed between the Trustee and Chesapeake Plc in July 2008 and to reflect the fact that Chesapeake Plc has agreed to meet the Plan's administration expenses directly as they fall due rather than reimburse the Plan annually at the end of each year.

1. Employer contributions

In respect of future accrual of benefits and the provision of death-in-service lump sum benefits the employer will pay the following:

- 12.3% of Eligible Earnings in respect of Sixtieth Accrual Members
- 9% of Eligible Earnings in respect of Eightieth Accrual Members
- 22% of Eligible Earnings in respect of Executive Members

To be paid to the Plan on or before the 19th of the calendar month following that to which the payment relates.

In respect of the shortfall in funding in accordance with the recovery plan dated July 2008:

Chesapeake Plc will pay £6.0 million per annum in annual instalments for a period of 15 years, from 2007 to 2021 inclusive. These contributions are to be paid annually no later than 15 July each year, save that the contribution payable in 2008 shall be paid no later than 16 July 2008.

2. Expenses

For the period from 5 April 2007 to 30 June 2008: In addition to the amounts shown above, Chesapeake Plc will also pay an annual contribution to the Plan equal to the Plan's administration expenses (including the Pension Protection Fund levy). The annual contribution will be equal to the expenses paid by the Plan in the year to 5 April each year and will be paid no later than 15 July that year, save that the expenses payable in respect of the year to 5 April 2008 shall be paid no later than 16 July 2008. The first contribution will be in respect of expenses paid by the Plan in the year to 5 April 2007 and will be paid by 15 July 2007.

For the period from 1 July 2008: The employer will meet the Plan's administration expenses (including the Pension Protection Fund levy) directly as they fall due.

3. Augmentation payments

In respect of augmentations granted, the employer will pay additional amounts to cover the costs of benefit augmentations within one month of the later of the date of granting the augmentation and the date on which the Trustee receives the details of the costs from the Scheme Actuary.

4. Contributions by active members:

- Sixtieth Accrual Members:10% of Eligible Earnings (or 1.5% of gross pay, if greater, for Previous Scheme Commencement Date Joiners)
- Executive Members:12% of Eligible Earnings (or 1.5% of gross pay, if greater, for Previous Scheme Commencement Date Joiners)
- Eightieth Accrual Members:8% of Eligible Earnings

These contributions will be deducted from pay by the employer and paid to the Plan on or before the 19^{th} of the calendar month following deduction.

These amounts do not include members' Additional Voluntary Contributions.

5. Definition of Eligible Earnings

Eligible Earnings are defined as a member's basic salary (excluding overtime payments), plus any bonus and commission which the employer determines is pensionable, less the Lower Earnings Limit, and less any amount in excess of the Permitted Maximum (in the case of certain members as defined in the Plan's Definitive Trust Deed and Rules).

This schedule of contributions may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this schedule of contributions.

Signed on behalf of Chesapeake Plc

Signature: /s/ G. Faller
Name: G. Faller
Position: Director
Date: 15 Jul. 08

Signed on behalf of Field Group Pension Trustee Limited

Signature: /s/ M. H. O'Connell
Name: M. H. O'Connell
Position: Chairman
Date: 15.07.08.

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of scheme: Field Group Pension Plan

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 5 April 2006 to be met by the end of the period specified in the recovery plan dated July 2008.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated July 2008.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were wound up.

Signature:	/s/ A. Higginbottom	Date:	15/07/08
Name:	Alison Higginbottom	Qualification:	FIA
Address:	Prospect House Abbey View St Albans Herts AL1 2QU	Name of employer:	Hewitt Associates Ltd

Exhibit 18.1

August 6, 2008

Board of Directors
Chesapeake Corporation
1021 E. Cary Street, 22nd Floor
Richmond, VA 23219

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to your Form 10-Q filing pursuant to Item 601 of Regulation S-K.

We have been provided a copy of the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2008. The footnotes therein describe a change in accounting principle from computing a market-related value of pension plan assets to using actual market value of pension plan assets in its pension accounting. It should be understood that the preferability of using market value for a company's pension plan assets over a method of computing market-related value of pension plan assets has not been addressed in any authoritative accounting literature, and in expressing our concurrence below we have relied on management's determination that this change in accounting principle is preferable. Based on our reading of management's stated reasons and justification for this change in accounting principle in the Form 10-Q, and our discussions with management as to their judgment about the fact that the new method will use actual fair value related to pension assets, we concur with management that such change represents, in the Company's circumstances, the adoption of a preferable accounting principle in conformity with Statement of Financial Accounting Standards No. 154*, Accounting Changes and Error Corrections.*

We have not audited any financial statements of the Company as of any date or for any period subsequent to December 30, 2007. Accordingly, our comments are subject to change upon completion of an audit of the financial statements covering the period of the accounting change.

Very truly yours,

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew J. Kohut, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chesapeake 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 the financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2008

/s/ Andrew J. Kohut

Andrew J. Kohut
President & Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Joel K. Mostrom, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chesapeake 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 the financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2008

/s/ Joel K. Mostrom

Joel K. Mostrom
Executive Vice President & Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

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 Chesapeake Corporation Quarterly Report on Form 10-Q for the period ended June 29, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(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 Chesapeake Corporation.

/s/ Andrew J. Kohut — Date: August 7, 2008

Andrew J. Kohut
President & Chief Executive Officer
(Principal Executive Officer)

/s/ Joel K. Mostrom — Date: August 7, 2008

Joel K. Mostrom
Executive Vice President & Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Chesapeake Corporation and will be retained by Chesapeake Corporation and furnished to the Securities and Exchange Commission or its staff upon request.