

**Anchor Glass Container Corporation**

**\$125,000,000**

**Debtor-in-Possession Notes**

**Term Sheet**

This Term Sheet sets forth the current understanding between the Debtors and the Note Purchasers with respect to a contemplated debtor-in-possession financing. It is not a binding agreement. The contemplated financing, including all terms and conditions related thereto, described in this Term Sheet is subject to, among other things, definitive documentation. Accordingly, the terms and conditions set forth herein may change.

- Issuer:** Anchor Glass Container Corporation (the “Debtor”).
- Note Purchasers:** Certain holders (the “Holders”) of the 11% Senior Secured Notes due 2013 (the “Senior Secured Notes”).
- Administrative Agent:** Wells Fargo Bank, N.A.
- The Facility:** Advances made available to the Debtor by the Note Purchasers on the Closing Date in an aggregate principal amount of \$125,000,000 (the “Facility”). All amounts outstanding and any other obligations of the Debtor under the Facility shall become due and payable on the Maturity Date.
- Use of Proceeds:** Proceeds of the Notes issued under the Facility will be used to (i) retire in full the post-petition DIP financing with Wachovia and certain other lenders (including the replacement of existing letters of credit), the pre-petition credit facility with Madeleine L.L.C. and certain other lenders, and the post-petition DIP financing with certain Holders (collectively, “the Existing Debt”); and (ii) pay for the reasonable post-petition operating expenses and capital expenditures of the Debtor in general accordance with a budget (the “Budget”), which shall be reasonably agreed upon by the Debtor and the Note Purchasers.

The Debtor shall deposit all of the proceeds remaining after repayment of the Existing Debt into a segregated bank account. The funds in that segregated account, over and above a threshold amount to be agreed, shall only be used for items set forth in the Budget or as otherwise consented to by the Note Purchasers, provided, that, in no event shall any proceeds be used to pay (i) any pre-petition obligations of the Debtor (subject to certain exceptions to be agreed, including, but not limited to, critical vendor payments) or (ii) any obligations to equity holders or affiliates thereof, without the prior written consent of the Note Purchasers.

**Closing Date:** The Facility shall close upon the first date practicable following the entry of a final order by the Bankruptcy Court approving the Facility on terms and conditions satisfactory to the relevant Holders (the "Final Order"), which is anticipated to be on or around September 15, 2005.

**Maturity Date:** The earlier of (i) first anniversary of the Closing Date; (ii) the effective date of a Plan of Reorganization approved by the Note Purchasers (a "Plan"); and (iii) the date on which an Event of Default (as defined below) occurs and the requisite Note Purchasers declare the Notes due and payable. All amounts outstanding and any other obligations of the Debtor under the Facility shall be due and payable in full in cash on the Maturity Date.

**Prepayment Fee** A fee equal to 100 bps if the Facility is refinanced with a replacement debtor in possession financing before maturity.

**Interest Rate:** The Notes will bear cash interest at a rate equal to the rate applicable to a LIBOR interest period of 3 month on the Closing Date (as determined by the Administrative Agent on such date in accordance with applicable conventions in the Eurodollar lending market) plus 700 bps, payable monthly.

**Default Interest Rate:** During the continuance of an Event of Default, the Notes will bear cash interest at an additional 200 bps per annum.

**Commitment Fees:** A commitment fee to the Note Purchasers equal to 87.5 bps of the principal amount of the Facility will be earned and due and payable to the Note Purchasers upon entry of the Final Order.

**Agent's Agreement:** All fees, terms and conditions applicable to appointment and duties of the Administrative Agent with respect to the Facility shall be reasonably acceptable to the Note Purchasers.

**Expenses:**

The Debtor shall pay in the ordinary course, without further Court order, all (i) reasonable fees, and out of pocket costs and expenses of the Administrative Agent and the Note Purchasers (including all reasonable fees, expenses and disbursements of outside counsel and consultants) in connection with the preparation, execution and delivery of the note purchase documentation and the funding of the Facility, the administration of the Facility and any amendment or waiver of any provision of the note purchase documentation, (ii) reasonable out of pocket costs and expenses of the Note Purchasers (including reasonable fees, expenses and disbursements of counsel) in connection with the enforcement or protection of any of their rights and remedies under the note purchase documentation and (iii) all reasonable fees and expenses of the Note Purchasers' professionals in connection with the Case. The Note Purchasers shall provide a summary of those fees and expenses to the Debtor, any duly appointed official committee and the office of the U.S. Trustee and, in the event of an objection within five days of receipt, such objection shall be heard by the Bankruptcy Court.

**Priority:**

All amounts owing by the Debtor under the Facility in respect thereof at all times will constitute allowed super-priority administrative expense claims in the Case having priority over all administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, subject only to the Carve-Out (as defined below).

**Collateral:**

All amounts owing by the Debtor under the Facility will be secured by a first priority perfected priming security interest in, and lien on, all of the assets of any kind or nature whatsoever (tangible, intangible, real, personal or mixed) of the Debtor, whether now owned or hereafter acquired and all proceeds and products thereof, subject only to (i) such valid and enforceable liens of record as of the date of the commencement of the Case as are acceptable to the Administrative Agent and the Note Purchasers, (ii) a basket for additional capital leases to be reasonably agreed to by the Debtor and the Note Purchasers and (iii) the Carve-Out for professional fees. For the avoidance of doubt, the Collateral shall include a security interest in, and lien on, the segregated bank account referred to in Use of Proceeds.

**Carve-Out:**

"Carve-Out" shall mean sums having priority ahead of the super priority claims and liens securing the Facility for (i) the payment of any unpaid fees payable to the United States Trustee pursuant to 28 U.S.C. §1930 and (ii) the payment of unpaid claims (whether then or subsequently allowed) for fees and expenses

incurred by professionals retained by an order of the Bankruptcy Court, including fees and expenses incurred prior to, and after, the occurrence of an Event of Default, not to exceed \$2,000,000 in the aggregate (the "Professional Expense Cap"); provided, however, any payments actually made to such professionals under sections 330 or 331 of the Bankruptcy Code, the Bankruptcy Rules, any local bankruptcy rule or any order of the Bankruptcy Court, after the occurrence of an Event of Default shall reduce the Professional Expense Cap on a dollar-for-dollar basis. The application of pre-petition retainers shall not reduce the Carve-Out.

**Adequate Protection:**

As a result of the priming contemplated herein, the Trustee for the Senior Secured Notes, for the benefit of all holders of the Senior Secured Notes, shall be granted the following as adequate protection: (x) a replacement security interest in, and lien on all of the Debtors' property that currently serves as collateral for the Senior Secured Notes; and (y) a security interest in, and a lien on, all other assets of the Debtor of any kind or nature whatsoever (tangible, intangible, real, personal or mixed) of the Debtor, whether now owned or hereafter acquired and all proceeds and products thereof, subject only to (i) the liens and security interests granted to the Note Purchasers in connection with this Facility, (ii) such valid and enforceable liens of record as of the date of the commencement of the Case, (iii) a basket for additional capital leases and (iv) the Carve-Out for professional fees.

**Conditions Precedent  
To the Closing:**

Usual and customary for financings of this nature, including, without limitation, that on the Closing Date, the following conditions precedent shall have been satisfied, to the reasonable satisfaction of the Note Purchasers:

- (i) All documentation relating to the Facility shall be in form and substance satisfactory to the Debtor, the Administrative Agent and each Note Purchaser;
- (ii) The Debtor and the Note Purchasers shall have agreed upon an approved Budget;
- (iii) The Debtor shall have provided evidence of insurance satisfactory to the Note Purchasers;
- (iv) All fees and expenses (including reasonable fees and expenses of counsel) required to be paid to the Administrative Agent and/or the Note Purchasers on or before the closing date have been paid;
- (v) All motions and other documents to be filed with and submitted to the Bankruptcy Court in connection with the Facility (including, without limitation, the Final Order) shall be in form and substance satisfactory to Debtor and the Note Purchasers;
- (vi) Except for the filing of the Cases, there shall have occurred no material adverse change in any of (i) the operations, performance, prospects, business, assets, properties, or condition (financial or otherwise) of the Debtor taken as a whole, based on information provided by the Debtor to the Administrative Agent and Note Purchasers, (ii) the ability of the Debtor to perform its respective obligations under the note purchase documentation or (iii) the ability of the Administrative Agent and the Note Purchasers to enforce the note purchase documentation (any of the foregoing being a “Material Adverse Change”);
- (vii) Governmental and third party consents and approvals necessary in connection with the Facility and the transactions contemplated thereby, to the extent required, shall have been obtained and shall remain in effect;

(viii) The making or issuance of the Notes shall not violate any requirement of applicable law and shall not be enjoined, temporarily, preliminarily or permanently;

(ix) The Bankruptcy Court shall have entered a Final Order, in form and substance satisfactory to the Administrative Agent and Note Purchasers, which order shall be in full force and effect and shall not have been reversed, vacated or stayed and shall not have been amended, supplemented or otherwise modified without the prior written consent of the Administrative Agent and Note Purchasers (which consent may be withheld in their sole discretion) authorizing and approving the Facility and the transactions contemplated thereby, including, without limitation, the granting of the super-priority status, security interests and liens, and the payment of all fees referred to herein;

(x) The Note Purchasers shall have completed all business and legal due diligence to their satisfaction; and

(xi) The Debtors shall have retained a Chief Restructuring Officer, and the selection of such officer, including the terms, conditions and scope of such officer's retention, shall be reasonably satisfactory to the Note Purchasers.

**Representations  
and Warranties:**

Usual and customary for financings of this nature, and such other representations and warranties as are reasonably acceptable to the Note Purchasers.

**Affirmative and Negative Covenants:**

Usual and customary for financings of this nature, including certain financial covenants, customary financial reporting covenants, and such other affirmative and negative covenants, in each case as are reasonably acceptable to the Debtor and the Note Purchasers.

In addition, the Debtor hereby agrees to the following affirmative and negative covenants that will require that the Debtor:

- (i) Deliver all pleadings, motions and other documents filed on behalf of the Debtor with the Bankruptcy Court to counsel for the Administrative Agent and the Note Purchasers;
- (ii) Not file, support or endorse (x) any Plan or (y) propose any sale of assets that has not been approved by the Administrative Agent and Note Purchasers unless the sale or Plan provides payment in full in cash of the Notes;
- (iii) Not make or permit to be made any change to the Interim Order or the Final Order; and
- (iv) Not seek any other Debtor-in-possession financing.

**Mandatory Redemption:**

To be determined on a basis that is reasonably acceptable to the Debtor and the Note Purchasers.

**Events of Default:**

Usual and customary for financings of this nature, and such other events of default as are reasonably acceptable to the Debtor and the Note Purchasers, including the following:

- (i) the Debtor shall file a Plan or motion seeking approval of a 363 Sale the terms of which are not acceptable in advance to the Note Purchasers;
- (ii) dismissal of any material portion of the Debtor's case or conversion of its case to a Chapter 7 case;
- (iii) appointment of a Chapter 11 trustee or examiner or other person with expanded powers;
- (iv) granting of relief from the automatic stay as to assets of the Debtor with a value in excess of \$1 million;

- (v) cessation of liens or super-priority claims granted with respect to the Notes to be valid, perfected and enforceable in all respects;
- (vi) failure of the Bankruptcy Court to enter the Final Order on or before September 15, 2005;
- (vii) reversal, vacation or stay of the effectiveness of the Final Order;
- (viii) failure of the Debtor to deliver the business plan to the Note Purchasers within 90 days of the Closing Date;
- (ix) failure of the Debtor to file a plan of reorganization by a date to be agreed upon by the Debtors and the Note Purchasers; and
- (x) failure of the Debtor to provide a report to the Note Purchasers that details the Debtor's proposed actions with regard to amending, rejecting or assuming any material contracts. The initial report shall be delivered within 30 days of the Closing Date, and the report shall be updated regularly.



**Indemnification:**

The Debtor, jointly and severally, shall indemnify and hold harmless the Administrative Agent, each Note Purchaser and each of their affiliates and each of the respective officers, directors, members, partners, employees, agents, advisors, attorneys and representatives of each (each, an “Indemnified Party”) from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and disbursements of counsel), that may be incurred by or asserted or awarded against any Indemnified Party (including, without limitation, in connection with or relating to any investigation, litigation or proceeding or the preparation of any defense in connection therewith), in each case arising out of or in connection with or by reason of the Facility, except to the extent such claim, damage, loss, liability or expense is found in a final judgment by a court of competent jurisdiction to have resulted from such Indemnified Party’s gross negligence or willful misconduct. In the case of an investigation, litigation or other proceedings to which the indemnity in this paragraph applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Debtor, any of its directors, security holders or creditors, an Indemnified Party or any other person, or an Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The Debtor further agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract, tort, or otherwise) to the Debtor or any of its security holders or creditors for or in connection with the transactions contemplated hereby, except for direct damages (as opposed to special, indirect, consequential or punitive damages (including, without limitation, any loss of profits, business or anticipated savings)).

**Governing Law:**

State of New York.