

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2001

Commission File Number 1-183

Registrant, State of Incorporation, Address and Telephone Number

**HERSHEY FOODS CORPORATION**

(a Delaware Corporation)

100 Crystal A Drive

Hershey, Pennsylvania 17033  
(717) 534-6799

I.R.S. Employer Identification Number 23-0691590

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

Title of each class:  
Common Stock, one dollar par value

Name of each exchange on which registered:  
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Class B Common Stock, one dollar par value

(Title of Class)

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

State the aggregate market value of the voting stock held by non-affiliates of the Registrant as of a specified date within 60 days prior to the date of filing.

Common Stock, one dollar par value — \$6,662,570,962 as of March 1, 2002.

Class B Common Stock, one dollar par value — \$9,081,610 as of March 1, 2002. While the Class B Common Stock is not listed for public trading on any exchange or market system, shares of that class are convertible into shares of Common Stock at any time on a share-for-share basis. The market value indicated is calculated based on the closing price of the Common Stock on the New York Stock Exchange on March 1, 2002.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock as of the latest practicable date.

Common Stock, one dollar par value — 106,555,905 shares, as of March 1, 2002.

Class B Common Stock, one dollar par value — 30,433,808 shares, as of March 1, 2002.

**DOCUMENTS INCORPORATED BY REFERENCE**

The Corporation's Annual Report to Stockholders for the year ended December 31, 2001 is included as Appendix A to the Corporation's Proxy Statement for the Corporation's 2002 Annual Meeting of Stockholders (the "Proxy Statement") and is incorporated by reference into Part II and filed as Exhibit 13 hereto. Portions of the Proxy Statement are incorporated by reference herein into Part III.

**PART I**

**Item 1. BUSINESS**

Hershey Foods Corporation and its subsidiaries (the "Corporation") are engaged in the manufacture, distribution and sale of consumer food products. The Corporation produces and distributes a broad line of chocolate and non-chocolate confectionery and grocery products.

The Corporation was organized under the laws of the State of Delaware on October 24, 1927, as a successor to a business founded in 1894 by Milton S. Hershey.

In July 2001, the Corporation's Brazilian subsidiary, Hershey do Brasil, acquired the chocolate and confectionery business of Visagis for \$17.1 million. Included in the acquisition were the IO-IO brand of hazelnut crème items and the chocolate and confectionery products sold under the VISCONTI brand. Also included in the purchase were a manufacturing plant and confectionery equipment in Sao Roque, Brazil. This business had sales of approximately \$20 million in 2000.

In September 2001, the Corporation completed the sale of its LUDEN'S throat drops business to Pharmacia Consumer Healthcare, a unit of Pharmacia Corporation. Included in the sale were the trademarks and manufacturing equipment for the throat drops business. Under a supply agreement with Pharmacia, the Corporation agreed to manufacture LUDEN'S throat drops for up to 19 months after the date of sale. Under a separate services agreement, the Corporation agreed to continue to sell, warehouse and distribute LUDEN'S throat drops through March 2002.

In October 2001, the Corporation announced initiatives to enhance its future operating performance by focusing on profitable sales growth, ongoing improvement of margins and asset management and a more streamlined, results-driven organization. A charge to cost of sales, along with a business realignment and asset impairment charge, totaling \$278.4 million before tax, or \$1.25 per share - diluted, were recorded in the fourth quarter of 2001 to support the initiatives. Additional charges of approximately \$31.6 million before tax, or \$.14 per share - diluted, are expected to be recorded in 2002. These initiatives will generate ongoing annual savings of \$75 million to \$80 million when fully implemented, which will be reinvested to enhance marketing and selling capabilities. Cash flows for the business have increased as a result of these initiatives.

The charge to cost of sales primarily included costs related to selling and reducing raw material inventories, principally cocoa beans and cocoa butter, no longer required to support operations. The business realignment and asset impairments charge included costs related to outsourcing the production of cocoa powder, the elimination of certain non-strategic brands, the elimination of underutilized capacity through the closure of three manufacturing facilities and one distribution center, realignment of the sales organization, and a voluntary work force reduction program.

The Corporation's principal product groups include: chocolate and non-chocolate confectionery products sold in the form of bar goods, bagged items and boxed items; and grocery products in the form of baking ingredients, chocolate drink mixes, peanut butter, dessert toppings and beverages. The Corporation believes it is a leader in these product groups in North America. Operating profit margins vary considerably among individual products and brands. Generally, such margins on chocolate and non-chocolate confectionery products are greater than those on grocery products.

In North America, the Corporation manufactures chocolate and non-chocolate confectionery products in a variety of packaged forms and markets them under more than 50 brands. The different packaged forms include various arrangements of the same bar products, such as boxes, trays and bags, as well as a variety of different sizes and weights of the same bar products, such as snack size, standard, king size, large and giant bars. Among the principal chocolate and non-chocolate confectionery products in the United States are: *HERSHEY'S BITES* candies, *HERSHEY'S* classic caramels, *HERSHEY'S COOKIES 'N' CREME* chocolate bars, *HERSHEY'S HUGS* chocolates, *HERSHEY'S KISSES* chocolates, *HERSHEY'S KISSES WITH ALMONDS* chocolates, *HERSHEY'S* chocolate bars, *HERSHEY'S* chocolate bars with almonds, *HERSHEY'S MINIATURES* chocolate bars, *HERSHEY'S NUGGETS* chocolates, *ALMOND JOY* candy bars, *BREATH SAVERS* mints, *BREATH SAVERS COOL BLASTS* mints, *BUBBLE YUM* bubble gum, *CARAMELLO* candy bars, *CAREFREE* and *FRUIT STRIPE* chewing gum, *FAST BREAK* candy bars, *GOOD & PLENTY* candy, *HEATH* toffee bar, *ICE BREAKERS* mints and chewing gum, *JOLLY RANCHER* candy, *KIT KAT* wafer bars, *KRACKEL* chocolate bars, *MILK DUDS* chocolate covered caramels, *MOUNDS* candy bars, *MR. GOODBAR* chocolate bars, *PAYDAY* candy bars, *POT OF GOLD* chocolates, *RAIN-BLO* gumballs, *REESE'S*

1

*NUTRAGEOUS* candy bars, *REESE'S* peanut butter cups, *REESE'S PIECES* candies, *REESESTICKS* wafer bars, *ROLO* caramels in milk chocolate, *SIXLETS* candies, *SKOR* toffee bars, *SPECIAL DARK* chocolate bars, *SUPER BUBBLE* bubble gum, *SWEET ESCAPES* candy bars, *SYMPHONY* chocolate bars, *TASTETATIONS* candy, *TWIZZLERS* candy, *WHATCHAMACALLIT* candy bars, *WHOPPERS* malted milk balls, *YORK* peppermint pattie candy, *5TH AVENUE* candy bars and *ZERO* candy bars. Principal products in Canada include *CHIPITS* chocolate chips, *GLOSETTE* chocolate-covered raisins, peanuts and almonds, *OH HENRY!* candy bars, *POT OF GOLD* boxed chocolates, *REESE PEANUT BUTTER CUPS* candy, and *TWIZZLERS* candy. The Corporation also manufactures, imports, markets, sells and distributes chocolate products in Mexico under the *HERSHEY'S* brand name.

The Corporation manufactures and/or markets a line of grocery products in the baking, beverage, peanut butter and toppings categories. Principal products in the United States include *HERSHEY'S*, *REESE'S* and *HEATH* baking pieces, *HERSHEY'S* drink boxes, *HERSHEY'S* chocolate milk mix, *HERSHEY'S* cocoa, *HERSHEY'S CHOCOLATE SHOPPE* ice cream toppings, *HERSHEY'S HOT COCOA COLLECTION* hot cocoa mix, *HERSHEY'S* syrup and *REESE'S* peanut butter. *HERSHEY'S* chocolate and strawberry flavored milks are produced and sold under license by various dairies throughout the United States, using milk mixes manufactured by the Corporation. Baking and various other products are produced and sold under the *HERSHEY'S* and *REESE'S* brand names by third parties who have been granted licenses by the Corporation to use these trademarks.

The Corporation has license agreements with several companies to manufacture and/or sell products worldwide. Among the more significant are agreements with affiliated companies of Cadbury Schweppes p.l.c. to manufacture and/or market and distribute *YORK*, *PETER PAUL ALMOND JOY* and *PETER PAUL MOUNDS* confectionery products worldwide as well as *CADBURY* and *CARAMELLO* confectionery products in the United States. The Corporation's rights under these agreements are extendible on a long-term basis at the Corporation's option. The license for *CADBURY* and *CARAMELLO* products is subject to a minimum sales requirement which the Corporation exceeded in 2001. The Corporation also has an agreement with Societe des Produits Nestle SA, which licenses the Corporation to manufacture and distribute *KIT KAT* and *ROLO* confectionery products in the United States. The Corporation's rights under this agreement are extendible on a long-term basis at the Corporation's option, subject to certain conditions, including minimum unit volume sales. In 2001, the minimum volume requirements were exceeded. The Corporation has an agreement with an affiliate of Huhtamäki Oy ("Huhtamäki") pursuant to which it licenses the use of certain trademarks, including *GOOD & PLENTY*, *HEATH*, *JOLLY RANCHER*, *MILK DUDS*, *PAYDAY* and *WHOPPERS* confectionery products worldwide. The Corporation's rights under this agreement are extendible on a long-term basis at the Corporation's option.

The Corporation's products are sold primarily to grocery wholesalers, chain grocery stores, candy distributors, mass merchandisers, chain drug stores, vending companies, wholesale clubs, convenience stores, concessionaires and food distributors by full-time sales representatives, food brokers and part-time retail sales merchandisers throughout the United States, Canada and Mexico. The Corporation believes its products are sold in over 2 million retail outlets in North America. In 2001, sales to Wal-Mart Stores, Inc. and subsidiaries amounted to approximately 18% of the Corporation's total net sales.

In Argentina, Brazil, China, Japan, Korea, and the Philippines, the Corporation imports and/or markets selected confectionery and grocery products. The Corporation also markets confectionery and grocery products in over 90 countries worldwide.

The Corporation's marketing strategy is based upon the consistently superior quality of its products, mass distribution and the best possible consumer value in terms of price and weight. In addition, the Corporation devotes considerable resources to the identification, development, testing, manufacturing and marketing of new products. The Corporation utilizes a variety of promotional programs for customers and advertising and promotional programs for consumers. The Corporation employs promotional programs at various times during the year to stimulate sales of certain products. Chocolate and non-chocolate confectionery and grocery seasonal and holiday-related sales have typically been highest during the third and fourth quarters of the year.

The Corporation recognizes that the mass distribution of its consumer food products is an important element in maintaining sales growth and providing service to its customers. The Corporation attempts to meet the changing demands of its customers by planning optimum stock levels and reasonable delivery times consistent with achievement of efficiencies in distribution. To achieve these objectives, the Corporation has developed a distribution network from its manufacturing plants, distribution centers and field warehouses strategically located throughout the United States, Canada and Mexico. The Corporation uses a combination of public and contract carriers to deliver its products from the distribution points to its customers. In conjunction with sales and marketing efforts, the distribution system has been instrumental in the effective promotion of new, as well as established, products on both national and regional scales.

2

From time to time, the Corporation has changed the prices and weights of its products to accommodate changes in manufacturing costs, the competitive environment and profit objectives, while at the same time maintaining consumer value. The last standard candy bar price increase was implemented by the Corporation in December 1995, resulting in a wholesale price increase of approximately 11% on its standard and king-size candy bars sold in the United States.

The most significant raw material used in the production of the Corporation's chocolate products is cocoa beans. This commodity is imported principally from West African, South American and Far Eastern equatorial regions. West Africa accounts for approximately 70% of the world's crop. Cocoa beans are not uniform, and the various grades and varieties reflect the diverse agricultural practices and natural conditions found in the many growing areas. The Corporation buys a mix of cocoa beans to meet its manufacturing requirements.

The table below sets forth annual average cocoa prices as well as the highest and lowest monthly averages for each of the calendar years indicated. The prices are the monthly average of the quotations at noon of the three active futures trading contracts closest to maturity on the New York Board of Trade. Because of the Corporation's forward purchasing practices discussed below, and premium prices paid for certain varieties of cocoa beans, these average futures contract prices are not necessarily indicative of the Corporation's average cost of cocoa beans or cocoa products.

**Cocoa Futures Contract Prices  
(cents per pound)**

	1997	1998	1999	2000	2001
Annual Average.....	70.0	72.7	48.8	37.9	47.1
High.....	77.2	78.3	62.7	40.1	57.9
Low.....	59.1	65.5	39.6	34.4	41.5

Source: International Cocoa Organization Quarterly Bulletin of Cocoa Statistics

The Federal Agricultural and Improvement Reform Act of 1996, which is a seven-year farm bill, impacts the prices of sugar, peanuts and milk because it sets price support levels for these commodities.

The price of sugar, the Corporation's second most important commodity for its domestic chocolate and confectionery products, is subject to price supports under the above referenced farm legislation. Due to import quotas and duties imposed to support the price of sugar established by that legislation, sugar prices paid by United States users are currently substantially higher than prices on the world sugar market. The average wholesale list price of refined sugar, F.O.B. Northeast, has remained in a range of 25¢ to 32¢ per pound for the past ten years. Peanut and almond prices remained near normal levels throughout 2001. Milk prices increased in 2001 as a result of declining milk production. The Corporation believes that the supply of raw materials is adequate to meet its manufacturing requirements.

The Corporation attempts to minimize the effect of future price fluctuations related to the purchase of its major raw materials primarily through forward purchasing to cover future manufacturing requirements, generally for periods from 3 to 24 months. With regard to cocoa, sugar, corn sweeteners, natural gas, fuel oil and certain dairy products, price risks are also managed by entering into futures contracts. At the present time, active futures contracts are not available for use in pricing the Corporation's other major raw material requirements. Futures contracts are used in combination with forward purchasing of cocoa, sugar, corn sweetener, natural gas and certain dairy product requirements principally to take advantage of market fluctuations which provide more favorable pricing opportunities and flexibility in sourcing these raw materials and energy requirements. Fuel oil futures contracts are used to minimize price fluctuations associated with the Corporation's transportation costs. The Corporation's commodity procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the ability to benefit from possible price decreases.

The primary effect on liquidity from using futures contracts is associated with margin requirements for futures contracts related to cocoa, sugar, corn sweeteners, natural gas, fuel oil and certain dairy products. Cash outflows and inflows result from original margins which are "good faith deposits" established by futures exchanges to ensure that market participants will meet their contractual financial obligations. Additionally, variation margin payments and receipts are required when the value of open positions is adjusted to reflect daily price movements. The magnitude of such cash inflows and outflows is dependent upon price coverage levels and the volatility of the markets. Historically, cash flows related to margin requirements have not been material to the Corporation's total working capital requirements.

The Corporation manages the purchase of forward and futures contracts by developing and monitoring procurement strategies for each of its major commodities. These procurement strategies, including the use of futures contracts to hedge the pricing of cocoa, sugar, corn sweeteners, natural gas, transportation costs and certain dairy products, are directly linked to the overall planning and management of the Corporation's business, since the cost of raw materials, energy and transportation accounts for a significant portion of cost of sales. Procurement strategies with regard to cocoa, sugar and other major raw material requirements, energy requirements, and transportation costs are developed by the analysis of fundamentals, including weather and crop analysis, and by discussions with market analysts, brokers and dealers. Procurement strategies are determined, implemented and monitored on a regular basis by senior management. Procurement activities for all major commodities are also reported to the Board of Directors on a regular basis.

### **Competition**

Many of the Corporation's brands enjoy wide consumer acceptance and are among the leading brands sold in the marketplace. However, these brands are sold in highly competitive markets and compete with many other multinational, national, regional and local firms, some of which have resources in excess of those available to the Corporation.

### **Trademarks**

The Corporation owns various registered and unregistered trademarks and service marks, and has rights under licenses to use various trademarks which are of material importance to the Corporation's business.

### **Backlog of Orders**

The Corporation manufactures primarily for stock and fills customer orders from finished goods inventories. While at any given time there may be some backlog of orders, such backlog is not material in respect to total annual sales, nor are the changes from time to time significant, aside from the third quarter of 1999 when a significant backlog of orders resulted from customer service and order fulfillment problems encountered during the start-up of new business systems and processes.

### **Research and Development**

The Corporation engages in a variety of research activities. These principally involve development of new products, improvement in the quality of existing products, improvement and modernization of production processes, and the development and implementation of new technologies to enhance the quality and value of both current and proposed product lines. Information concerning the Corporation's research and development expense is contained in Note 1 of the Corporation's Annual Report to Stockholders included as Appendix A to the Proxy Statement, which information is incorporated herein by reference and filed as Exhibit 13 hereto.

### **Regulation**

The Corporation's domestic plants are subject to inspection by the Food and Drug Administration and various other governmental agencies, and its products must comply with regulations under the Federal Food, Drug and Cosmetic Act and with various comparable state statutes regulating the manufacturing and marketing of food products.

### **Environmental Considerations**

In the past the Corporation has made investments based on compliance with environmental laws and regulations. Such expenditures have not been material with respect to the Corporation's capital expenditures, earnings or competitive position.

### **Employees**

As of December 31, 2001, the Corporation had approximately 14,400 full-time and 1,600 part-time employees, of whom approximately 6,000 were covered by collective bargaining agreements. In 2002, the Corporation expects a reduction of approximately 600 full-time employees as a result of a voluntary work force reduction program. The Corporation considers its employee relations to be good. It should be noted that a collective bargaining agreement covering approximately 3,000 employees at two of the Corporation's principal plants in Hershey, Pennsylvania expired in November 2001. On February 27, 2002, the employees voted not to ratify a new contract offer, despite recommendations by their union negotiating committee and executive board to approve the new five-year contract. The Corporation and the union negotiating committee have agreed to seek the assistance of a federal mediator.

### **Financial Information by Geographic Area**

Information concerning the Corporation's geographic segments is contained in Note 17 of the Corporation's Annual Report to Stockholders included as Appendix A to the Proxy Statement, which information is incorporated herein by reference and filed as Exhibit 13 hereto.

### **Safe Harbor Statement**

The nature of the Corporation's operations and the environment in which it operates subject it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Corporation notes the following factors which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. Many of the forward-looking statements contained in this document may be identified by the use of forward-looking words such as "believe," "expect," "anticipate," "should," "planned," "estimated," and "potential," among others. Factors which could cause results to differ include, but are not limited to: changes in the confectionery and grocery business environment, including actions of competitors and changes in consumer preferences; changes in governmental laws and regulations, including taxes; market demand for new and existing products; changes in raw material and other costs; the Corporation's ability to implement improvements to and reduce costs associated with the Corporation's distribution operations; pension cost factors, such as actuarial assumptions and employee retirement decisions; and the Corporation's ability to sell certain assets at targeted values.

### **Item 2. PROPERTIES**

The following is a list of the Corporation's principal manufacturing properties. The Corporation owns each of these properties.

#### **UNITED STATES**

Hershey, Pennsylvania - confectionery and grocery products (3 principal plants)  
Lancaster, Pennsylvania - confectionery products

Oakdale, California - confectionery and grocery products  
Robinson, Illinois - confectionery and grocery products  
Stuarts Draft, Virginia - confectionery and grocery products

#### CANADA

Smiths Falls, Ontario - confectionery and grocery products

In addition to the locations indicated above, the Corporation owns or leases several other properties used for manufacturing chocolate and non-chocolate confectionery and grocery products and for sales, distribution and administrative functions.

The Corporation's plants are efficient and well maintained. These plants generally have adequate capacity and can accommodate seasonal demands, changing product mixes and certain additional growth. The largest plants are located in Hershey, Pennsylvania. Many additions and improvements have been made to these facilities over the years and the plants' manufacturing equipment includes equipment of the latest type and technology.

#### Item 3. LEGAL PROCEEDINGS

In January 1999, the Corporation received a Notice of Proposed Deficiency (Notice) from the Internal Revenue Service (IRS) related to the years 1989 through 1996. The Notice pertained to the Corporate Owned Life Insurance (COLI) program which was implemented by the Corporation in 1989. The IRS disallowed the interest expense deductions associated with the underlying life insurance policies. The total deficiency of \$61.2 million, including interest, was paid to the IRS in September 2000 to eliminate further accruing of interest. Effective October 1, 2001, the Corporation negotiated a settlement with the IRS regarding the Notice. The resulting Closing Agreement with the IRS limited the COLI interest expense deductions for all applicable tax years and resulted in the surrender of all insurance policies, thereby ending the COLI program. The settlement is a complete resolution of all federal and state tax aspects of this program. The Corporation has no other material pending legal proceedings, other than ordinary routine litigation incidental to its business.

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

Not applicable.

5

---

### PART II

#### Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information concerning the principal United States trading market for, market prices of and dividends on the Corporation's Common Stock and Class B Common Stock, and the approximate number of stockholders, may be found in the section entitled "Market Prices and Dividends" on page A-13 and A-14 of the Corporation's Annual Report to Stockholders included as Appendix A to the Proxy Statement, incorporated herein by reference and filed as Exhibit 13 hereto.

#### Item 6. SELECTED FINANCIAL DATA

The following information, for the five years ended December 31, 2001, found in the section entitled "Six-Year Consolidated Financial Summary" on page A-46 of the Corporation's Annual Report to Stockholders included as Appendix A to the Proxy Statement, is incorporated herein by reference and filed as Exhibit 13 hereto: Net Sales; Net Income; Earnings Per Share - Basic and - Diluted (excluding Notes e and f); Dividends Paid on Common Stock (and related Per Share amounts); Dividends Paid on Class B Common Stock (and related Per Share amounts); Long-term Portion of Debt; and Total Assets.

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

The section entitled "Management's Discussion and Analysis," found on pages A-1 through A-15 of the Corporation's Annual Report to Stockholders included as Appendix A to the Proxy Statement, is incorporated herein by reference and filed as Exhibit 13 hereto.

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

The following audited consolidated financial statements of the Corporation and its subsidiaries are found at the indicated pages in the Corporation's Annual Report to Stockholders included as Appendix A to the Proxy Statement, and such financial statements, along with the Report of the Independent Public Accountants thereon, are incorporated herein by reference and filed as Exhibit 13 hereto.

1. Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999. (Page A-16)
2. Consolidated Balance Sheets as of December 31, 2001 and 2000. (Page A-17)
3. Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999. (Page A-18)
4. Consolidated Statements of Stockholders' Equity for the years ended December 31, 2001, 2000 and 1999. (Page A-19)
5. Notes to Consolidated Financial Statements (Pages A-20 through A-43), including "Quarterly Data (Unaudited)." (Page A-43)
6. Report of Independent Public Accountants. (Page A-45)

#### Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

6

---

### PART III

#### Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, positions held with the Corporation, periods of service as a director, principal occupations, business experience and other directorships of nominees for director of the Corporation are set forth in the section "Election of Directors" in the Proxy Statement. This information is incorporated herein by reference.

##### Executive Officers of the Corporation as of March 15, 2002

Name	Age	Positions Held During the Last Five Years
R. H. Lenny <sup>(1)</sup>	50	Chairman of the Board, President and Chief Executive Officer (2002); President and Chief Executive Officer (2001)

F. Cerminara	53	Senior Vice President, Chief Financial Officer (2001); Vice President, Chief Financial Officer and Treasurer (2000); Vice President, Procurement (1994)
B. H. Snyder	54	Senior Vice President - Public Affairs, General Counsel and Secretary (2002); Vice President and Assistant General Counsel (2000); Assistant General Counsel (1993)
W. A. Willard <sup>(2)</sup>	43	Senior Vice President, Chief Marketing Officer (2001)
M. K. Arline	49	Vice President, Human Resources (2001); Vice President, Quality and Regulatory Compliance (1999); Director, Quality and Regulatory Compliance (1997)
R. Brace	58	Vice President, Operations and Technology (2002); Vice President, Conversion and Procurement (2000); Senior Vice President, Operations (1999); Vice President, Operations (1997)
J. F. Carr	57	Vice President, Hershey International (2002); Vice President, Research Services and Special Operations (1999); President, Hershey Pasta and Grocery Group (1997); President, Hershey International (1994)
G. F. Davis <sup>(3)</sup>	53	Vice President, Chief Information Officer (2000)
M. T. Matthews	56	Vice President, Chief Customer Officer (2001); Vice President, U.S. Sales (1989)
D. W. Tacka	48	Vice President, Corporate Controller and Chief Accounting Officer (2000); Corporate Controller and Chief Accounting Officer (1995)
D. J. West <sup>(4)</sup>	38	Vice President, Business Planning and Development (2001)

There are no family relationships among any of the above-named officers of the Corporation.

<sup>(1)</sup> Mr. Lenny was elected President and Chief Executive Officer effective March 12, 2001. Prior to joining the Corporation he was Group Vice President, Kraft Foods, Inc. and President, Nabisco Biscuit and Snacks (2000); President, Nabisco Biscuit Company (1998); President, Pillsbury North America (1996).

<sup>(2)</sup> Mr. Willard was elected Senior Vice President, Chief Marketing Officer effective June 12, 2001. Prior to joining the Corporation he was President and Chief Executive Officer, Nabisco Ltd. (1998); President, Planters Company, Nabisco Holdings Corporation (1996).

7

<sup>(3)</sup> Mr. Davis was elected Vice President and Chief Information Officer effective December 14, 2000. Prior to joining the Corporation Mr. Davis was Vice President - - Global Infrastructure Services, Computer Sciences Corporation (2000); Director - - Global Infrastructure Services, Computer Sciences Corporation (1999); Executive Director - Global Infrastructure and Financial Systems, Pratt and Whitney (1998); Chief Information Officer, Rocco Inc. (1992).

<sup>(4)</sup> Mr. West was elected Vice President, Business Planning and Development effective May 30, 2001. Prior to joining the Corporation he was Senior Vice President Finance, Kraft Foods - Nabisco Biscuit, Confectionery and Snacks (2001); Senior Vice President and Chief Financial Officer, Nabisco Biscuit Company (1999); Vice President, Strategic Planning, Nabisco Holdings Corporation (1998); Senior Director, Business Planning and Analysis, Nabisco Holdings Corporation (1997).

Corporate Officers and Division Presidents are generally elected each year at the organization meeting of the Board of Directors in April.

Reporting of any inadvertent late filings of a Securities and Exchange Commission Form 4 under Section 16 of the Securities Exchange Act of 1934, as amended, is set forth in the section of the Proxy Statement entitled "Section 16(a) Beneficial Ownership Reporting Compliance."

#### Item 11. EXECUTIVE COMPENSATION

Information concerning compensation of each of the named executive officers, including those persons who held the position of Chief Executive Officer of the Corporation during 2001, and compensation of directors, is set forth in the sections entitled "2001 Executive Compensation" and "Directors' Compensation" in the Proxy Statement. This information is incorporated herein by reference.

#### Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning ownership of the Corporation's voting securities by certain beneficial owners, individual nominees for director and by management, including the five most highly-compensated executive officers, is set forth in the section "Voting Securities" in the Proxy Statement. This information is incorporated herein by reference.

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

Information concerning "Certain Relationships and Related Transactions" is set forth in the section entitled "Certain Transactions and Relationships" in the Proxy Statement. This information is incorporated herein by reference.

### PART IV

#### Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

##### Item 14(a)(1): Financial Statements

The audited consolidated financial statements of the Corporation and its subsidiaries and the Report of Independent Public Accountants thereon, as required to be filed with this report, are set forth in Item 8 of this report and are incorporated therein by reference to specific pages of the Corporation's Annual Report to Stockholders included as Appendix A to the Proxy Statement and filed as Exhibit 13 hereto.

##### Item 14(a)(2): Financial Statement Schedule

The following consolidated financial statement schedule of the Corporation and its subsidiaries for the years ended December 31, 2001, 2000 and 1999 is filed herewith on the indicated page in response to Item 14(d):

Schedule II -- Valuation and Qualifying Accounts (Page 15)

Other schedules have been omitted as not applicable or required, or because information required is shown in the consolidated financial statements or notes thereto.

8

Financial statements of the parent corporation only are omitted because the Corporation is primarily an operating corporation and there are no significant restricted net assets of consolidated and unconsolidated subsidiaries.

**Item 14(a)(3): Exhibits**

The following items are attached or incorporated by reference in response to Item 14(c):

(3) Articles of Incorporation and By-laws

The Corporation's Restated Certificate of Incorporation, as amended, is incorporated by reference from Exhibit 3 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended April 3, 1988. The By-laws, as amended and restated as of December 1, 1998, are incorporated by reference from Exhibit 3 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

(4) Instruments defining the rights of security holders, including indentures

a. Stockholder Protection Rights Agreement between Hershey Foods Corporation and Mellon Investor Services LLC, as Rights Agent, dated December 14, 2000, is incorporated by reference from Exhibit 4.1 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

b. The Corporation has issued certain long-term debt instruments, no one class of which creates indebtedness exceeding 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis. These classes consist of the following:

- 1) 6.7% Notes due 2005
- 2) 6.95% Notes due 2007
- 3) 6.95% Notes due 2012
- 4) 8.8% Debentures due 2021
- 5) 7.2% Debentures due 2027
- 6) Other Obligations

The Corporation will furnish copies of the above debt instruments to the Commission upon request.

(10) Material contracts

a. Kit Kat and Rolo License Agreement (the "License Agreement") between Hershey Foods Corporation and Rowntree Mackintosh Confectionery Limited is incorporated by reference from Exhibit 10(a) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1980. The License Agreement was amended in 1988 and the Amendment Agreement is incorporated by reference from Exhibit 19 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended July 3, 1988. The License Agreement was assigned by Rowntree Mackintosh Confectionery Limited to Societe des Produits Nestle SA as of January 1, 1990. The Assignment Agreement is incorporated by reference from Exhibit 19 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.

b. Peter Paul/York Domestic Trademark & Technology License Agreement between Hershey Foods Corporation and Cadbury Schweppes Inc. (now Cadbury Beverages Delaware, Inc.) dated August 25, 1988, is incorporated by reference from Exhibit 2(a) to the Corporation's Current Report on Form 8-K dated September 8, 1988. This agreement was assigned by the Corporation to its wholly owned subsidiary, Hershey Chocolate & Confectionery Corporation.

c. Cadbury Trademark & Technology License Agreement between Hershey Foods Corporation and Cadbury Limited dated August 25, 1988, is incorporated by reference from Exhibit 2(a) to the Corporation's Current Report on Form 8-K dated September 8, 1988.

9

---

d. The Amended and Restated 364-Day Credit Agreement among Hershey Foods Corporation, the banks, financial institutions and other institutional lenders listed on the signature pages thereof, and Citibank, N.A. as administrative agent, Bank of America, N.A. as syndication agent, and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers, is attached hereto and filed as Exhibit 10.1.

e. The Amended and Restated Five-Year Credit Agreement among Hershey Foods Corporation, the banks, financial institutions and other institutional lenders listed on the signature pages thereof, and Citibank, N.A. as administrative agent, Bank of America, N.A. as syndication agent, and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers, is attached hereto and filed as Exhibit 10.2.

f. Trademark and Technology License Agreement between Huhtamaki and Hershey Foods Corporation dated December 30, 1996, is incorporated by reference from Exhibit 10 to the Corporation's Current Report on Form 8-K dated February 26, 1997. This agreement was assigned by the Corporation to its wholly owned subsidiary, Hershey Chocolate & Confectionery Corporation. The agreement was amended and restated in 1999 and the Amended and Restated Trademark and Technology License Agreement is incorporated by reference from Exhibit 10.2 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

Executive Compensation Plans and Management Contracts

g. Hershey Foods Corporation's Restated Key Employee Incentive Plan is incorporated by reference from Exhibit 10.1 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended April 1, 2001.

h. Hershey Foods Corporation's Restated Supplemental Executive Retirement Plan is incorporated by reference from Exhibit 10.2 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

i. Hershey Foods Corporation's Amended and Restated Deferred Compensation Plan is attached hereto and filed as Exhibit 10.3.

j. Hershey Foods Corporation's Amended and Restated Directors' Compensation Plan is attached hereto and filed as Exhibit 10.4.

k. Hershey Foods Corporation's Executive Benefits Protection Plan (Group 3A), as amended, covering certain of its executive officers, is attached hereto and filed as Exhibit 10.5.

l. Separation Agreement and General Release entered into on December 11, 2000 between Hershey Foods Corporation and Michael F. Pasquale is incorporated by reference from Exhibit 10.4 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

m. The Executive Employment Agreement between Hershey Foods Corporation and Richard H. Lenny, dated March 12, 2001, is incorporated by reference from Exhibit 10.2 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended April 1, 2001.



/s/ J. R. HILLIER	Director	March 15, 2002
(J. R. Hillier)		
/s/ J. C. JAMISON	Director	March 15, 2002
(J. C. Jamison)		
/s/ M. J. MCDONALD	Director	March 15, 2002
(M. J. McDonald)		
/s/ J. M. PIETRUSKI	Director	March 15, 2002
(J. M. Pietruski)		

13

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To Hershey Foods Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in Hershey Foods Corporation's Proxy Statement for its 2002 Annual Meeting of Stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 22, 2002. Our audit was made for the purpose of forming an opinion on those financial statements taken as a whole. The schedule listed on page 15 in Item 14(a)(2) is the responsibility of the Corporation's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ARTHUR ANDERSEN LLP

New York, New York  
January 22, 2002

14

Schedule II

**HERSHEY FOODS CORPORATION AND SUBSIDIARIES**

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 2001, 2000 and 1999

(in thousands of dollars)

Description	Additions			Deductions from Reserves	Balance at End of Period
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts <sup>(a)</sup>		
Year Ended December 31, 2001:					
Reserves deducted in the consolidated balance sheet from the assets to which they apply:					
Accounts Receivable - Trade	\$ 16,004	\$ 8,450	\$ 3,299	\$ (11,795)	\$ 15,958
Year Ended December 31, 2000:					
Reserves deducted in the consolidated balance sheet from the assets to which they apply:					
Accounts Receivable - Trade	\$ 16,941	\$ 8,531	\$ 1,362	\$ (10,830)	\$ 16,004
Year Ended December 31, 1999:					
Reserves deducted in the consolidated balance sheet from the assets to which they apply:					
Accounts Receivable - Trade	\$ 19,941	\$ 2,629	\$ 597	\$ (6,226) <sup>(b)</sup>	\$ 16,941

(a) Includes recoveries of amounts previously written off.

(b) Includes reserves related to the Corporation's pasta business which was sold in January 1999.

15



AMENDED AND RESTATED  
364-DAY CREDIT AGREEMENT

Dated as of November 27, 2001

HERSHEY FOODS CORPORATION, a Delaware corporation (the "Company"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, CITIBANK, N.A. ("Citibank"), as administrative agent (the "Agent") for the Lenders (as hereinafter defined), BANK OF AMERICA, N.A., as syndication agent, SALOMON SMITH BARNEY INC. and BANC AMERICA SECURITIES LLC, as joint lead arrangers and joint book managers (the "Arrangers"), agree as follows:

PRELIMINARY STATEMENT. The Company, the Lenders, Citibank, the Agent and other financial institutions have entered into a 364-Day Credit Agreement originally dated as of December 15, 1995, Amended and Restated as of December 13, 1996, Amended and Restated as of December 12, 1997, Amended and Restated as of December 11, 1998, Amended and Restated as of December 10, 1999, and Amended and Restated as of December 8, 2000 (collectively the "Existing Credit Agreement"). The Company and the Lenders have agreed to further amend and restate such Credit Agreement as hereinafter set forth.

Article I  
DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Revolving Credit Advance or a Competitive Bid Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means the account of the Agent maintained by the Agent at Citibank with its office at Two Penn's Way, New Castle, Delaware 19720, Account No. 36852248, Attention: Bank Loan Syndications.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance and, in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such Competitive Bid Advance.

"Applicable Margin" means (a) for Base Rate Advances, 0% per annum and (b) for Eurodollar Rate Advances, as of any date, a percentage per annum determined by reference to the Level in effect on such date as set forth below:

Level	Applicable Percentage
Level 1	0.150%
Level 2	0.190%
Level 3	0.280%
Level 4	0.370%
Level 5	0.445%
Level 6	0.600%

"Applicable Percentage" means, as of any date, a percentage per annum determined by reference to the Level in effect on such date as set forth below:

Level	Applicable Percentage
Level 1	0.050%
Level 2	0.060%
Level 3	0.070%
Level 4	0.080%
Level 5	0.105%
Level 6	0.150%

"Applicable Utilization Fee" means, as of any date that the aggregate Advances exceed 50% of the aggregate Commitments, a percentage per annum determined by reference to the Level in effect on such date as set forth below:

Level	Applicable Utilization Fee
Level 1	0.050%
Level 2	0.100%

Level 3	0.100%
Level 4	0.100%
Level 5	0.100%
Level 6	0.125%

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"Assuming Lender" means an Eligible Assignee not previously a Lender that becomes a Lender hereunder pursuant to Section 2.05(c).

"Assumption Agreement" means an agreement in substantially the form of Exhibit D hereto by which an Eligible Assignee agrees to become a Lender hereunder pursuant to Section 2.05(c), agreeing to be bound by all obligations of a Lender hereunder.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the higher of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; and

(b) 1/2 of one percent per annum above the Federal Funds Rate.

"Base Rate Advance" means a Revolving Credit Advance that bears interest as provided in Section 2.07(a)(i).

"Borrower" means the Company or any Designated Subsidiary, as the context requires.

"Borrowing" means a Revolving Credit Borrowing or a Competitive Bid Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advance or LIBO Rate Advance, on which dealings are carried on in the London interbank market.

"Change of Control" means a change in the voting power of Hershey Trust Company, as trustee for the Milton Hershey School (the "Hershey Trust"), such that either (A) (i) it no longer controls a majority of the voting power of the Company's Voting Stock and (ii) at the same time, another Person or group of Persons within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended, controls a percentage of the voting power of the Company's Voting Stock in excess of the percentage controlled by the Hershey Trust or (B) it no longer controls at least 30% of the voting power of the Company's Voting Stock.

"Commitment" has the meaning specified in Section 2.01.

"Commitment Increase" has the meaning specified in Section 2.05(c)(i).

"Commitment Increase Date" has the meaning specified in Section 2.05(c)(i).

"Competitive Bid Advance" means an advance by a Lender to any Borrower as part of a Competitive Bid Borrowing resulting from the competitive bidding procedure described in Section 2.03 and refers to a Fixed Rate Advance or a LIBO Rate Advance.

"Competitive Bid Borrowing" means a borrowing consisting of simultaneous Competitive Bid Advances from each of the Lenders whose offer to make one or more

Competitive Bid Advances as part of such borrowing has been accepted under the competitive bidding procedure described in Section 2.03.

"Competitive Bid Note" means a promissory note of any Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of such Borrower to such Lender resulting from a Competitive Bid Advance made by such Lender to such Borrower.

"Competitive Bid Reduction" has the meaning specified in Section 2.01.

"Confidential Information" means any non-public or proprietary information disclosed by any Borrower to the Agent or any Lender that such Borrower indicates is to be treated confidentially, but does not include any such information that is or becomes generally available to the public or that is or becomes available to the Agent or such Lender on a non-confidential basis from a source other than such Borrower, which source is not, to the best knowledge of the Agent or such Lender, subject to a confidentiality agreement with such Borrower.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Consolidated Interest Expense" means, for any period with respect to the Company and its Subsidiaries, net interest expense plus capitalized interest for such period, in each case determined on a Consolidated basis in accordance with GAAP.

"Consolidated Net Interest Expense" means, for any period with respect to the Company and its Subsidiaries, interest expense minus capitalized interest and interest income for such period, in each case determined on a Consolidated basis in accordance with GAAP.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Section 2.08 or 2.09.

"Declining Lender" has the meaning specified in Section 2.18(a)(ii).

"Debt" means, with respect to any Person: (a) indebtedness for borrowed money, (b) obligations evidenced by bonds, debentures, notes or other similar instruments, (c) obligations to pay the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business), (d) obligations as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases, (e) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit (other than trade letters of credit) or similar extensions of credit and (f) obligations under direct or indirect guaranties in respect of, and obligations, contingent or otherwise, to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of any other Person of the kinds referred to in clauses (a) through (d) above.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Designated Subsidiary" means any corporate Subsidiary of the Company designated for borrowing privileges under this Agreement pursuant to Section 9.08.

"Designation Letter" means, with respect to any Designated Subsidiary, a letter in the form of Exhibit F hereto signed by such Designated Subsidiary and the Company.

"Disclosed Litigation" has the meaning specified in Section 3.01(b).

"Domestic Lending Office" means, with respect to any Initial Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or, with respect to any other Lender, the office of such Lender specified as its "Domestic Lending Office" in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (a) a Lender or any Affiliate of a Lender which is principally engaged in the commercial banking business, and (b) any bank or other financial institution, or any other Person, that has been approved in writing by the Company and the Agent as an Eligible Assignee for purposes of this Agreement; provided, however, that neither the Company's nor the Agent's approval shall be unreasonably withheld; and provided further, however, that the Company may withhold its approval if the Company reasonably believes that an assignment to such Eligible Assignee pursuant to Section 9.07 will result in the incurrence of increased costs payable by any Borrower pursuant to Section 2.11 or 2.14.

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice, investigation, proceeding, consent order or consent agreement relating to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury to health, safety or the environment.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the Company's controlled group, or under common control with the Company, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Company or any ERISA affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Company or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, such Plan.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Initial Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or, with respect to any other Lender, the office of such Lender specified as its "Eurodollar Lending Office" in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing, an interest rate per annum equal to the average (rounded to the nearest whole multiple of 1/16 of 1% per annum, or if there is no nearest whole multiple of 1/16 of 1% per annum, then rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not

such a multiple) of the rate per annum at which deposits in U.S. dollars are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurodollar Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period. The Eurodollar Rate for any Interest Period for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"Eurodollar Rate Advance" means a Revolving Credit Advance that bears interest as provided in Section 2.07(a)(ii).

"Eurodollar Rate Reserve Percentage" with respect to any Lender for any Interest Period for all Eurodollar Rate Advances or LIBO Rate Advances comprising part of the same Borrowing means the reserve percentage applicable during such Interest Period (or, if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) actually imposed on such Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Rate Advances or LIBO Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Excluded Taxes" has the meaning specified in Section 2.14(a).

"Extending Lender" has the meaning specified in Section 2.18(a)(i).

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Final Maturity Date" means (a) the Termination Date or (b) if the Final Maturity Date is extended pursuant to Section 2.18(b), the date requested as the Final Maturity Date by the Company pursuant to Section 2.18(b).

"Fixed Rate Advances" has the meaning specified in Section 2.03(a)(i).

"GAAP" has the meaning specified in Section 1.03.

"Guaranty" means the guaranty made by the Company to the Lenders and the Agent pursuant to Article VII.

"Guaranteed Obligations" has the meaning specified in Section 7.01(a).

"Hazardous Materials" means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Increasing Extending Lender" has the meaning specified in Section 2.18(a)(ii)(A).

"Increasing Lender" has the meaning specified in Section 2.05(c)(i).

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing and each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such Eurodollar Rate Advance or LIBO Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower that requested such Borrowing pursuant to the provisions below and, thereafter, with respect to Eurodollar Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by such Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as the applicable Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(i) such Borrower may not select any Interest Period that ends after the Final Maturity Date then in effect;

(ii) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Revolving Credit Borrowing or for LIBO Rate Advances comprising part of the same Competitive Bid Borrowing shall be of the same duration;

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that,



if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iv) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Lenders" means the Initial Lenders, each Assuming Lender that shall become a party hereto pursuant to Section 2.05(c) and each Eligible Assignee that shall become a party hereto pursuant to Section 9.07.

"Level" means, as of any date, the lowest of Level 1, Level 2, Level 3, Level 4, Level 5 or Level 6 then applicable to the Public Debt Rating.

"Level 1" means that either (a) S&P shall have assigned a rating of at least AA- or (b) Moody's shall have assigned a rating of at least Aa3.

"Level 2" means that either (a) S&P shall have assigned a rating lower than AA- but at least A+ or (b) Moody's shall have assigned a rating lower than Aa3 but at least A1.

"Level 3" means that either (a) S&P shall have assigned a rating lower than A+ but at least A or (b) Moody's shall have assigned a rating lower than A1 but at least A2.

"Level 4" means that either (a) S&P shall have assigned a rating lower than A but at least A- or (b) Moody's shall have assigned a rating lower than A2 but at least A3.

"Level 5" means that either (a) S&P shall have assigned a rating lower than A- but at least BBB+ or (b) Moody's shall have assigned a rating lower than A3 but at least Baa1.

"Level 6" means that the Company has not met the criteria for Level 1, Level 2, Level 3, Level 4 and Level 5.

"LIBO Rate" means, for any Interest Period for all LIBO Rate Advances comprising part of the same Competitive Bid Borrowing, an interest rate per annum equal to the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, or if there is no nearest whole multiple of 1/16 of 1% per annum, then rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in U.S. dollars are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the

first day of such Interest Period in an amount substantially equal to the amount that would be such Reference Bank's respective ratable share of such Borrowing if such Borrowing were to be a Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period. The LIBO Rate for any Interest Period for each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"LIBO Rate Advances" has the meaning specified in Section 2.03(a)(i).

"Lien" means any mortgage, pledge, lien, security interest, conditional sale or other title retention agreement or other similar charge or encumbrance.

"Majority Lenders" means at any time Lenders owed at least 51% of the then aggregate unpaid principal amount of the Revolving Credit Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least 51% of the Commitments.

"Material Adverse Change" means any material adverse change in the business, financial condition, operations, performance or principal manufacturing properties of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial condition, operations, performance or principal manufacturing properties of the Company and its Subsidiaries taken as a whole, (b) the rights and remedies of the Agent or the Lenders under this Agreement or any Note or (c) the ability of any Borrower to perform its obligations (other than payment obligations) under this Agreement or any Note.

"Material Subsidiary" means, at any date of determination, a Subsidiary of the Company that, either individually or together with its Subsidiaries, taken as a whole, has total assets exceeding \$300,000,000 on such date.

"Moody's" means Moody's Investors Service, Inc., or its successor.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any ERISA Affiliate and at least one Person other than the Company and the ERISA Affiliates or (b) was so maintained and in respect of which the Company or any ERISA

Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Note" means a Revolving Credit Note or a Competitive Bid Note.

"Notice of Revolving Credit Borrowing" has the meaning specified in Section 2.02(a).

"Notice of Competitive Bid Borrowing" has the meaning specified in Section 2.03(a).

"Other Taxes" has the meaning specified in Section 2.14(b).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b) hereof; (b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business; (c) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; (d) easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes; (e) Liens arising under leases or subleases granted to others that would not be reasonably likely to have a Material Adverse Effect on the Company and its Subsidiaries taken as a whole; (f) Liens granted in connection with any interest rate or foreign currency options, commodity contracts, futures or similar agreements entered into by the Company or any of its Subsidiaries in the ordinary course of business; and (g) Liens granted in connection with corporate-owned life insurance programs of the Company or any of its Subsidiaries.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Pre-Tax Income from Continuing Operations" means, for any period with respect to the Company and its Subsidiaries, net income (or net loss) from operations (determined without giving effect to extraordinary or non-recurring gains or losses) plus the sum of (a) Consolidated Net Interest Expense, (b) income tax expense and (c) non-recurring non-cash charges (including the cumulative effect of accounting changes, restructuring charges and gains or losses from the sale of businesses), in each case determined on a Consolidated basis in accordance with GAAP; provided, however, that the LIFO adjustment to the determination of Pre-Tax Income from Continuing Operations for purposes of the quarterly financial statements and the compliance

certificate delivered pursuant to Section 5.01(h)(i) shall be made in accordance with the Company's best estimation.

"Process Agent" has the meaning specified in Section 9.12(a).

"Public Debt Rating" means, as of any date, the lowest rating that has been most recently announced by either S&P or Moody's, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Company. For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating for the Company, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be determined by reference to the available rating; (b) if neither S&P nor Moody's shall have in effect a Public Debt Rating for the Company, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee will be set in accordance with Level 6 under the definition of "Applicable Margin", "Applicable Percentage" or "Applicable Utilization Fee", as the case may be; (c) if the ratings established by S&P or Moody's shall fall within different levels, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be based upon the lower rating; (d) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change; and (e) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Reference Banks" means Citibank, Bank of America, N.A. and UBS AG, Stamford Branch, or, in the event that less than two of such Lenders remain Lenders hereunder at any time, any other commercial bank designated by the Company and approved by the Majority Lenders as constituting a "Reference Bank" hereunder.

"Register" has the meaning specified in Section 9.07(d).

"Replacement Lender" has the meaning specified in Section 2.18(a)(ii)(A).

"Revolving Credit Advance" means an advance by a Lender to any Borrower as part of a Revolving Credit Borrowing by such Borrower and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Revolving Credit Note" means a promissory note of any Borrower payable to the order of any Lender, delivered pursuant to a request made under 2.19(a) in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of such Borrower

to such Lender resulting from the Revolving Credit Advances made by such Lender to such Borrower.

"S&P" means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., or its successor.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any ERISA Affiliate and no Person other than the Company and the ERISA Affiliates or (b) was so maintained and in respect of which the Company or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Subsidiary" of any Person means any corporation, partnership, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company or partnership or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Taxes" has the meaning specified in Section 2.14(a).

"Termination Date" means the earlier of (a) November 26, 2002 or, if the Termination Date is extended pursuant to Section 2.18(a), the date to which the Termination Date is extended pursuant to Section 2.18(a), and (b) the date of termination in whole of the Commitments pursuant to Section 2.05(a), 2.05(b) or 6.01.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Withdrawal Liability" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with accounting principles generally accepted in

the United States consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) ("GAAP").

## Article II

### AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Revolving Credit Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to any Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount for all Borrowers not to exceed at any time outstanding (a) the amount set forth opposite such Lender's name on the signature pages hereof or (b) if such Lender has become a Lender hereunder pursuant to an Assumption Agreement or has increased its Commitment pursuant to Section 2.05(c), or if such Lender has entered into any Assignment and Acceptance, the amount set forth for such Lender in the Register maintained by the Agent pursuant to Section 9.07(d), in each case as such amount may be reduced pursuant to Section 2.05(a) or (b) (such Lender's "Commitment"), provided that the aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate amount of the Competitive Bid Advances then outstanding and such deemed use of the aggregate amount of the Commitments shall be allocated among the Lenders ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a "Competitive Bid Reduction"). Each Revolving Credit Borrowing shall be in an aggregate amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof (or, if less, an aggregate amount equal to the amount by which the aggregate amount of a proposed Competitive Bid Borrowing requested by any Borrower exceeds the aggregate amount of Competitive Bid Advances offered to be made by the Lenders and accepted by such Borrower in respect of such Competitive Bid Borrowing, if such Competitive Bid Borrowing is made on the same date and by the same Borrower as such Revolving Credit Borrowing) and shall consist of Revolving Credit Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment, any Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.10 and reborrow under this Section 2.01.

SECTION 2.02. Making the Revolving Credit Advances. (a) Each Revolving Credit Borrowing shall be made on notice, given not later than (i) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurodollar Rate Advances or (ii) 11:00 A.M. (New York City time) on the day of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Base Rate Advances, by any Borrower to the Agent, which shall give to each Lender prompt notice thereof by telecopier or telex. Each such notice of a Revolving Credit Borrowing (a "Notice of Revolving Credit Borrowing") shall be by telephone, confirmed immediately in writing, or telecopier or telex in substantially the form of Exhibit B-1 hereto, specifying therein the requested (w) date of such Revolving Credit Borrowing, (x) Type of Advances comprising such Revolving Credit Borrowing, (y) aggregate amount of such Revolving Credit Borrowing, and (z) in the case of a Revolving Credit Borrowing consisting of Eurodollar Rate Advances, initial Interest Period for each such

Revolving Credit Advance. Each Lender shall, before (i) in the case of a Eurodollar Rate Advance, 11:00 A.M. (New York City time) or (ii) in the case of a Base Rate Advance, 1:00 P.M. (New York City time) on the date of such Revolving Credit Borrowing, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, such Lender's ratable portion of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower requesting the Revolving Credit Borrowing at the Agent's address referred to in Section 9.02.

(b) Anything herein to the contrary notwithstanding, a Borrower may not select Eurodollar Rate Advances for any Revolving Credit Borrowing if the obligation of the Lenders to make Eurodollar Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12.

(c) Each Notice of Revolving Credit Borrowing of any Borrower shall be irrevocable and binding on such Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower requesting such Revolving Credit Borrowing shall indemnify each Lender, after receipt of a written request by such Lender setting forth in reasonable detail the basis for such request, against any loss, cost or expense actually incurred by such Lender as a result of any failure by such Borrower to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (other than loss of anticipated profits), cost or expense actually incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Credit Advance to be made by such Lender as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the date of any Revolving Credit Borrowing comprised of Eurodollar Rate Advances or prior to the time of the proposed disbursement of any Revolving Credit Borrowing comprised of Base Rate Advances that such Lender will not make available to the Agent such Lender's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower requesting such Revolving Credit Borrowing on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and such Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Agent, at (i) in the case of such Borrower, the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Credit Advance as part of such Revolving Credit Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Credit Advance to be made by such other Lender on the date of any Revolving Credit Borrowing.

SECTION 2.03. The Competitive Bid Advances. (a) Each Lender severally agrees that any Borrower may make Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the date hereof until the date occurring 30 days prior to the Termination Date in the manner set forth below, provided that, following the making of each Competitive Bid Borrowing, the aggregate amount of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders (computed without regard to any Competitive Bid Reduction).

(i) A Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent, by telecopier or telex, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying therein the requested (u) date of such proposed Competitive Bid Borrowing, (v) aggregate amount of such proposed Competitive Bid Borrowing, (w) interest rate basis (LIBO Rate or fixed rate) to be offered by the Lenders, (x) in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, Interest Period of each Competitive Bid Advance to be made as part of such Competitive Bid Borrowing, or in the case of a Competitive Bid Borrowing Consisting of Fixed Rate Advances, maturity date for repayment of each Fixed Rate Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring 7 days after the date of such Competitive Bid Borrowing or later than the earlier of (I) 180 days after the date of such Competitive Bid Borrowing and (II) the Termination Date), (y) interest payment date or dates relating thereto, and (z) other terms (if any) to be applicable to such Competitive Bid Borrowing, not later than 10:00 A.M. (New York City time) (A) at least one Business Day prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum (the Advances comprising any such Competitive Bid Borrowing being referred to herein as "Fixed Rate Advances") and (B) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall instead specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders are to be based on the LIBO Rate (the Advances comprising such Competitive Bid Borrowing being referred to herein as "LIBO Rate Advances"). Each Notice of Competitive Bid Borrowing of a Borrower shall be irrevocable and binding on such Borrower. Any Notice of Competitive Bid Borrowing by a Designated Subsidiary shall be given to the Agent in accordance with the preceding sentence through the Company on behalf of such Designated Subsidiary. The Agent shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from a Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.



(ii) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower proposing the Competitive Bid Borrowing as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent (which shall give prompt notice thereof to such Borrower), before 9:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances and before 10:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, of the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts may, subject to the proviso to the first sentence of this Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify such Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Agent by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent, before 10:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(iii) The Borrower proposing the Competitive Bid Borrowing shall, in turn, before 10:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances and before 11:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, either:

(x) cancel such Competitive Bid Borrowing by giving the Agent notice to that effect, or

(y) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in its sole discretion, by giving notice to the Agent of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to such Borrower by the Agent on behalf of such Lender for such Competitive Bid Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent notice to that effect; provided, however, that such Borrower shall not accept any offer in excess of the requested bid amount for any maturity. Such

Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

(iv) If the Borrower proposing the Competitive Bid Advance notifies the Agent that such Competitive Bid Borrowing is cancelled pursuant to paragraph (iii)(x) above, the Agent shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower proposing the Competitive Bid Advance accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Agent shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by such Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 12:00 Noon (New York City time) on the date of such Competitive Bid Borrowing specified in the notice received from the Agent pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, such Lender's portion of such Competitive Bid Borrowing. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to such Borrower at the Agent's address referred to in Section 9.02. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount of the Competitive Bid Borrowing, the consequent Competitive Bid Reduction and the dates upon which such Competitive Bid Reduction commenced and will terminate.

(vi) If the Borrower proposing the Competitive Bid Advance notifies the Agent that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on such Borrower. Such Borrower shall indemnify each Lender, after receipt of a written request by such Lender setting forth in reasonable detail the basis for such request, against any loss, cost or expense actually incurred by such Lender as a result of any failure by such Borrower to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (other than loss

of anticipated profits), cost or expense actually incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

(b) Each Competitive Bid Borrowing shall be in an aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and, following the making of each Competitive Bid Borrowing, the Borrower that has borrowed through such Competitive Bid Borrowing shall be in compliance with the limitation set forth in the proviso to the first sentence of subsection (a) above.

(c) Within the limits and on the conditions set forth in this Section 2.03, each Borrower may from time to time borrow under this Section 2.03, repay or prepay pursuant to subsection (d) below, and reborrow under this Section 2.03.

(d) Each Borrower that has borrowed through a Competitive Bid Borrowing shall repay to the Agent for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of such Competitive Bid Advance (such maturity date being that specified by such Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and provided in the Competitive Bid Note evidencing such Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. A Borrower shall have no right to prepay any principal amount of any Competitive Bid Advance without the consent of the Lender that has made such Competitive Bid Advance or as is specified in the Notice of Competitive Bid Borrowing.

(e) Each Borrower that has borrowed through a Competitive Bid Borrowing shall pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance comprising such Competitive Bid Borrowing to the date the principal amount of such Competitive Bid Advance is repaid in full, at the rate of interest for such Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) above, payable on the interest payment date or dates specified by such Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), each Borrower that has borrowed through a Competitive Bid Borrowing shall pay interest on the amount of unpaid principal of and interest on each Competitive Bid Advance comprising such Competitive Bid Borrowing that is owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

(f) The indebtedness of any Borrower resulting from each Competitive Bid Advance made to such Borrower as part of a Competitive Bid Borrowing shall be evidenced by a

separate Competitive Bid Note of such Borrower payable to the order of the Lender making such Competitive Bid Advance.

SECTION 2.04. Fees. (a) Facility Fee. The Company agrees to pay to the Agent for the account of each Lender a facility fee (i) on the aggregate amount of such Lender's Commitment from the date hereof in the case of each Initial Lender and from the effective date specified in the Assumption Agreement or the Assignment and Acceptance, as the case may be, pursuant to which it became a Lender in the case of each other Lender until the Termination Date and (ii) if the Company has extended the Final Maturity Date pursuant to Section 2.18(b), on the aggregate principal amount of the Revolving Credit Advances payable to such Lender from the Termination Date until such Final Maturity Date, in each case of clauses (i) and (ii) at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing March 31, 2002, and on the Termination Date and on any extended Final Maturity Date.

(b) Agent's Fees. The Company shall pay to the Agent for its own account such fees as may from time to time be agreed in writing between the Company and the Agent.

SECTION 2.05. Termination, Reduction or Increase of the Commitments. (a) Termination or Ratable Reduction by the Company. The Company shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that each partial reduction shall be in the aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and provided, further, that the aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the aggregate principal amount of the Competitive Bid Advances then outstanding. The aggregate amount of the Commitments, once reduced or terminated as provided in this Section 2.05(a), may not be reinstated, except as provided in Section 2.05(c) below.

(b) Termination by the Majority Lenders upon Change of Control. In the event that a Change of Control occurs, (i) the Agent shall at the request, or may with the consent, of the Majority Lenders, by notice to the Company given not later than 10 Business Days after receipt by the Lenders and the Agent of notice from the Company of such Change of Control pursuant to Section 5.01(h)(iv), declare the Commitments (determined without giving effect to any Competitive Bid Reduction) to be terminated in whole, effective as of the date set forth in such notice, provided, however, that such date shall be no earlier than 10 Business Days after the Company's receipt of such notice of termination and (ii) each Borrower's right to make a Borrowing under this Agreement shall thereupon be suspended and shall remain suspended until 10 Business Days after receipt by the Lenders and the Agent of notice from the Company of such Change of Control pursuant to Section 5.01(h)(iv) unless the Majority Lenders shall have exercised their right to terminate the Commitments as provided in clause (i) of this Section 2.05(b), in which case each Borrower's right to make a Borrowing under this Agreement shall remain suspended until the effective date of such termination. A notice of termination pursuant to this Section 2.05(b) shall have the effect of accelerating the outstanding Advances of the Lenders and the Notes of the Lenders and each Borrower shall, on or prior to the effective date of the termination of the Commitments, prepay or cause to be prepaid the outstanding principal amount of all Advances owing by any such Borrower to the Lenders, together with accrued

interest thereon to the date of such payment, any facility fees or other fees payable to the Lenders pursuant to the provisions of Section 2.04, and all other amounts payable to the Lenders under this Agreement (including, but not limited to, any increased costs or other amounts owing under Section 2.11 and any indemnification for Taxes under Section 2.14). Upon such prepayment and the termination of the Commitments in accordance with this Section 2.05(b), the obligations of the Lenders under this Agreement shall, by the provisions hereof, be released and discharged.

(c) Increase by the Company. (i) The Company may at any time, by notice to the Agent, propose that the aggregate amount of the Commitments be increased (each such proposed increase being a "Commitment Increase") by up to \$300,000,000 in excess of the aggregate of the Commitments as of the Effective Date, effective as at a date (the "Commitment Increase Date") that shall be specified in such notice and that shall be (A) prior to the Termination Date and (B) at least 15 Business Days after the date of such notice; provided, however, that (w) the Company may not propose more than one Commitment Increase during any calendar year, (x) the minimum proposed Commitment Increase for each Commitment Increase Date shall be \$50,000,000, (y) in no event shall the aggregate amount of the Commitments at any time exceed \$500,000,000 and (z) no Default shall have occurred and be continuing on such Commitment Increase Date or shall result from such Commitment Increase. The Agent shall notify the Lenders and any Eligible Assignees requested by the Company and acceptable to the Agent as potential Assuming Lenders hereunder of the proposed Commitment Increase promptly upon the Agent's receipt of any such notice. It shall be in each Lender's sole discretion whether to increase its Commitment hereunder in connection with the proposed Commitment Increase. No later than 10 Business Days after its receipt of the Company's notice, each Lender that is willing to increase its Commitment hereunder (each such Lender being an "Increasing Lender") shall deliver to the Agent a notice in which such Lender shall set forth the maximum increase in its Commitment to which such Lender is willing to agree, and the Agent shall promptly provide to the Company a copy of such Increasing Lender's notice. The Agent shall cooperate with the Company in discussions with the Lenders and Eligible Assignees with a view to arranging the proposed Commitment Increase through the increase of the Commitments of one or more of the Lenders and/or the addition of one or more Eligible Assignees acceptable to the Company and the Agent as Assuming Lenders and as parties to this Agreement; provided, however, that the minimum Commitment of each such Assuming Lender that becomes a party to this Agreement pursuant to this Section 2.05(c) shall be \$10,000,000; and provided further that any allocations of Commitments shall be determined by the Company.

(ii) If agreement is reached prior to the relevant Commitment Increase Date with any Increasing Lenders and Assuming Lenders as to a Commitment Increase (the amount of which may be less than (subject to the limitation set forth in clause (i)(x) of this Section 2.05(c)) but not greater than that amount specified in the applicable notice from the Company), the Company shall deliver, no later than one Business Day prior to the Commitment Increase Date, a notice thereof in reasonable detail to the Agent (and the Agent shall give notice thereof to the Lenders, including any Assuming Lenders). The Assuming Lenders, if any, shall become Lenders hereunder as of the Commitment Increase Date and the Commitments of any Increasing Lenders and such Assuming Lenders shall become or be, as the case may be, as of the Commitment Increase Date, the amounts specified in the notice delivered by the Company to the Agent; provided, however, that:

(x) the Agent shall have received on or prior to 9:00 A.M. (New York City time) on the Commitment Increase Date (A) a duly executed Revolving Credit Note from each Borrower, dated as of the Commitment Increase Date and in substantially the form of Exhibit A-1 hereto for each Assuming Lender, and dated the date to which interest on the existing Revolving Credit Note of such Borrower shall have been paid and in substantially the form of Exhibit A-1 hereto for each Increasing Lender, in each case in an amount equal to the Commitment of each such Assuming Lender and each such Increasing Lender after giving effect to such Commitment Increase, (B) a certificate of a duly authorized officer of the Company stating that no event has occurred and is continuing, or would result from such Commitment Increase, that constitutes a Default, and that each of the other applicable conditions to such Commitment Increase set forth in this Section 2.05(c) to be fulfilled by the Company has been satisfied and (C) an opinion of counsel for the Company in substantially the form of Exhibit H-1 hereto, dated the Commitment Increase Date (with copies for each Lender, including each Assuming Lender);

(y) with respect to each Assuming Lender, the Agent shall have received, on or prior to 9:00 A.M. (New York City time) on the Commitment Increase Date, an appropriate Assumption Agreement in substantially the form of Exhibit D hereto, duly executed by such Assuming Lender and the Company, and acknowledged by the Agent; and

(z) each Increasing Lender shall have delivered to the Agent, on or prior to 9:00 A.M. (New York City time) on the Commitment Increase Date, (A) its existing Revolving Credit Note or Notes and (B) confirmation in writing satisfactory to the Agent as to its increased Commitment, with a copy of such confirmation to the Company.

(iii) Upon its receipt of confirmation from a Lender that it is increasing its Commitment hereunder, together with the appropriate Revolving Credit Note or Notes, certificate and opinion referred to in clause (ii)(x) above, the Agent shall (A) record the information contained therein in the Register and (B) give prompt notice thereof to the Company. Upon its receipt of an Assumption Agreement executed by an Assuming Lender representing that it is an Eligible Assignee, together with the appropriate Revolving Credit Note or Notes, certificate and opinion referred to in clause (ii)(x) above, the Agent shall, if such Assumption Agreement has been completed and is in substantially the form of Exhibit D hereto, (x) accept such Assumption Agreement, (y) record the information contained therein in the Register and (z) give prompt notice thereof to the Company.

(iv) In the event that the Agent shall not have received notice from the Company as to such agreement on or prior to the Commitment Increase Date or the Company shall, by notice to the Agent prior to the Commitment Increase Date, withdraw its proposal for a Commitment Increase or any of the actions provided for above in clauses (ii)(x) through (ii)(z) shall not have occurred by 9:00 A.M. (New York City time) on the Commitment Increase Date, such proposal by the Company shall be deemed not to have been made. In such event, any actions theretofore taken under clauses (ii)(x) through (ii)(z) above shall be deemed to be of no effect and all the rights and obligations of the parties shall continue as if no such proposal had been made.

(v) In the event that the Agent shall have received notice from the Company as to such agreement on or prior to the Commitment Increase Date and each of the actions provided for in clauses (ii)(x) through (ii)(z) above shall have occurred by 9:00 A.M. (New York City time) on the Commitment Increase Date, the Agent shall notify the Lenders (including any Assuming Lenders) of the occurrence of the Commitment Increase Date promptly and in any event by 10:00 A.M. (New York City time) on such date by telecopier, telex or cable. Each Increasing Lender and each Assuming Lender shall, before 11:00 A.M. (New York City time) on the Commitment Increase Date, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, in the case of such Assuming Lender, an amount equal to such Assuming Lender's ratable portion of the Revolving Credit Borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments outstanding after giving effect to the relevant Commitment Increase) and, in the case of such Increasing Lender, an amount equal to the excess of (i) such Increasing Lender's ratable portion of the Revolving Credit Borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments outstanding after giving effect to the relevant Commitment Increase) over (ii) such Increasing Lender's ratable portion of the Revolving Credit Borrowings then outstanding (calculated based on its Commitment (without giving effect to the relevant Commitment Increase) as a percentage of the aggregate Commitments without giving effect to the relevant Commitment Increase). After the Agent's receipt of such funds from each such Increasing Lender and each such Assuming Lender, the Agent will promptly thereafter cause to be distributed like funds to the other Lenders for the account of their respective Applicable Lending Offices in an amount to each other Lender such that the aggregate amount of the outstanding Revolving Credit Advances owing to each Lender after giving effect to such distribution equals such Lender's ratable portion of the Revolving Credit Borrowings then outstanding (calculated based on such Lender's Commitment as a percentage of the aggregate Commitments outstanding after giving effect to the relevant Commitment Increase). If the Commitment Increase Date shall occur on a date that is not the last day of the Interest Period for all Eurodollar Rate Advances then outstanding, (a) the Company shall pay any amounts owing pursuant to Section 9.04(d) as a result of the distributions to Lenders under this Section 2.05(c)(v) and (b) for each Revolving Credit Borrowing comprised of Eurodollar Rate Advances, the respective Revolving Credit Advances made by the Increasing Lenders and the Assuming Lenders pursuant to this Section 2.05(c)(v) shall be Base Rate Advances until the last day of the then existing Interest Period for such Revolving Credit Borrowing.

SECTION 2.06. Repayment of Revolving Credit Advances. Each Borrower shall repay to the Agent for the ratable account of the Lenders on the Final Maturity Date the aggregate principal amount of the Revolving Credit Advances then outstanding in respect of such Borrower.

SECTION 2.07. Interest on Revolving Credit Advances. (a) Scheduled Interest. Each Borrower shall pay interest on the unpaid principal amount of each Revolving Credit Advance owing by such Borrower to each Lender from the date of such Revolving Credit Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee, if any, in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurodollar Rate Advances. During such periods as such Revolving Credit Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Credit Advance to the sum of (x) the Eurodollar Rate for such Interest Period for such Revolving Credit Advance plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee, if any, in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), each Borrower shall pay interest on (i) the unpaid principal amount of each Revolving Credit Advance owing by such Borrower to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder by such Borrower that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above.

(c) Additional Interest on Eurodollar Rate Advances. The applicable Borrower shall pay to each Lender, so long as such Lender shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Lender to such Borrower, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the applicable Interest Period for such Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Advance. Such additional interest shall be determined by such Lender and notified in reasonable detail to such Borrower through the Agent.

SECTION 2.08. Interest Rate Determination. (a) Each Reference Bank agrees to furnish to the Agent timely information for the purpose of determining each Eurodollar Rate and each LIBO Rate. If any one or more of the Reference Banks shall not furnish such timely information to the Agent for the purpose of determining any such interest rate, the Agent shall determine such interest rate on the basis of timely information furnished by the remaining



Reference Banks. The Agent shall give prompt notice to the relevant Borrowers and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(i) or (ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.07(a)(ii).

(b) If, with respect to any Eurodollar Rate Advances, the Majority Lenders notify the Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period (which cost each such Lender reasonably determines in good faith is material), the Agent shall forthwith so notify each Borrower and the Lenders, whereupon (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and (ii) the obligation of the Lenders to make, or to Convert Revolving Credit Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify each Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(c) If any Borrower, in requesting a Revolving Credit Borrowing comprised of Eurodollar Rate Advances, shall fail to select the duration of the Interest Period for such Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify such Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances.

(d) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than \$5,000,000, such Advances shall automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances.

(e) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

(f) If fewer than two Reference Banks furnish timely information to the Agent for determining the Eurodollar Rate or LIBO Rate for any Eurodollar Rate Advances or LIBO Rate Advances, as the case may be, such Eurodollar Rate or LIBO Rate shall be the interest rate per annum determined by the Agent to be the offered rate per annum at which deposits in U.S. dollars for a maturity comparable to the Interest Period for such Eurodollar Rate Advances or LIBO Rate Advances, as the case may be, appears on the Telerate Page 3750 (or any successor page) as of 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period (the "Telerate"); provided that if the Telerate is not then available:

(i) the Agent shall forthwith notify the relevant Borrower and the Lenders that the interest rate cannot be determined for such Eurodollar Rate Advances or LIBO Rate Advances, as the case may be;

(ii) with respect to Eurodollar Rate Advances, each such Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance); and

(iii) the obligation of the Lenders to make Eurodollar Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify each Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09. Optional Conversion of Revolving Credit Advances.

Any Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08 and 2.12, Convert all Revolving Credit Advances of one Type comprising the same Borrowing into Revolving Credit Advances of the other Type; provided, however, that any Conversion of Eurodollar Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Revolving Credit Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the relevant Borrower.

SECTION 2.10. Optional Prepayments of Revolving Credit

Advances. Any Borrower may, upon notice to the Agent stating the proposed date and aggregate principal amount of the prepayment, given not later than 11:00 A.M. (New York City time) on the second Business Day prior to the date of such proposed prepayment, in the case of Eurodollar Rate Advances, and not later than 11:00 A.M. (New York City time) on the day of such proposed prepayment, in the case of Base Rate Advances, and, if such notice is given such Borrower shall, prepay the outstanding principal amount of the Revolving Credit Advances comprising part of the same Revolving Credit Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and (y) in the event of any such prepayment of a Eurodollar Rate Advance, such Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 9.04(d). Each notice of prepayment by a Designated Subsidiary shall be given to the Agent through the Company.

SECTION 2.11. Increased Costs. (a) If, after the date hereof,

due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority having jurisdiction over any Lender (whether or not having the force of law), there shall be any increase in the cost to any Lender (which cost such Lender reasonably determines in good faith is material) of agreeing to make or making, funding or maintaining Eurodollar Rate Advances or LIBO Rate Advances (excluding for purposes of this Section 2.11 any such increased costs resulting from (i) Taxes or Other Taxes (as to which

Section 2.14 shall govern) and (ii) Excluded Taxes), then the Borrower of such Advances shall from time to time, upon demand by such Lender made not later than 60 days after such Lender obtains knowledge of such increased costs (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. Each Lender agrees that if such Lender requests compensation for any amounts owing from a Borrower for such increased cost under this Section 2.11(a), such Lender shall, prior to a Borrower being required to pay such increased costs, furnish to such Borrower a certificate of a senior financial officer of such Lender verifying that such increased cost was actually incurred by such Lender and the amount of such increased cost and setting forth in reasonable detail the basis therefore (with a copy of such certificate to the Agent); provided, however, that such certificate shall be conclusive and binding for all purposes, absent manifest error.

(b) If, after the date hereof, any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority having jurisdiction over any Lender (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender made not later than 60 days after such Lender obtains knowledge of such increase in capital (with a copy of such demand to the Agent), the Company shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. Each Lender agrees that if such Lender requests compensation for any amounts owing from the Company for such increase in capital under this Section 2.11(b), such Lender shall, prior to a Borrower being required to compensate such Lender for such increase in capital, furnish to the Company a certificate of a senior financial officer of such Lender verifying that such increase in capital was actually required by such Lender and the amount of such increase in capital and setting forth in reasonable detail the basis therefore (with a copy of such certificate to the Agent); provided, however, that such certificate shall be conclusive and binding for all purposes, absent manifest error.

(c) No Borrower shall be obligated to pay under this Section 2.11 any amounts which relate to costs or increases of capital incurred prior to the 12 months immediately preceding the date of demand for payment of such amounts, unless the applicable law, regulation, guideline or request resulting in such costs or increases of capital is imposed retroactively. In the case of any law, regulation, guideline or request which is imposed retroactively, the Lender making demand for payment of any amount under this Section 2.11 shall notify the related Borrower not later than 12 months from the date that such Lender should reasonably have known (but promptly upon gaining knowledge of such increase) of such law, regulation, guideline or request and such Borrower's obligation to compensate such Lender for such amount is contingent upon such Lender's so notifying such Borrower; provided, however, that any failure by such Lender to provide such notice shall not affect such Borrower's obligations under this Section 2.11 with respect to amounts resulting from costs or increases of

capital incurred after the date which occurs 12 months immediately preceding the date on which such Lender notified such Borrower of such law, regulation, guideline or request.

(d) If any Lender shall subsequently recoup any costs (other than from a Borrower) for which such Lender has theretofore been compensated by a Borrower under this Section 2.11, such Lender shall remit to such Borrower an amount equal to the amount of such recoupment as reasonably determined by such Lender.

SECTION 2.12. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall after the date hereof, notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority having jurisdiction over any Lender asserts that it is unlawful, for any Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or LIBO Rate Advances or to fund or maintain Eurodollar Rate Advances or LIBO Rate Advances hereunder, (i) each Eurodollar Rate Advance or LIBO Rate Advance, as the case may be, will automatically, upon such demand, Convert into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (ii) the obligation of the Lenders to make Eurodollar Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify each Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.13. Payments and Computations. (a) Each Borrower shall make each payment hereunder and relating to the Advances not later than 1:00 P.M. (New York City time) on the day when due in U.S. dollars to the Agent at the Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.03, 2.05(c), 2.07(c), 2.11, 2.14, 2.18(a) or 9.04(cd) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and relating to the Advances in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. Upon any Assuming Lender becoming a Lender hereunder as a result of the effectiveness of a Commitment Increase pursuant to Section 2.05(c), and upon the Agent's receipt of such Lender's Assumption Agreement and recording the information contained therein in the Register, from and after the relevant Increase Date, the Agent shall make all payments hereunder and relating to the Advances in respect of the interest assumed thereby to such Assuming Lender.

(b) All computations of interest based on the Base Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate and of facility fees shall be made by the Agent on the basis of a year of 360 days, in each case for the actual number of days

(including the first day but excluding the last day) occurring in the period for which such interest or facility fees are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or relating to the Advances shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances or LIBO Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from a Borrower prior to the date on which any payment is due to the Lenders from such Borrower hereunder that such Borrower will not make such payment in full, the Agent may assume that such Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent such Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.14. Taxes. (a) Any and all payments by each Borrower hereunder or relating to the Advances shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof or by any jurisdiction in which such Lender or the Agent (as the case may be) is doing business that is unrelated to this Agreement and such net income taxes or franchise taxes that would not have been imposed if such Lender or the Agent (as the case may be) had not been conducting such unrelated business and, in the case of each Lender, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such excluded taxes being hereinafter referred to as "Excluded Taxes" and all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or relating to the Advances being hereinafter referred to as "Taxes"). If any Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or relating to the Advances to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions for Taxes (including deductions for Taxes applicable to additional sums payable under this Section 2.14) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or relating to the Advances or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or relating to the Advances (hereinafter referred to as "Other Taxes").

(c) Each Borrower shall indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any taxes imposed by any jurisdiction on amounts payable under this Section 2.14) imposed on or paid by such Lender or the Agent (as the case may be) and any liability for penalties, interest and reasonable expenses arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor; provided that such Lender shall, prior to a Borrower being required to indemnify such Lender pursuant to this Section 2.14(c), furnish to such Borrower a certificate of a senior financial officer of such Lender verifying that such Taxes or Other Taxes were actually incurred by such Lender and the amount of such Taxes or Other Taxes and setting forth in reasonable detail the basis therefor (with a copy of such certificate to the Agent), provided, however, that such certificate shall be conclusive and binding for all purposes, absent manifest error.

(d) Within 30 days after the date of any payment of Taxes, each Borrower shall furnish to the Agent, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing payment thereof. In the case of any payment hereunder or relating to the Advances by or on behalf of any Borrower through an account or branch outside the United States or by or on behalf of any Borrower by a payor that is not a United States person, if such Borrower determines that no Taxes are payable in respect thereof, such Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as requested in writing by any Borrower (but only so long as such Lender remains lawfully able to do so), shall provide the Agent and each Borrower with two original Internal Revenue Service forms 1001 or 4224, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or relating to the Advances. If the forms provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which a Lender

assignee becomes a party to this Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee on such date.

(f) For any period with respect to which a Lender has failed to provide each Borrower with the appropriate form described in Section 2.14(e) (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided, or if such form otherwise is not required under the first sentence of subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.14(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, each Borrower agrees to take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(g) If any Lender determines, in its sole discretion, that it has actually and finally realized, by reason of a refund, deduction or credit of any Taxes or Other Taxes paid or reimbursed by a Borrower pursuant to subsection (a) or (c) above in respect of payments under the Credit Agreement or relating to the Advances, a current monetary benefit that it would otherwise not have obtained, and that would result in the total payments under this Section 2.14 exceeding the amount needed to make such Lender whole, such Lender shall pay to such Borrower, with reasonable promptness following the date on which it actually realizes such benefit, an amount equal to the lesser of the amount of such benefit or the amount of such excess, in each case net of all reasonable out-of-pocket expenses in securing such refund, deduction or credit.

SECTION 2.15. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Revolving Credit Advances owing to it (other than pursuant to Section 2.05(c), 2.07(c), 2.11, 2.14, 2.18(a) or 9.04(d)) in excess of its ratable share of payments on account of the Revolving Credit Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Credit Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Each Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of such Borrower in the amount of such participation.

SECTION 2.16. Use of Proceeds. The proceeds of the Advances shall be available (and each Borrower agrees that it shall use such proceeds) solely (i) for general corporate purposes of such Borrower and its Subsidiaries and (ii) for acquisitions by such Borrower that have been approved by the Board of Directors of the corporation that is to be acquired by such Borrower.

SECTION 2.17. Mandatory Assignment by a Lender; Mitigation. If any Lender requests from a Borrower either payment of additional interest on Eurodollar Rate Advances pursuant to Section 2.07(c), or reimbursement for increased costs pursuant to Section 2.11, or payment of or reimbursement for Taxes pursuant to Section 2.14, or if any Lender notifies the Agent that it is unlawful for such Lender or its Eurodollar Lending Office to perform its obligations hereunder pursuant to Section 2.12, (i) such Lender will, upon three Business Days' notice by such Borrower to such Lender and the Agent, to the extent not inconsistent with such Lender's internal policies and applicable legal and regulatory restrictions, use reasonable efforts to make, fund or maintain its Eurodollar Rate Advances through another Eurodollar Lending Office of such Lender if (A) as a result thereof the additional amounts required to be paid pursuant to Section 2.07(c), 2.11 or 2.14, as applicable, in respect of such Eurodollar Rate Advances would be materially reduced or the provisions of Section 2.12 would not apply to such Lender, as applicable, and (B) as determined by such Lender in good faith but in its sole discretion, the making or maintaining of such Eurodollar Rate Advances through such other Eurodollar Lending Office would not otherwise materially and adversely affect such Eurodollar Rate Advances or such Lender and (ii) unless such Lender has therefore taken steps to remove or cure, and has removed or cured (to the extent not inconsistent with internal policies and applicable legal and regulatory restrictions), the conditions creating such obligation to pay such additional amounts or the circumstances described in Section 2.12, such Lender will, upon at least five Business Days' notice from the Company to such Lender and the Agent, assign, pursuant to and in accordance with the provisions of Section 9.07, to one or more Eligible Assignees designated by the Company all, but not less than all, of the Revolving Credit Advances then owing to such Lender and all, but not less than all, of such Lender's rights and obligations hereunder (other than rights in respect of such Lender's outstanding Competitive Bid Advance), without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the outstanding principal amount of each such Advance then owing to such Lender plus any accrued but unpaid interest thereon and any accrued but unpaid facility fees owing thereto and, in addition, all additional costs reimbursements, expense reimbursements and indemnities, if any, owing in respect of such Lender's Commitment hereunder at such time shall be paid to such Lender.

SECTION 2.18. Extension of the Termination Date and the Final Maturity Date. (a) Extension of the Termination Date. (i) The Company may, at its option, by written notice to the Agent in substantially the form of Exhibit E-1 hereto, no earlier than 45 days and no later than 30 days prior to the Termination Date then in effect, request that the Lenders extend such Termination Date for an additional period of 364 days. Such request shall be irrevocable and binding upon the Company. The Agent shall promptly notify each Lender of such request. If a Lender agrees, in its individual and sole discretion, to so extend its Commitment (each such Lender being an "Extending Lender"), it shall deliver to the Agent a written notice in substantially the form of Exhibit E-2 hereto of its agreement to do so no earlier than 30 days and



no later than 20 days prior to such Termination Date and the Agent shall notify the Company in writing of such Extending Lender's agreement to extend its Commitment no later than 15 days prior to such Termination Date.

(ii) If any Lender does not consent, or fails to respond within the time period set forth in clause (i) of this Section 2.18(a), to a request by the Company for an extension of the Termination Date then in effect (each such Lender being a "Declining Lender"), the Company shall have the right to:

(A) require any Declining Lender to assign in full its rights and obligations under this Agreement (I) to an Extending Lender designated by the Company that has offered to increase its Commitment in an amount at least equal to the amount of such Declining Lender's Commitment in its notice delivered to the Agent under subsection (a) of this Section 2.18 (each such Extending Lender being an "Increasing Extending Lender") and (II) to the extent of any shortfall in the aggregate amount of extended Commitments, to any other Person designated by the Company and acceptable to the Agent (which acceptance shall not be unreasonably withheld) that agrees to accept all of such rights and obligations (each such other Person being a "Replacement Lender"), provided that (w) such assignment is otherwise in compliance with Section 9.07, (x) such Declining Lender receives payment in full of the aggregate principal amount of all Advances owing to such Declining Lender, together with all accrued and unpaid interest thereon to the effective date of such assignment and all fees and other accrued and unpaid amounts owing to such Declining Lender under any provision of this Agreement (including, but not limited to, any increased costs or other additional amounts owing under Section 2.11, and any Taxes or Other Taxes owing under Section 2.14) as of the effective date of such assignment, (y) with respect to any Replacement Lender, such Replacement Lender shall have paid the applicable processing and recordation fee required under Section 9.07(a) for such assignment and (z) such assignment shall be effective on or prior to such Termination Date; or

(B) subject to the giving of notice to such Declining Lender at least five days prior to such Termination Date, pay, prepay or cause to be prepaid, on and effective as of such Termination Date, the aggregate principal amount of all Advances owing to such Declining Lender, together with all accrued and unpaid interest thereon to the date of such payment, and all fees and other accrued and unpaid amounts owing to such Declining Lender under any provision of this Agreement (including, but not limited to, any increased costs or other additional amounts owing under Section 2.11, and any Taxes or Other Taxes owing under Section 2.14) as of the date of such payment or prepayment, and terminate in whole such Declining Lender's Commitment, notwithstanding the provisions of Section 2.05(a).

(iii) The Company shall, no later than one day before the Termination Date then in effect, deliver to the Agent a notice setting forth the Commitments of the Extending Lenders and the Replacement Lenders, if any, which are to become or be, as the case may be, effective as of such Termination Date. If Extending Lenders and/or Replacement Lenders provide Commitments in an aggregate amount at least equal to 51% of the aggregate amount of the Commitments outstanding immediately prior to such Termination Date, the Agent shall give

prompt notice thereof to the Lenders and, effective as of such Termination Date, (A) the Termination Date shall be extended by 364 days for such Extending Lenders and such Replacement Lenders, subject, however, to the provisions of subsection (b) of this Section 2.18, (B) each Declining Lender shall have no further Commitment hereunder and (C) the Commitments of such Extending Lenders and such Replacement Lenders shall become or be, as the case may be the amounts specified in the notice delivered by the Company to the Agent.

(b) Extension of the Final Maturity Date. On the Termination Date in effect at any time, if no Default shall have occurred and be continuing, the Company may, by written notice to the Agent, request that the Final Maturity Date be a date occurring up to the first anniversary of such Termination Date. Such request shall be irrevocable and binding upon the Company. The Agent shall promptly notify each Lender of such request. Subject to the satisfaction of the applicable conditions set forth in Section 3.05 as of such Termination Date, the Final Maturity Date shall be, effective as of such Termination Date, such date as the Company shall request pursuant to this subsection (b) of this Section 2.18. In the event that the Company shall request that the Final Maturity Date be a date occurring up to the first anniversary of the then scheduled Termination Date, and the Final Maturity Date shall be so extended as provided in this subsection (b) of this Section 2.18, the right of the Company to request an extension of the Termination Date pursuant to subsection (a) of this Section 2.18 shall automatically terminate and any extension of the Termination Date in effect at the time such request is made that would otherwise occur as provided in subsection (a) of this Section 2.18 shall automatically be cancelled. The Agent shall promptly notify each Lender of any such extension of the Final Maturity Date and any such cancellation of an extension of the Termination Date.

SECTION 2.19. Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Revolving Credit Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Revolving Credit Advances. Each Borrower agrees that upon reasonable notice by any Lender to such Borrower (with a copy of such notice to the Agent) to the effect that a Revolving Credit Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Revolving Credit Advances owing to, or to be made by, such Lender, such Borrower shall promptly execute and deliver to such Lender a Revolving Credit Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 9.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from such Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from each Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from each Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of any Borrower under this Agreement.

### Article III

#### CONDITIONS TO EFFECTIVENESS AND LENDING

##### SECTION 3.01. Conditions Precedent to Effectiveness of

Sections 2.01 and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) There shall have occurred no Material Adverse Change since December 31, 2000 except as disclosed by the Company in writing to the Lenders prior to the date of execution of this Agreement.

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting the Company or any of its Subsidiaries pending or threatened before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect other than the matters described on Schedule 3.01(b) hereto (the "Disclosed Litigation") or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there shall have been no material adverse change in the status, or financial effect on the Company and its Subsidiaries taken as a whole, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(c) All governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not acceptable to the Lenders) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Lenders that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(d) The Company shall have notified the Agent in writing as to the proposed Effective Date.

(e) The Company shall have paid all accrued fees and expenses of the Agent and the Lenders that shall have been invoiced as of the Effective Date (including the accrued fees and expenses of counsel to the Agent), in each case solely to the extent such fees and expenses are required by other provisions of this Agreement to be so paid.

(f) On the Effective Date, the following statements shall be true and the Agent shall have received for the account of each Lender a certificate signed by a duly authorized officer of the Company, dated the Effective Date, stating that:

(i) The representations and warranties of the Company contained in Section 4.01 are correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default.

(g) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance reasonably satisfactory to the Agent and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(i) The Revolving Credit Notes of the Company to the order of the Lenders, respectively, to the extent requested by any Lender pursuant to Section 2.19.

(ii) Certified copies of the resolutions of the Board of Directors of the Company approving this Agreement (including the Commitment Increase contemplated by Section 2.05(c)) and the Notes of the Company, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and such Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to sign this Agreement and the Notes of the Company and the other documents to be delivered hereunder.

(iv) A favorable opinion of Robert M. Reese, Senior Vice President and General Counsel of the Company, substantially in the form of Exhibit H hereto and as to such other matters as any Lender through the Agent may reasonably request.

(v) A favorable opinion of Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent.

(vi) Such other approvals, opinions or documents as any Lender, through the Agent, may reasonably request prior to the Effective Date.

(h) The Company shall have terminated the commitments, and paid in full all Debt, interest, fees and other amounts outstanding, under (i) the Existing Credit Agreement and (ii) the \$400,000,000 Five-Year Credit Agreement dated as of December 15, 1995 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Five-Year Credit Agreement") among the Borrower, as borrower, the lenders and arrangers parties thereto and Citibank, as administrative agent, and each of the Lenders that is a party to each such credit facility hereby waives, upon execution of this Agreement, the three Business Days' notice required by Section 2.05 of

the Existing Credit Agreement and Section 2.05 of the Five-Year Credit Agreement, respectively, relating to the termination of commitments thereunder.

SECTION 3.02. Initial Borrowing of Each Designated Subsidiary.

The obligation of each Lender to make an initial Advance to each Designated Subsidiary following any designation of such Designated Subsidiary as a Borrower hereunder pursuant to Section 9.08 is subject to the Agent's receipt on or before the date of such Initial Advance of each of the following, in form and substance satisfactory to the Agent and dated such date, and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(a) The Revolving Credit Notes of such Borrower to the order of the Lenders, respectively, to the extent requested by any Lender pursuant to Section 2.19.

(b) Certified copies of the resolutions of the Board of Directors of such Borrower approving this Agreement and the Notes of such Borrower, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and such Notes.

(c) A certificate of the Secretary or an Assistant Secretary of such Borrower certifying the names and true signatures of the officers of such Borrower authorized to sign this Agreement and the Notes of such Borrower and the other documents to be delivered hereunder.

(d) A certificate signed by a duly authorized officer of the Company, dated as of the date of such initial Advance, certifying that such Borrower shall have obtained all governmental and third party authorizations, consents, approvals (including exchange control approvals) and licenses required under applicable laws and regulations necessary for such Borrower to execute and deliver this Agreement and the Notes of such Borrower and to perform its obligations thereunder.

(e) The Designation Letter of such Designated Subsidiary, substantially in the form of Exhibit F hereto.

(f) With respect to each Designated Subsidiary that has its principal place of business outside of the United States of America, evidence of the Process Agent's acceptance of its appointment pursuant to Section 9.12(a) as the agent of such Borrower, substantially in the form of Exhibit G hereto.

(g) A favorable opinion of counsel to such Designated Subsidiary, dated the date of such Initial Advance, substantially in the form of Exhibit I hereto.

(h) Such other approvals, opinions or documents as any Lender, through the Agent, may reasonably request.

SECTION 3.03. Conditions Precedent to Each Revolving Credit

Borrowing. The obligation of each Lender to make a Revolving Credit Advance on the occasion of each Revolving Credit Borrowing shall be subject to the conditions precedent that the Effective Date

shall have occurred and on the date of such Revolving Credit Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing and the acceptance by the Borrower requesting such Revolving Credit Borrowing of the proceeds of such Revolving Credit Borrowing shall constitute a representation and warranty by such Borrower that on the date of such Borrowing such statements are true):

(i) the representations and warranties of the Company contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f) thereof (other than clause (i)(B) thereof)) are correct on and as of the date of such Revolving Credit Borrowing, before and after giving effect to such Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and, if such Borrower is a Designated Subsidiary, the representations and warranties of such Borrower contained in its Designation Letter are correct on and as of the date of such Revolving Credit Borrowing, before and after giving effect to such Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and

(ii) no event has occurred and is continuing, or would result from such Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

SECTION 3.04. Conditions Precedent to Each Competitive Bid Borrowing. The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that (a) the Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (b) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (c) on the date of such Competitive Bid Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower requesting such Competitive Bid Borrowing of the proceeds of such Competitive Bid Borrowing shall constitute a representation and warranty by such Borrower that on the date of such Competitive Bid Borrowing such statements are true):

(i) the representations and warranties of the Company contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f) thereof (other than clause (i)(B) thereof)) are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and, if such Borrower is a Designated Subsidiary, the representations and warranties of such Borrower contained in its Designation Letter are correct on and as of the date of such Competitive Bid Borrowing, before and after giving

effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

(ii) no event has occurred and is continuing, or would result from such Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default, and

(iii) no event has occurred and no circumstance exists as a result of which the information concerning such Borrower that has been provided to the Agent and each Lender by such Borrower in connection herewith would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

SECTION 3.05. Conditions Precedent to Extension of the Final Maturity Date. The obligation of each Lender to extend the Final Maturity Date pursuant to Section 2.18(b) shall be subject to the conditions precedent that the Effective Date shall have occurred and on the Termination Date the following statements shall be true (and the giving by the Company of the notice of extension of the Final Maturity Date shall constitute a representation and warranty by the Company and each Designated Subsidiary that on the date of such extension such statements relating to such Borrower are true):

(i) the representations and warranties of the Company contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f) thereof (other than clause (i)(B) thereof)) are correct on and as of the date of such extension, before and after giving effect to such extension, as though made on and as of such date, and, the representations and warranties of such Designated Subsidiary contained in its Designation Letter are correct on and as of the date of such extension, before and after giving effect to such extension, as though made on and as of such date, and

(ii) no event has occurred and is continuing, or would result from such extension, that constitutes a Default.

SECTION 3.06. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Company, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Lenders of the occurrence of the Effective Date.

Article IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Company.

The Company represents and warrants as follows:

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

(b) The execution, delivery and performance by the Company of this Agreement and the Notes of the Company to be delivered by it, and the consummation of the transactions contemplated hereby, are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Company's charter or by-laws or (ii) any law or any contractual restriction binding on or affecting the Company, except where such contravention would not be reasonably likely to have a Material Adverse Effect.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Company of this Agreement or the Notes of the Company to be delivered by it, except for those authorizations, approvals, actions, notices and filings (i) listed on Schedule 4.01(c) hereto, all of which have been duly obtained, taken, given or made and are in full force and effect and (ii) where the Company's failure to receive, take or make such authorization, approval, action, notice or filing would not have a Material Adverse Effect.

(d) This Agreement has been, and each of the Notes of the Company to be delivered by it when delivered hereunder will have been, duly executed and delivered by the Company. This Agreement is, and each of the Notes of the Company when delivered hereunder will be, the legal, valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and general principles of equity.

(e) The Consolidated balance sheet of the Company and its Subsidiaries as at December 31, 2000, and the related Consolidated statements of income and cash flows of the Company and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Arthur Andersen LLP, independent public accountants, and the Consolidated condensed balance sheet of the Company and its Subsidiaries as at July 1, 2001, and the related Consolidated statements of income and condensed cash flows of the Company and its Subsidiaries for the six months then ended, duly certified by the chief financial officer of the Company, copies of which have been furnished to each Lender, fairly present, subject, in the case of said balance sheet as at July 1, 2001, and said statements of income and cash flows for the six months then ended, to audit adjustments, the Consolidated financial condition of the Company and its Subsidiaries as at such dates and the Consolidated results of the operations of the Company and its Subsidiaries for the



periods ended on such dates, all in accordance with accounting principles generally accepted in the United States consistently applied; provided, however, that said balance sheet and statements of income and cash flows for the six months ended as at July 1, 2001 are instead prepared in accordance with applicable rules and regulations of the Securities and Exchange Commission. Since December 31, 2000, there has been no Material Adverse Change.

(f) (i) There is no pending or, to the Company's knowledge, threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting the Company or any of its Subsidiaries before any court, governmental agency or arbitrator that (A) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (B) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and (ii) there has been no adverse change in the status, or financial effect on the Company and its Subsidiaries taken as a whole, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(g) No proceeds of any Advance will be applied in any manner that will violate or cause any Lender to violate Regulation U or Regulation G issued by the Board of Governors of the Federal Reserve System.

(h) The Company is not, and immediately after the application by the Company of the proceeds of each Advance will not be, an "investment company", or a company "controlled" by an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

(i) The Company and each of its Subsidiaries are in compliance with all applicable laws, rules, regulations and orders, including, without limitation, ERISA and Environmental Laws and Environmental Permits, except where the failure to so comply would not be reasonably likely to have a Material Adverse Effect.

(j) To the Company's knowledge, (i) all past non-compliance with any Environmental Laws and Environmental Permits has been resolved without ongoing obligations or costs except where the failure to so comply would not be reasonably likely to have a Material Adverse Effect and (ii) no circumstances exist that would be reasonably likely to (A) form the basis of an Environmental Action against the Company or any of its Subsidiaries or any of their properties that would be reasonably likely to have a Material Adverse Effect or (B) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that would be reasonably likely to have a Material Adverse Effect.

(k) No ERISA Event that would be reasonably likely to have a Material Adverse Effect has occurred or is reasonably expected to occur with respect to any Plan.

- (l) Schedule B (Actuarial Information) to the most recent annual report (Form 5500 Series) for each Plan whose "funded current liability percentage" is less than 90% and whose "unfunded current liability" exceeds \$5,000,000 (as such terms are defined in

Section 302(d)(8) of ERISA), copies of which have been filed with the Internal Revenue Service and furnished to the Lenders, is complete and accurate and fairly presents in all material respects the funding status of such Plan.

(m) Neither the Company nor any ERISA Affiliate has outstanding liability with respect to, or is reasonably expected to incur any Withdrawal Liability to, any Multiemployer Plan that would be reasonably likely to have a Material Adverse Effect.

(n) Neither the Company nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA, where such reorganization or termination would be reasonably likely to have a Material Adverse Effect.

(o) Except as set forth in the financial statements referred to in Section 4.01(e) and in Section 5.01(h), the Company and its Subsidiaries taken as a whole have no material liability with respect to "expected post retirement benefit obligations" within the meaning of Statement of Financial Accounting Standards No. 106.

#### Article V

##### COVENANTS OF THE COMPANY

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will:

(a) Compliance with Laws, Obligations, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and Environmental Laws as provided in Section 5.01(i), except where the failure to so comply would not be reasonably likely to have a Material Adverse Effect.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent if the failure to so pay and discharge would be reasonably likely to have a Material Adverse Effect, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, will by law become a lien upon its property; provided, however, that neither the Company nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained.

(c) Maintenance of Insurance. Maintain, and cause each of its Material Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations (or continue to maintain self-insurance) in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning

similar properties in the same general areas in which the Company or such Subsidiary operates.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises; provided, however, that the Company and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(b) and provided further that neither the Company nor any of its Subsidiaries shall be required to preserve any right or franchise if the Board of Directors of the Company or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company or such Subsidiary, as the case may be, and that the loss thereof would not be reasonably likely to have a Material Adverse Effect.

(e) Authorizations. Obtain, and cause each Designated Subsidiary with a principal place of business outside the United States to obtain, at any time and from time to time all authorizations, licenses, consents or approvals (including exchange control approvals) as shall now or hereafter be necessary or desirable under applicable law or regulations in connection with such Designated Subsidiary's making and performance of this Agreement and, upon the request of any Lender, promptly furnish to such Lender copies thereof.

(f) Keeping of Books. Keep, and cause each of its Material Subsidiaries with a principal place of business in the United States to keep, proper books of record and account, in which full and correct entries in all material respects shall be made of all financial transactions and the assets and business of the Company and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used in the conduct of its business in good working order and condition, ordinary wear and tear excepted, except where the failure to do so would not be reasonably likely to have a Material Adverse Effect.

(h) Reporting Requirements. Furnish to the Lenders:

(i) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Company, Consolidated condensed balance sheet of the Company and its Subsidiaries as of the end of such quarter and Consolidated statements of income and Consolidated condensed statements of cash flows of the Company and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to audit adjustments) by the chief financial officer of the Company as having been prepared in accordance with applicable rules and regulations of the Securities and Exchange Commission and certificates

of the chief financial officer of the Company as to compliance with the terms of this Agreement;

(ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Company, a copy of the annual report for such year for the Company and its Subsidiaries, containing Consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Company and its Subsidiaries for such fiscal year, in each case accompanied by an opinion of Arthur Andersen LLP or other nationally recognized independent public accountants;

(iii) as soon as possible and in any event within five days after the occurrence of each Default continuing on the date of such statement, a statement of the chief financial officer of the Company setting forth the details of such Default and the action that the Company has taken and proposes to take with respect thereto;

(iv) as soon as possible and in any event within three days after the occurrence of a Change of Control, notice of such Change of Control setting forth the details of such Change of Control;

(v) promptly after the sending or filing thereof, copies of all reports that the Company sends to any of its public securityholders, and copies of all reports and registration statements that the Company or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange;

(vi) (a) promptly and in any event within 20 days after the Company or any ERISA Affiliate has actual knowledge that an event that is an ERISA Event that has resulted or that would be reasonably likely to result in a liability of the Company or any ERISA Affiliate in an amount in excess of \$25,000,000 has occurred, a statement of the chief financial officer or other authorized officer of the Company describing such ERISA Event and the action, if any, that the Company or such ERISA Affiliate has taken and proposes to take with respect thereto and (b) on the date any records, documents or other information must be furnished to the PBGC with respect to any Plan pursuant to Section 4010 of ERISA, a copy of such records, documents and information;

(vii) promptly and in any event within three Business Days after receipt thereof by the Company or any ERISA Affiliate, copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan, where such notice, termination or appointment has resulted or would be reasonably likely to result in a liability of the Company or any ERISA Affiliate in an amount in excess of \$25,000,000;

(viii) promptly and in any event within 30 days after filing thereof with the Internal Revenue Services, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan whose "funded

current liability percentage" is less than 90% and whose "unfunded current liability" exceeds \$5,000,000 (as such terms are defined in Section 302(d)(8) of ERISA);

(ix) promptly and in any event within five Business Days after receipt thereof by the Company or any ERISA Affiliate from the sponsor of a Multiemployer Plan, copies of each notice concerning (A) the imposition of Withdrawal Liability by any such Multiemployer Plan, (B) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan or (C) the amount of liability incurred, or that may be incurred, by the Company or any ERISA Affiliate in connection with any event described in clause (A) or (B), where such imposition, reorganization or termination has resulted or would be reasonably likely to result in a liability of the Company or any ERISA Affiliate in an amount exceeding \$25,000,000;

(x) promptly after the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Company or any of its Subsidiaries of the type described in Section 4.01(f); and

(xi) such other information respecting the Company or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

(i) Compliance with Environmental Laws. Comply, and cause each of its Subsidiaries and all lessees and other Persons operating or occupying its properties, to comply with all applicable Environmental Laws and Environmental Permits except where the failure to so comply would not be reasonably likely to have a Material Adverse Effect.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will not:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, other than:

(i) Permitted Liens,

(ii) purchase money Liens upon or in any real property or equipment acquired or held by the Company or any Subsidiary of the Company in the ordinary course of business to secure the purchase price of such property or equipment or to secure Debt incurred solely for the purpose of financing the acquisition of such property or equipment, or Liens existing on such property or equipment at the time of its acquisition (other than any such Liens created in contemplation of such acquisition that were not incurred to finance the acquisition of such property) or extensions, renewals or replacements of any of the foregoing

for the same or a lesser amount, provided, however, that no such Lien shall extend to or cover any properties of any character other than the real property or equipment being acquired, and no such extension, renewal or replacement shall extend to or cover any properties not theretofore subject to the Lien being extended, renewed or replaced,

(iii) any assignment of any right to receive income existing on the Effective Date and any Liens existing on the Effective Date,

(iv) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Company or any Subsidiary of the Company or becomes a Subsidiary of the Company; provided that such Liens do not extend to any assets other than those of the Person so merged into or consolidated with the Company or such Subsidiary or acquired by the Company or such Subsidiary,

(v) other Liens or any other assignment of any right to receive income (in addition to the Liens and assignments permitted under clauses (i), (ii), (iii), (iv) or (vi)) securing Debt in an aggregate principal amount not to exceed \$450,000,000, and

(vi) the replacement, extension or renewal of any Lien or any assignment of any right to receive income permitted by clause (iii) or (iv) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Debt secured thereby.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or permit any of its Subsidiaries to do so, except that any Subsidiary of the Borrower may merge or consolidate with or into, or dispose of assets to, any other Subsidiary of the Company, and except that any Subsidiary of the Company may merge into or dispose of assets to the Company and the Company may merge with any other Person so long as the Company is the surviving corporation, provided, in each case, that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(c) Change in Nature of Business. Make, or permit any of its Subsidiaries to make, any material change in the nature of its business as carried on at the date hereof.

SECTION 5.03. Financial Covenant. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company shall maintain, as of the end of each fiscal quarter, a ratio of (a) Pre-Tax Income from Continuing Operations for the four fiscal quarters then ended to (b) Consolidated Interest Expense for such four fiscal quarters of not less than 2.0 to 1.0.

Article VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) Any Borrower shall fail to pay any principal of any Advance within one Business Day after the same becomes due and payable; or any Borrower shall fail to pay any interest on any Advance or make any other payment of fees or other amounts payable under this Agreement or any Note within three Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by any Company herein or, if such Borrower is a Designated Subsidiary, in such Borrower's Designation Letter, or by any Borrower in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(c) (i) The Company shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d) or (h)(iii), (iv) or (vi)-(ix) or 5.02, or (ii) the Company or any other Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(h)(i), (ii), (v), (x) or (xi) if such failure shall remain unremedied for 10 days after written notice thereof shall have been given to the relevant Borrower by the Agent or any Lender, or (iii) the Company or any other Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the relevant Borrower by the Agent or any Lender; or

(d) Any Borrower or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal or notional amount of at least \$75,000,000 in the aggregate (but excluding Debt outstanding hereunder) of such Borrower or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof, unless the event giving rise to such prepayment, redemption, purchase or defeasance is not related directly to any action taken by, or the condition (financial or otherwise) or operations of, the Company, any of its Subsidiaries, or any of their respective properties; or

(e) Any Borrower or any of its Material Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Borrower or any of its Material Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or any Borrower or any of its Material Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Any judgment or order for the payment of money in excess of \$50,000,000 shall be rendered against any Borrower or any of its Subsidiaries and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) The Company or any ERISA Affiliate shall incur, or, in the reasonable opinion of the Majority Lenders, shall be reasonably likely to incur liability in excess of \$75,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of the Company or any of its ERISA Affiliates from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan; or

(h) Any ERISA Event shall have occurred with respect to a Plan and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Company and the ERISA Affiliates related to such ERISA Event) exceeds \$75,000,000; or

(i) The Company or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount that, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Company and the ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds \$75,000,000; or

(j) The Company or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Company and the ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being



terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount exceeding \$75,000,000 in the aggregate;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Majority Lenders, by notice to the Company and each other Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Majority Lenders, by notice to the Company and each other Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrowers; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Borrower under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances to such Borrower (or, if such event has occurred in respect of the Company, to make Advances to any Borrower) shall automatically be terminated and (B) the Advances, all such interest and all such amounts owing by such Borrower (or, if such event has occurred in respect of the Company, owing by all of the Borrowers) shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrowers.

#### Article VII

##### GUARANTY

SECTION 7.01. Guaranty. For valuable consideration, receipt whereof is hereby acknowledged, and to induce each Lender to make Advances to the Designated Subsidiaries and to induce the Agent to act hereunder, the Company hereby unconditionally and irrevocably guarantees to each Lender and the Agent the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of the Designated Subsidiaries now or hereafter existing under this Agreement or the Notes, whether for principal, interest, fees, indemnities, expenses or otherwise (such obligations being the "Guaranteed Obligations"), and agrees to pay any and all reasonable and documented expenses (including reasonable counsel fees and expenses) incurred by the Agent or any Lender in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, the Company's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and that would be owed by any Designated Subsidiary to the Agent or any Lender under this Agreement and the Notes but for the fact that such Guaranteed Obligations are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such Designated Subsidiary.

SECTION 7.02. Guaranty Absolute. The Company guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of this Agreement regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent or any Lender with respect thereto. The obligations of the Company under this Guaranty are independent of the Guaranteed Obligations or any other obligations of any Designated Subsidiary under this Agreement and the Notes, and a separate

action or actions may be brought and prosecuted against the Company to enforce the obligations of the Company under this Guaranty, irrespective of whether any action is brought against any Borrower or whether any Borrower is joined in any such action or actions. The liability of the Company under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Company hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of this Agreement or the Notes, or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other obligations of any Designated Subsidiary under this Agreement or the Notes, or any other amendment or waiver of or any consent to departure from this Agreement or any Note, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Designated Subsidiary or any of its Subsidiaries or otherwise;

(c) any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(d) any change, restructuring or termination of the corporate structure or existence of any Designated Subsidiary or any of its Subsidiaries;

(e) any failure of the Agent or any Lender to disclose to the Company or any Designated Subsidiary any information relating to the financial condition, operations, properties or prospects of any Designated Subsidiary now or in the future known to the Agent or such Lender, as the case may be (the Company waiving any duty on the part of the Agent or the Lenders to disclose such information); or

(f) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by the Agent or any Lender that might otherwise constitute a defense available to, or a discharge of, any Designated Subsidiary or the Company or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Agent or any Lender upon the insolvency, bankruptcy or reorganization of any Designated Subsidiary or otherwise, all as though such payment had not been made.

SECTION 7.03. Waivers and Acknowledgments. (a) The Company hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that the Agent or any Lender exhaust any right or take any action against any Designated Subsidiary or any other Person, and all other notices and demands whatsoever.

(b) The Company hereby waives any right to revoke this Guaranty, and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) The Company acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by this Agreement and the Notes and that the waivers set forth in this Section 7.03 are knowingly made in contemplation of such benefits.

SECTION 7.04. Subrogation. The Company will not exercise any rights that it may now or hereafter acquire against any Designated Subsidiary or any other insider guarantor that arise from the existence, payment, performance or enforcement of the Company's obligations under this Guaranty or any provision of this Agreement or the Notes, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Agent or any Lender against such Designated Subsidiary or any other insider guarantor or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from such Designated Subsidiary or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash and the Commitments shall have expired or terminated. If any amount shall be paid to the Company in violation of the preceding sentence at any time prior to the later of the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty and the Final Maturity Date, such amount shall be held in trust for the benefit of the Agent and Lenders and shall forthwith be paid to the Agent to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of this Agreement and any Notes, or to be held as collateral for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising. If (i) the Company shall make payment to the Agent or any Lender of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall be paid in full in cash and (iii) the Final Maturity Date shall have occurred, the Agent and the Lenders will, at the Company's request and expense, execute and deliver to the Company appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Company of an interest in the Guaranteed Obligations resulting from such payment by the Company.

SECTION 7.05. Continuing Guaranty; Assignments Under the Credit Agreement. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Agreement and the Final Maturity Date, (b) be binding upon the Company, its successors and assigns and (c) inure to the benefit of and be enforceable by the Agent and the Lenders and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under this Agreement (including, without limitation, all or any portion of its Commitment, the Advances owing to it and any Note or Notes held by it) to any other Person,

and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, in each case as and to the extent provided in Section 9.07 of this Agreement.

SECTION 7.06. No Stay. The Company agrees that, as between (a) the Company and (b) the Lenders and the Agent, the Guaranteed Obligations of any Designated Subsidiary guaranteed by the Company hereunder may be declared to be forthwith due and payable as provided in Article VI hereof for purposes of this Guaranty by declaration to the Company as guarantor notwithstanding any stay, injunction or other prohibition preventing such declaration as against such Designated Subsidiary and that, in the event of such declaration to the Company as guarantor, such Guaranteed Obligations (whether or not due and payable by such Designated Subsidiary), shall forthwith become due and payable by the Company for purposes of this Guaranty.

#### Article VIII

##### THE AGENT

SECTION 8.01. Authorization and Action. Each Lender hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Advances), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders and all holders of Advances; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by any Borrower pursuant to the terms of this Agreement.

SECTION 8.02. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (a) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives and accepts an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 9.07; (b) may consult with legal counsel (including counsel for any Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of any Borrower; or to inspect the property (including the books and records) of any Borrower; (e) shall not be responsible to any Lender for the due execution,

legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (f) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.03. Citibank and Affiliates. With respect to its Commitment, the Advances made by it and the Note issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Company, any of its Subsidiaries and any Person who may do business with or own securities of the Company or any such Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders.

SECTION 8.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 8.05. Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed by a Borrower), ratably according to the respective principal amounts of the Revolving Credit Notes then held by each of them (or if no Revolving Credit Notes are at the time outstanding or if any Revolving Credit Notes are held by Persons that are not Lenders, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by a Borrower.

SECTION 8.06. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and each Borrower and may be removed at any time with or without cause by the Majority Lenders and such resignation or removal shall be effective upon the appointment of a successor Agent. Upon any such resignation or removal, the Majority

Lenders shall have the right to appoint a successor Agent, subject to the Company's approval (which shall not be unreasonably withheld). If no successor Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$250,000,000, subject to the Company's approval (which shall not be unreasonably withheld). Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

#### Article IX

##### MISCELLANEOUS

SECTION 9.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Revolving Credit Notes, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (a) increase the Commitment of any Lender (other than as provided for in Section 2.05(c) or Section 2.18(a)) or subject any Lender to any additional monetary obligations, (b) reduce the principal of, or interest on, the Revolving Credit Notes or any fees or other amounts payable hereunder, (c) postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Notes or any fees or other amounts payable hereunder (other than as provided for under Section 2.18), (d) release the Company from any of its obligations under Article VII or limit the liability of the Company thereunder or (e) amend or waive this Section 9.01 or the definition of "Majority Lenders"; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

SECTION 9.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed, telecopied, telegraphed, telexed or delivered, if to the Company or to any Designated Subsidiary, at the Company's address at Corporate Headquarters, 100 Crystal A Drive, Hershey, Pennsylvania 17033-0810, Attention: Treasury Department, Fax No. (717) 534-6724; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assumption Agreement or the Assignment and Acceptance, as the case may be, pursuant to which it became a Lender; and if to the Agent, at its address at Two Penn's Way, New Castle, Delaware 19720, Attention: Bank Loan Syndications, Fax No. (302) 894-6120; or, as to any Borrower or the Agent, at such

other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent. All such notices and communications shall, when mailed, telecopied, telegraphed or telexed, be effective when deposited in the mails, telecopied, delivered to the telegraph company or confirmed by telex answerback, respectively, except that notices and communications to the Agent pursuant to Article II, III or VIII shall not be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 9.03. No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9.04. Costs and Expenses. (a) The Company agrees to pay or cause to be paid on demand all reasonable and documented costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (A) all due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, messenger costs and expenses and (B) the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement. The Company further agrees to pay or cause to be paid on demand all reasonable and documented costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 9.04(a).

(b) The Company agrees to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances whether or not such investigation, litigation or proceeding is brought by any Borrower or the directors, shareholders or creditors of any Borrower or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such claim,

damage, loss, liability or expense results from such Indemnified Party's gross negligence or willful misconduct.

(c) Promptly after receipt by an Indemnified Party of notice of the commencement of any action or proceeding involving any claim, damage, loss or liability referred to in paragraph (b) above, such Indemnified Party will, if a claim in respect thereof is to be made against any Borrower, give written notice to such Borrower of the commencement of such action; provided that the failure of any Indemnified Party to give notice as provided in this Section 9.04(c) shall not relieve such Borrower of its obligations under paragraph (b) above, except only to the extent that such Borrower actually suffers damage solely as a result of such failure to give notice. In the event that any such action or proceeding is brought against an Indemnified Party, unless in such Indemnified Party's sole judgment (based on advice of counsel) a conflict of interest between such Indemnified Party and a Borrower may exist in respect thereof, such Borrower shall be entitled to participate in and to assume the defense thereof with counsel reasonably satisfactory to such Indemnified Party. After notice from such Borrower to such Indemnified Party of its election to assume the defense thereof, such Borrower shall not be liable to such Indemnified Party for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof (other than reasonable costs of investigation). No Borrower shall consent to the entry of any dismissal or judgment, or enter into any settlement of any pending or threatened action or proceeding against any Indemnified Party that is or could have been a party and for whom indemnity could have been sought under paragraph (b) above without the consent of such Indemnified Party unless such judgment, dismissal or settlement includes as an unconditional term thereof the giving of a release from all liability in respect of such action or proceeding to such Indemnified Party; provided that each Indemnified Party agrees that, if a Borrower reconfirms to such Indemnified Party that it is indemnified from all liability in respect of any such action or proceeding referred to in the preceding sentence, such Indemnified Party will not enter into any settlement of any such action or proceeding without the consent of such Borrower (which consent shall not be unreasonably withheld). In addition to the foregoing, each Borrower shall not, in assuming the defense of any Indemnified Party, agree to any dismissal or settlement without the prior written consent of such Indemnified Party if such dismissal or settlement (A) would require any admission or acknowledgement of culpability or wrongdoing by such Indemnified Party or (B) would provide for any nonmonetary relief to any Persons to be performed by such Indemnified Party.

(d) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance or LIBO Rate Advance is made by any Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of (i) a payment or Conversion pursuant to Section 2.03(d), 2.10, 2.12 or 2.18(a), (ii) a Commitment Increase pursuant to Section 2.05(c), (iii) acceleration of the maturity of the Advances pursuant to Section 6.01 or for any other reason, or (iv) by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 9.07(a) as a result of a demand by the Company pursuant to Section 2.17, such Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may



reasonably and actually incur as a result of such payment or Conversion, including, without limitation, any loss (other than loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(e) Without prejudice to the survival of any other agreement of any Borrower hereunder, the agreements and obligations of such Borrower contained in Sections 2.11, 2.14 and 9.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and relating to the Advances.

SECTION 9.05. Right of Set-off. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final but excluding trust accounts) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Borrower against any and all of the obligations of such Borrower now or hereafter existing under this Agreement and the Note of such Borrower held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note. Each Lender agrees promptly to notify the relevant Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender may have.

SECTION 9.06. Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Company and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of each Borrower, the Agent and each Lender and their respective successors and assigns, except that no Borrower shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 9.07. Assignments, Designations and Participations. (a) Each Lender may at any time, and if demanded by the Company pursuant to Section 2.17, shall assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and the Revolving Credit Note or Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive Bid Notes), (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than

\$10,000,000 or an integral multiple of \$1,000,000 in excess thereof, (iii) each such assignment shall be to an Eligible Assignee, (iv) each such assignment made as a result of a demand by the Company pursuant to Section 2.17 shall be arranged by the Company after consultation with the Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (v) no Lender shall be obligated to make any such assignment as a result of a demand by the Company pursuant to Section 2.17 (A) so long as a Default shall have occurred and be continuing, (B) unless and until such Lender shall have received one or more payments from either the Company, any other Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement (including, but not limited to, any amounts owing under Section 2.11 and Section 2.14), and the Company shall have satisfied all of its other obligations under this Agreement as of the effective date of the assignment and (C) if any such Eligible Assignee is not an existing Lender, the Company shall have paid to the Agent a processing and recordation fee of \$1,000, (vi) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Revolving Credit Note subject to such assignment and, if such assignment does not occur as a result of a demand by the Company pursuant to Section 2.17 (in which case the Company shall pay the fee required by clause (v)(C) of this Section 9.07(a)), a processing and recordation fee of \$3,500, and (vii) in the case of an assignment to any Affiliate of such Lender that is engaged in the business of commercial banking, notice thereof shall have been given to the Company and the Agent. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this

Agreement, together with copies of the financial statements referred to in Section 4.01(e), the most recent financial statements referred to in Section 5.01(h) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Credit Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to each Borrower.

(d) The Agent shall maintain at its address referred to in Section 9.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and each Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by any Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than any Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to any Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) each Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by any Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment

of principal of, or interest on, the Advances or any fees or other amounts payable hereunder, in each case to the extent subject to such participation. Each Lender agrees that, promptly upon selling any such participation in accordance with this Section 9.07(e), such Lender shall deliver written notice thereof to the Company.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.07, disclose to the assignee, or participant or proposed assignee, or participant, any information relating to the Company or any other Borrower furnished to such Lender by or on behalf of such Borrower; provided that, prior to any such disclosure, the assignee, or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information relating to such Borrower received by it from such Lender.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 9.08. Designated Subsidiaries. (a) Designation. The Company may at any time, and from time to time, by delivery to the Agent of a Designation Letter duly executed by the Company and the respective Subsidiary and substantially in the form of Exhibit F hereto, designate such Subsidiary as a "Designated Subsidiary" for purposes of this Agreement and such Subsidiary shall thereupon become a "Designated Subsidiary" for purposes of this Agreement and, as such, shall have all of the rights and obligations of a Borrower hereunder. The Agent shall promptly notify each Lender of each such designation by the Company and the identity of the respective Subsidiary.

(b) Termination. Upon the payment and performance in full of all of the indebtedness, liabilities and obligations under this Agreement and relating to the Advances of any Designated Subsidiary then, so long as at the time no Notice of Revolving Credit Borrowing or Notice of Competitive Bid Borrowing in respect of such Designated Subsidiary is outstanding, such Subsidiary's status as a "Designated Subsidiary" shall terminate upon notice to such effect from the Agent to the Lenders (which notice the Agent shall give promptly upon its receipt of a request therefor from the Company). Thereafter, the Lenders shall be under no further obligation to make any Advance hereunder to such Designated Subsidiary.

SECTION 9.09. Confidentiality. Neither the Agent nor any Lender shall disclose any Confidential Information to any other Person without the consent of the relevant Borrower, other than (a) to the Agent's or such Lender's officers, directors, employees, agents and advisors and, as contemplated by Section 9.07(f), to actual or prospective assignees and participants, and then only on a need-to-know and confidential basis in connection with the transactions contemplated by this Agreement, (b) pursuant to subpoena or other legal process or as otherwise required by law (provided that the Person making such disclosure shall, to the extent permitted by law, provide the Company with notice thereof), and (c) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking having jurisdiction over any Lender.

SECTION 9.10. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.11. Execution in Counterparts. This Agreement 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 one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.12. Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction only of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined only in any such New York State court or, to the extent permitted by law, in such federal court. Notwithstanding the foregoing sentence, each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each Designated Subsidiary that has its principal place of business outside of the United States of America hereby agrees that service of process in any such action or proceeding may be made upon the Company at its offices specified in Section 9.02 (the "Process Agent") and each such Designated Subsidiary hereby irrevocably appoints the Process Agent its authorized agent to accept such service of process, and agrees that the failure of the Process Agent to give any notice of any such service shall not impair or affect the validity of such service or of any judgment rendered in any action or proceeding based thereon. Each Borrower hereby further irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid, to such Borrower at its address set forth in Section 9.02. Nothing in this Agreement shall affect any right that any party may otherwise have to serve legal process in any other manner permitted by law. To the extent that any Designated Subsidiary has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Designated Subsidiary hereby irrevocably waives such immunity in respect of its obligations under this Agreement.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court of the United States of America sitting in New York City. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

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

HERSHEY FOODS CORPORATION

By: /s/ Frank Cerminara  
-----  
Title: Senior Vice President, Chief  
Financial Officer

By: /s/ R. M. Garrabrant  
-----  
Title: Vice President and Treasurer

CITIBANK, N.A.,  
as Administrative Agent

By: /s/ Carolyn A. Kee  
-----  
Title: Vice President

BANK OF AMERICA, N.A.,  
as Syndication Agent

By: /s/ William F. Sweeney  
-----  
Title: Managing Director

BANC AMERICA SECURITIES LLC,  
as Arranger

By: /s/ Thomas M. Brown  
-----  
Title: Managing Director

SALOMON SMITH BARNEY INC.,  
as Arranger

By: /s/ Carolyn A. Kee  
-----  
Title: Attorney-in-Fact

Commitment  
-----

Initial Lenders  
-----

\$37,500,000

CITIBANK, N.A.

By: /s/ Carolyn A. Kee  
-----  
Title: Vice President

By: -----  
Title:

\$37,500,000

BANK OF AMERICA, N.A.

By: /s/ William F. Sweeney  
-----  
Title: Managing Director

\$25,000,000

UBS AG, STAMFORD BRANCH

By: /s/ Wilfred V. Saint  
-----  
Title: Associate Director  
Banking Products Services, US

By: /s/ Jennifer L. Poccia  
-----  
Title: Associate Director  
Banking Products Services, US

\$25,000,000

MELLON BANK, N.A.

By: /s/ Donald G. Cassidy Jr.  
-----  
Title: Senior Vice President

\$25,000,000

PNC BANK,  
NATIONAL ASSOCIATION

By: /s/ Robert F. Giarnone  
-----  
Title: Vice President

\$10,000,000

DEUTSCHE BANK AG NEW YORK  
BRANCH

By: /s/ Alexander Karow  
-----  
Title: Vice President

By: /s/ Christoph A. Koch  
-----  
Title: Vice President

\$10,000,000

CIBC, INC.

By: /s/ Dominic Sorresso  
-----  
Title: Executive Director  
CIBC World Markets Corp., as Agent

\$10,000,000

WACHOVIA BANK, N.A.

By: /s/ Christa P. Holland  
-----  
Title: Vice President

\$10,000,000

BANCO POPULAR DE PUERTO RICO

By: /s/ Hector A. Vina  
-----  
Title: Vice President

\$10,000,000

SUMITOMO MITSUI

By: /s/ Edward D. Henderson  
-----  
Title: Senior Vice President

\$200,000,000

Total of the Commitments



SCHEDULE I APPLICABLE LENDING OFFICES -

Name of Initial Lender Domestic Lending Office Eurodollar Lending Office -

----- BANK OF AMERICA, N.A. Bank of America, N.A. Bank of America, N.A. 901 Main Street, 14th Floor 901 Main Street, 14th Floor Dallas, TX 75202 Dallas, TX 75202 Attn: Sam Brown Attn: Sam Brown Phone: (214) 209-9262 Phone: (214) 209-9262 Fax: (214) 290-9519 Fax: (214) 290-9519 -

----- CIBC, Inc. CIBC, Inc. CIBC, Inc. 425 Lexington Avenue 11 Madison Avenue New York, NY 10017 20th Floor Attn: Dominic Sorresso New York, NY 10017 Phone: (212) 856-4133 Attn: Judy Dornkowski Fax: (212) 856-3991 Phone: (212) 856-3509 Fax: (212) 885-4995 -

----- CITIBANK, N.A. Citibank, N.A. Citibank, N.A. 399 Park Avenue 399 Park Avenue New York, NY 10043 New York, NY 10043 Attn: Robert M. Spence Attn: Robert M. Spence Phone: (212) 559-0312 Phone: (212) 559-0312 Fax: (212) 793-7450 Fax: (212) 793-7450 -

----- DEUTSCHE BANK AG, NEW YORK BRANCH Deutsche Bank AG, New York Branch Deutsche Bank AG, New York Branch 40 Kingsbridge Road (Mailstop PIS 40 Kingsbridge Road (Mailstop PIS 01-213H) 01-213H) Piscataway, NJ 08854 Piscataway, NJ 08854 Attn: Carmen Melendez Attn: Carmen Melendez Phone: (732) 981-7437 Phone: (732) 981-7437 Fax: (732) 981-7470 or 5903 Fax: (732) 981-7470 or 5903 -

----- PNC BANK, NATIONAL ASSOCIATION PNC Bank, National Association PNC Bank, National Association 1600 Market Street 1600 Market Street MS F2 F07021 5 MS F2 F07021 5 Philadelphia, PA 19103 Philadelphia, PA 19103 Attn: Robert F. Giarnone Attn: Robert F. Giarnone Phone: (215) 585-7630 Phone: (215) 585-7630 Fax: (215) 585-5972 Fax: (215) 585-5972 -

----- MELLON BANK, N.A. Mellon Bank, N. A. Mellon Bank, N. A. 3 Mellon Bank Center, 12th Floor 3 Mellon Bank Center, 12th Floor Pittsburgh, PA 15259 Pittsburgh, PA 15259 Attn: Sannford M. Richards Attn: Sannford M. Richards Tel: 412-234-8285 Tel: 412-234-8285 Fax: 412-209-6118 Fax: 412-209-6118 -

----- WACHOVIA BANK, N.A. Wachovia Bank, N.A. Wachovia Bank, N.A. 191 Peachtree Street 191 Peachtree Street Atlanta, GA 30302 Atlanta, GA 30302 Attn: Branch Manager Attn: Branch Manager Tel: (404) 332- Tel: (404) 332- Fax: (404) 332- Fax: (404) 332- -

----- BANCO POPULAR DE PUERTO RICO Banco Popular de Puerto Rico Banco Popular de Puerto Rico 7 West 51st - 2nd Floor 7 West 51st - 2nd Floor New York, NY 10019 New York, NY 10019 Attn: Branch Manager Attn: Branch Manager Tel: (212) 445-1988 Tel: (212) 445-1988 Fax: (212) 586-3537 Fax: (212) 586-3537 -

----- UBS AG, STAMFORD BRANCH UBS AG, Stamford Branch UBS AG, Stamford Branch 677 Washington Blvd. 677 Washington Blvd. Stamford, CT 06901 Stamford, CT 06901 Attn: Johnny Villard Attn: Johnny Villard Tel: (203) 719-3845 Tel: (203) 719-3845 Fax: (203) 719-3888 Fax: (203) 719-3888 -

----- SUMITOMO MITSUI Sumitomo Mitsui Sumitomo Mitsui 277 Park Avenue 277 Park Avenue New York, NY 10172 New York, NY 10172 Attn: Tracey Watson Attn: Tracey Watson Tel: (212) 224-4393 Tel: (212) 224-4393 Fax: (212) 224-5197 Fax: (212) 224-5197 -





EXECUTION COPY U.S. \$200,000,000 AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT Dated as of November 27, 2001 Among HERSHEY FOODS CORPORATION, as Borrower, and THE INITIAL LENDERS NAMED HEREIN, as Initial Lenders, and CITIBANK, N.A., as Administrative Agent, and BANK OF AMERICA, N.A., as Syndication Agent, and SALOMON SMITH BARNEY INC., and BANC AMERICA SECURITIES LLC, as Joint Lead Arrangers and Joint Book Managers, -- -----

TABLE OF CONTENTS Article I DEFINITIONS AND ACCOUNTING TERMS SECTION 1.01. Certain Defined

Terms.....	1	SECTION 1.02. Computation of Time
Periods.....	13	SECTION 1.03. Accounting
Terms.....	13	Article II AMOUNTS AND TERMS OF THE
ADVANCES SECTION 2.01. The Revolving Credit Advances.....	14	SECTION 2.03.
SECTION 2.02. Making the Revolving Credit Advances.....	14	SECTION 2.04.
The Competitive Bid Advances.....	16	SECTION 2.05. Termination,
Fees.....	20	SECTION 2.06. Repayment of Revolving
Reduction or Increase of the Commitments.....	20	SECTION 2.07. Interest on Revolving Credit
Credit Advances.....	23	SECTION 2.08. Interest Rate
Advances.....	23	SECTION 2.09. Optional Conversion of
Determination.....	24	SECTION 2.10. Optional Prepayments of Revolving
Revolving Credit Advances.....	26	SECTION 2.11. Increased
Costs.....	26	SECTION 2.12.
Illegality.....	28	SECTION 2.13. Payments and
Computations.....	28	SECTION 2.14.
Taxes.....	29	SECTION 2.15. Sharing of
Payments, Etc.....	31	SECTION 2.16. Use of
Proceeds.....	32	SECTION 2.17. Mandatory Assignment
by a Lender; Mitigation.....	32	SECTION 2.18. Extension of the Termination Date
and the Final Maturity Date.....	32	i

SECTION 2.19. Evidence of Debt.....	34	Article III
CONDITIONS TO EFFECTIVENESS AND LENDING SECTION 3.01. Conditions Precedent to Effectiveness of Sections 2.01 and 2.03.....	35	SECTION 3.02. Initial Borrowing of Each Designated
Subsidiary.....	37	SECTION 3.03. Conditions Precedent to Each Revolving Credit
Borrowing.....	37	SECTION 3.04. Conditions Precedent to Each Competitive Bid
Borrowing.....	38	SECTION 3.05. Conditions Precedent to Extension of the Final Maturity
Date.....	39	SECTION 3.06. Determinations Under Section
3.01.....	39	Article IV REPRESENTATIONS AND WARRANTIES SECTION 4.01.
Representations and Warranties of the Company.....	40	Article V COVENANTS OF THE
COMPANY SECTION 5.01. Affirmative Covenants.....	42	
SECTION 5.02. Negative Covenants.....	45	SECTION 5.03.
Financial Covenant.....	46	Article VI EVENTS OF DEFAULT
SECTION 6.01. Events of Default.....	47	Article VII
GUARANTY SECTION 7.01. Guaranty.....	49	
SECTION 7.02. Guaranty Absolute.....	49	SECTION 7.03.
Waivers and Acknowledgments.....	50	SECTION 7.04.
Subrogation.....	51	SECTION 7.05. Continuing
Guaranty; Assignments Under the Credit Agreement.....	51	ii

SECTION 7.06. No Stay.....	52	Article VIII
THE AGENT SECTION 8.01. Authorization and Action.....	52	
SECTION 8.02. Agent's Reliance, Etc.....	52	SECTION 8.03.
Citibank and Affiliates.....	53	SECTION 8.04. Lender Credit
Decision.....	53	SECTION 8.05.
Indemnification.....	53	SECTION 8.06. Successor
Agent.....	53	Article IX MISCELLANEOUS SECTION 9.01.
Amendments, Etc.....	54	SECTION 9.02. Notices,
Etc.....	54	SECTION 9.03. No Waiver;
Remedies.....	55	SECTION 9.04. Costs and
Expenses.....	55	SECTION 9.05. Right of Set-
off.....	57	SECTION 9.06. Binding
Effect.....	57	SECTION 9.07. Assignments,
Designations and Participations.....	57	SECTION 9.08. Designated
Subsidiaries.....	60	SECTION 9.09.
Confidentiality.....	60	SECTION 9.10. Governing
Law.....	61	SECTION 9.11. Execution in
Counterparts.....	61	SECTION 9.12. Jurisdiction,
Etc.....	61	SCHEDULES Schedule I - List of Applicable

Schedule 4.01(c) - Required Authorizations and Approvals EXHIBITS Exhibit A-1..... - Form of Revolving Credit Note Exhibit A-2..... - Form of Competitive Bid Note Exhibit B-1..... - Form of Notice of Revolving Credit Borrowing Exhibit B-2..... - Form of Notice of Competitive Bid Borrowing Exhibit C..... - Form of Assignment and Acceptance Exhibit D..... - Form of Assumption Agreement Exhibit E-1.....- Form of Extension Request Exhibit E-2.....- Form of Notice of Extension of the Commitment Exhibit F..... - Form of Designation Letter Exhibit G..... - Form of Acceptance by Process Agent Exhibit H..... - Form of Opinion of Robert M. Reese, Senior Vice President and General Counsel of the Company Exhibit I..... - Form of Opinion of Counsel to a Designated Subsidiary iv



EXHIBIT A-1 - FORM OF REVOLVING CREDIT PROMISSORY NOTE U.S.\$ \_\_\_\_\_ Dated: November 27, 2001 FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a \_\_\_\_\_ corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_ (the "Lender") for the account of its Applicable Lending Office on the Final Maturity Date (each as defined in the Credit Agreement referred to below) the principal sum of U.S.\$[amount of the Lender's Commitment in figures] or, if less, the aggregate principal amount of the Revolving Credit Advances (as defined in the Credit Agreement referred to below) made by the Lender to the Borrower pursuant to the Amended and Restated 364-Day Credit Agreement dated as of November 27, 2001 among Hershey Foods Corporation, the Lender and certain other lenders party thereto, Citibank, N.A., as administrative agent (the "Agent") for the Lender and such other lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined), outstanding on the Final Maturity Date. The Borrower promises to pay interest on the unpaid principal amount of each Revolving Credit Advance from the date of such Revolving Credit Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement. Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, at the Agent's Account in same day funds. Each Revolving Credit Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note. This Promissory Note is one of the Revolving Credit Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of Revolving Credit Advances by the Lender to the Borrower and each other "Borrower" thereunder from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Revolving Credit Advance being evidenced by this Promissory Note, and (ii) contains provisions in Sections 6.01 and 2.10, respectively, for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified. The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This promissory note shall be governed by, and construed in accordance with the laws of the State of New York. [NAME OF BORROWER]  
By ----- Title:

ADVANCES AND PAYMENTS OF PRINCIPAL Amount of Amount Principal Unpaid of Interest Interest Paid Principal Notation Date Advance  
Rate Period or Prepaid Balance Made By

EXHIBIT A-2 - FORM OF COMPETITIVE BID PROMISSORY NOTE U.S.\$\_\_\_\_\_ Dated: \_\_\_\_\_ FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a \_\_\_\_\_ corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_ (the "Lender") for the account of its Applicable Lending Office (as defined in the Amended and Restated 364-Day Credit Agreement dated as of November 27, 2001 among Hershey Foods Corporation, the Lender and certain other lenders party thereto, Citibank, N.A., as administrative agent (the "Agent") for the Lender and such other lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined)), on \_\_\_\_\_, the principal amount of U.S.\$\_\_\_\_\_. The Borrower promises to pay interest on the unpaid principal amount hereof from the date hereof until such principal amount is paid in full, at the interest rate and payable on the interest payment date or dates provided below: Interest Rate: \_\_\_\_\_% per annum (calculated on the basis of a year of \_\_\_\_\_ days for the actual number of days elapsed). Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A. for the account of the Lender at the Agent's Account in same day funds. This Promissory Note is one of the Competitive Bid Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, contains provisions in Section 6.01 for acceleration of the maturity hereof upon the happening of certain stated events. The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York. [NAME OF BORROWER]  
By ----- Title:

EXHIBIT B-1 - FORM OF NOTICE OF REVOLVING CREDIT BORROWING Citibank, N.A., as Agent for the Lenders party to the Credit Agreement referred to below Two Penn's Way New Castle, Delaware 19720 [Date] Attention: Bank Loan Syndications Ladies and Gentlemen: The undersigned, [Name of Borrower], refers to the Amended and Restated 364-Day Credit Agreement, dated as of November 27, 2001 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among Hershey Foods Corporation, certain Lenders party thereto, Citibank, N.A., as administrative agent (the "Agent") for said Lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Revolving Credit Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Revolving Credit Borrowing (the "Proposed Revolving Credit Borrowing") as required by Section 2.02(a) of the Credit Agreement: (i) The Business Day of the Proposed Revolving Credit Borrowing is \_\_\_\_\_. (ii) The Type of Advances comprising the Proposed Revolving Credit Borrowing is [Base Rate Advances] [Eurodollar Rate Advances]. (iii) The aggregate amount of the Proposed Revolving Credit Borrowing is \$\_\_\_\_\_. [(iv) The initial Interest Period for each Eurodollar Rate Advance made as part of the Proposed Revolving Credit Borrowing is \_\_\_\_ month[s].] The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Revolving Credit Borrowing: (A) the representations and warranties of the Company contained in Section 4.01 of the Credit Agreement (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f) thereof (other than clause (i)(B) thereof) are correct, before and after giving effect to the Proposed Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of

such date\*[and the representations and warranties contained in the Designation Letter of the undersigned is correct, before and after giving effect to the Proposed Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date]; and (B) no event has occurred and is continuing, or would result from such Proposed Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default. Very truly yours, [NAME OF BORROWER] By -

----- Title: - ----- \* This language should be added only if the Borrower is a Designated Subsidiary.

EXHIBIT B-2 - FORM OF NOTICE OF COMPETITIVE BID BORROWING Citibank, N.A., as Agent for the Lenders party to the Credit Agreement referred to below Two Penn's Way New Castle, Delaware 19720 [Date] Attention: Bank Loan Syndications Ladies and Gentlemen: The undersigned, [Name of Borrower], refers to the Amended and Restated 364-Day Credit Agreement, dated as of November 27, 2001 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among Hershey Foods Corporation, certain Lenders party thereto, Citibank, N.A., as administrative agent (the "Agent") for said Lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers, and hereby gives you notice, irrevocably, pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests a Competitive Bid Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Competitive Bid Borrowing (the "Proposed Competitive Bid Borrowing") is requested to be made: (A) Date of Competitive Bid Borrowing \_\_\_\_\_ (B) Principal Amount of Competitive Bid Borrowing \_\_\_\_\_ (C) [Maturity Date] [Interest Period]\*\* \_\_\_\_\_ (D) Interest Rate Basis (LIBO Rate or Fixed Rate) \_\_\_\_\_ (E) Interest Payment Date(s) \_\_\_\_\_ (F) \_\_\_\_\_ (G) \_\_\_\_\_ (H) \_\_\_\_\_

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Competitive Bid Borrowing: - ----- \*\* Which shall be subject to the definition of "Interest Period" and end on or before the Final Maturity Date.



(a) the representations and warranties of the Company contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f) thereof (other than clause (i)(B) thereof)) are correct, before and after giving effect to the Proposed Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date\*\*[and the representations and warranties contained in the Designation Letter of the undersigned is correct, before and after giving effect to the Proposed Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date]; (b) no event has occurred and is continuing, or would result from the Proposed Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default; (c) no event has occurred and no circumstance exists as a result of which the information concerning the undersigned that has been provided to the Agent and each Lender by the undersigned in connection with the Credit Agreement would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading; and (d) the aggregate amount of the Proposed Competitive Bid Borrowing and all other Borrowings to be made on the same day under the Credit Agreement is within the aggregate amount of the unused Commitments of the Lenders. The undersigned hereby confirms that the Proposed Competitive Bid Borrowing is to be made available to it in accordance with Section 2.03(a)(v) of the Credit Agreement. Very truly yours, [NAME OF BORROWER] By ----- Title: - -----  
----- \*\*\* This language should be added only if the Borrower is a Designated Subsidiary.

EXHIBIT C - FORM OF ASSIGNMENT AND ACCEPTANCE [Date] Reference is made to the Amended and Restated 364-Day Credit Agreement dated as of November 27, 2001 (as amended or modified from time to time, the "Credit Agreement") among Hershey Foods Corporation, a Delaware corporation (the "Company"), the Lenders (as defined in the Credit Agreement), Citibank, N.A., as administrative agent for the Lenders (the "Agent"), Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers. Terms defined in the Credit Agreement are used herein with the same meaning. The "Assignor" and the "Assignee" referred to on Schedule I hereto agree as follows: 1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof (other than in respect of Competitive Bid Advances and Competitive Bid Notes) equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement (other than in respect of Competitive Bid Advances and Competitive Bid Notes). After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Revolving Credit Advances owing to the Assignee will be as set forth on Schedule 1 hereto. 2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches each Revolving Credit Note of a Borrower held by the Assignor and requests that the Agent exchange each Revolving Credit Note for a new Revolving Credit Note of such Borrower payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto or new Revolving Credit Notes of such Borrower payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto and the Assignor in an amount equal to the Commitment retained by the Assignor under the Credit Agreement, respectively, as specified on Schedule 1 hereto. 3. The Assignee (i) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (ii) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01(e) thereof,

the most recent financial statements referred to in Section 5.01(h) thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iv) confirms that it is an Eligible Assignee; (v) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (vi) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vii) attaches any U.S. Internal Revenue Service forms required under Section 2.14 of the Credit Agreement. 4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent pursuant to Section 9.07 of the Credit Agreement. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule 1 hereto. 5. Upon such acceptance and recording by the Agent, from and after the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement. 6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the Revolving Credit Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Revolving Credit Notes for periods prior to the Effective Date directly between themselves. 7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York. 8. This Assignment and Acceptance 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 one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

Schedule 1 to Assignment and Acceptance Percentage interest assigned: \_\_\_\_\_% Assignee's Commitment: \$\_\_\_\_\_ Aggregate  
outstanding principal amount of Revolving Credit Advances \$\_\_\_\_\_ assigned: Principal amount of Revolving Credit Note payable  
to Assignee: \$\_\_\_\_\_ Principal amount of Revolving Credit Note payable to Assignor: \$\_\_\_\_\_ Effective Date\*\*\*\*:  
\_\_\_\_\_ [NAME OF ASSIGNOR], as Assignor By ----- Title: Dated:  
\_\_\_\_\_ [NAME OF ASSIGNEE], as Assignee By ----- Title: Dated:  
\_\_\_\_\_ Domestic Lending Office: [Address] Eurodollar Lending Office: [Address] - ----- \*\*\*\*  
This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to the Agent.

Accepted and Approved this \_\_\_\_\_ day of \_\_\_\_\_ CITIBANK, N.A., as Agent By \_\_\_\_\_ Title:  
Approved this \_\_\_\_\_ day of \_\_\_\_\_ HERSHEY FOODS CORPORATION By \_\_\_\_\_ Title:

EXHIBIT D - FORM OF ASSUMPTION AGREEMENT Dated: \_\_\_\_\_ Hershey Foods Corporation Corporate Headquarters Hershey, Pennsylvania 17033-0810 Attention: Treasury Department Citibank, N. A. as Agent Two Penn's Way New Castle, Delaware 19720 Attention: Bank Loan Syndications Ladies and Gentlemen: Reference is made to the Amended and Restated 364-Day Credit Agreement, dated as of November 27, 2001 (as amended or modified from time to time, the "Credit Agreement"), among Hershey Foods Corporation, a Delaware corporation (the "Company"), the Lenders (as defined in the Credit Agreement) party thereto, Citibank, N.A., as administrative agent for such Lenders (the "Agent"), Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers. Terms defined in the Credit Agreement are used herein with the same meaning. The undersigned (the "Assuming Lender") proposes to become an Assuming Lender pursuant to Section 2.05(c) of the Credit Agreement and, in that connection, hereby agrees that it shall become a Lender for purposes of the Credit Agreement on [applicable Commitment Increase Date] and that its Commitment shall as of such date be \$\_\_\_\_\_. The undersigned (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01(e) thereof, the most recent financial statements referred to in Section 5.01(h) thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assumption Agreement; (ii) agrees that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender; (v) confirms that it is an Eligible Assignee; (vi) specifies as its Applicable Lending Offices (and address for notices) the offices set forth beneath its name on the signature pages hereof; and (vii) attaches the forms

prescribed by the Internal Revenue Service of the United States required under Section 2.14 of the Credit Agreement. The effective date for this Assumption Agreement shall be [applicable Commitment Increase Date.] Upon delivery of this Assumption Agreement to the Company and the Agent, and satisfaction of all conditions imposed under Section 2.05(c) as of [date specified above], the undersigned shall be a party to the Credit Agreement and shall have all of the rights and obligations of a Lender thereunder. As of [date specified above], the Agent shall make all payments under the Credit Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees) to the Assuming Lender. This Assumption Agreement may be executed in 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 one and the same agreement. Delivery of an executed counterpart by telecopier shall be effective as delivery of a manually executed counterpart of this Assumption Agreement. This Assumption Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Very truly yours, [NAME OF ASSUMING LENDER] By \_\_\_\_\_ Name: Title: Domestic Lending Office (and address for notices):  
[Address] Eurodollar Lending Office [Address]

Acknowledged and Agreed to: HERSHEY FOODS CORPORATION By \_\_\_\_\_ Name: Title: CITIBANK, N.A., As Agent  
By \_\_\_\_\_ Name: Title:



EXHIBIT E-1 - FORM OF EXTENSION REQUEST [Date] To the Lenders party to the Credit Agreement referred to below Re: Request for Extension of Termination Date Ladies and Gentlemen: Pursuant to that certain Amended and Restated 364-Day Credit Agreement, dated as of November 27, 2001 (as amended or modified from time to time, the "Credit Agreement," terms defined therein and not otherwise defined herein being used herein as defined therein), among Hershey Foods Corporation, a Delaware corporation (the "Company"), the Lenders (as defined in the Credit Agreement) party thereto, Citibank, N.A., as administrative agent for the Lenders (the "Agent"), Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers, the Company hereby requests that the Termination Date be extended for a period of 364 days from the Termination Date now in effect, as provided in Section 2.18(a) of the Credit Agreement. The Company hereby certifies that the following statements are true on the date hereof, and will be true on the Termination Date now in effect: (1) the representations and warranties of the Company contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f) thereof (other than clause (i)(B) thereof)) are correct in all material respects on and as of such Termination Date, before and after giving effect to the requested extension, as though made on and as of such date; (2) no event has occurred and is continuing, or would result from the requested extension that constitutes a Default; and This notice is subject in all respects to the terms of the Credit Agreement, is irrevocable and shall be effective only if received by the Agent no later than [\_\_\_\_\_].1 HERSHEY FOODS CORPORATION By ----- Title - -----

----- 1 This date shall be no later than 30 days prior to the Termination Date then in effect.

EXHIBIT E-2 - FORM OF NOTICE OF EXTENSION OF TERMINATION DATE [Date] Citibank, N.A., as Agent Two Penn's Way New Castle, Delaware 19720 Attention: Bank Loan Syndications Hershey Foods Corporation Ladies and Gentlemen: Reference is made to the Amended and Restated 364-Day Credit Agreement dated as of November 27, 2001 (as amended or modified from time to time, the "Credit Agreement") among Hershey Foods Corporation, a Delaware corporation, the Lenders (as defined in the Credit Agreement), Citibank, N.A., as administrative agent for the Lenders (the "Agent"), Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers. Terms defined in the Credit Agreement are used herein with the same meaning unless otherwise defined herein. Pursuant to Section 2.18(a) of the Credit Agreement, the Lender named below hereby notifies the Agent as follows: [The Lender named below desires to extend the Termination Date with respect to its Commitment for a period of 364 days.] [The Lender named below desires to extend the Termination Date with respect to its Commitment for a period of 364 days and offers to increase its Commitment to a maximum aggregate amount of \$\_\_\_\_\_.] [The Lender named below does NOT desire to extend the Termination Date with respect to any of its Commitment for a period of 364 days.]

This notice is subject in all respects to the terms of the Credit Agreement, is irrevocable and shall be effective only if received by the Agent no later than [\_\_\_\_\_].<sup>2</sup> Very truly yours, [NAME OF LENDER] By: -----  
----- Name: Title: - ----- 2 This date shall be no later than 25 days prior to the Termination Date then in effect.

EXHIBIT F - FORM OF DESIGNATION LETTER [DATE] To Citibank, N.A., as Agent for the Lenders party to the Credit Agreement referred to below Ladies and Gentlemen: Reference is made to the Amended and Restated 364-Day Credit Agreement dated as of November 27, 2001 among Hershey Foods Corporation (the "Company"), the Lenders named therein, Citibank, N.A., as administrative agent (the "Agent") for said Lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers (the "Credit Agreement"). For convenience of reference, terms used herein and defined in the Credit Agreement shall have the respective meanings ascribed to such terms in the Credit Agreement. Please be advised that the Company hereby designates its undersigned Subsidiary, \_\_\_\_\_ (the "Designated Subsidiary"), as a "Designated Subsidiary" under and for all purposes of the Credit Agreement. The Designated Subsidiary, in consideration of each Lender's agreement to extend credit to it under and on the terms and conditions set forth in the Credit Agreement, does hereby assume each of the obligations imposed upon a "Designated Subsidiary" and a "Borrower" under the Credit Agreement and agrees to be bound by the terms and conditions of the Credit Agreement. In furtherance of the foregoing, the Designated Subsidiary hereby represents and warrants to each Lenders as follows: 1. The Designated Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of \_\_\_\_\_ and is duly qualified to transact business in all jurisdictions in which such qualification is required. 2. The execution, delivery and performance by the Designated Subsidiary of this Designation Letter, the Credit Agreement and the Notes of such Designated Subsidiary, and the consummation of the transactions contemplated thereby, are within the Designated Subsidiary's corporate powers, have been duly authorized by all necessary corporate action, and do not and will not contravene (i) the charter or by-laws of the Designated Subsidiary or (ii) law or any contractual restriction binding on or affecting the Designated Subsidiary. 3. This Designation Agreement and each of the Notes of the Designated Subsidiary, when delivered, will have been duly executed and delivered, and this Designation Letter, the Credit Agreement and each of the Notes of the Designated Subsidiary, when delivered, will constitute the legal, valid and binding obligations of the Designated Subsidiary enforceable against the Designated Subsidiary in accordance with

their respective terms except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally. 4. There is no pending or threatened action, suit, investigation, litigation or proceeding including, without limitation, any Environmental Action, affecting the Designated Subsidiary or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect, or (ii) purports to effect the legality, validity or enforceability of this Designation Letter, the Credit Agreement, any Note of the Designated Subsidiary or the consummation of the transactions contemplated thereby. 5. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or administrative or regulatory body or any other third party are required in connection with the execution, delivery or performance by the Designated Subsidiary of this Designation Letter, the Credit Agreement or the Notes of the Designated Subsidiary except for such authorizations, consents, approvals, licenses, filings or registrations as have heretofore been made, obtained or effected and are in full force and effect. 6. The Designated Subsidiary is not, and immediately after the application by the Designated Subsidiary of the proceeds of each Advance will not be, an "investment company", or an "affiliated person" of, or "promotor" or "principal underwriter" for, an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended. Very truly yours, HERSHEY FOODS CORPORATION By \_\_\_\_\_ Title:

[THE DESIGNATED SUBSIDIARY] By \_\_\_\_\_ Title:

EXHIBIT G - FORM OF ACCEPTANCE BY PROCESS AGENT [Letterhead of Process Agent] [Date] To each of the Lenders party to the Credit Agreement (as defined below) and to Citibank, N.A., as Agent for said Lenders [Name of Designated Subsidiary] Ladies and Gentlemen: Reference is made to (i) that certain Amended and Restated 364-Day Credit Agreement, dated as of November 27, 2001, among Hershey Foods Corporation (the "Company"), the Lenders named therein, Citibank, N.A., as administrative agent (the "Agent") for said Lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers (as hereafter amended, supplemented or otherwise modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined), and (ii) to the Designation Letter, dated \_\_\_\_\_, pursuant to which \_\_\_\_\_ has become a Borrower under the Credit Agreement. Pursuant to Section 9.12(a) of the Credit Agreement, \_\_\_\_\_ has appointed the Company (with an office on the date hereof at Corporate Headquarters, 100 Crystal A Drive, Hershey, Pennsylvania 17033-0810, United States) as Process Agent to receive on behalf of \_\_\_\_\_ service of copies of the summons and complaint and any other process which may be served in any action or proceeding in any New York State or Federal court of the United States of America sitting in New York City arising out of or relating to the Credit Agreement. The Company hereby accepts such appointment as Process Agent and agrees with each of you that (i) the undersigned will not terminate or abandon the undersigned agency as such Process Agent without at least six months' prior notice to the Agent (and hereby acknowledges that the undersigned has been retained for its services as Process Agent through \_\_\_\_\_), (ii) the undersigned will maintain an office in the United States through such date and will give the Agent prompt notice of any change of address of the undersigned, (iii) the undersigned will perform its duties as Process Agent to receive on behalf of \_\_\_\_\_ service of copies of the summons and complaint and any other process which may be served in any action or proceeding in any New York State or Federal court of the United States of America sitting in New York City arising out of or relating to the Credit Agreement and (iv) the undersigned will forward forthwith to \_\_\_\_\_ at its address at \_\_\_\_\_ or,

if different, its then current address, copies of any summons, complaint and other process which the undersigned receives in connection with its appointment as Process Agent. This acceptance and agreement shall be binding upon the undersigned and all successors of the undersigned. Very truly yours, [PROCESS AGENT] By\_\_\_\_\_



EXHIBIT H - FORM OF OPINION OF ROBERT M. REESE, SENIOR VICE PRESIDENT AND GENERAL COUNSEL OF THE COMPANY [Effective Date] To each of the Lenders party to the Credit Agreement referred to below and to Citibank, N.A., as Agent for such Lenders Hershey Foods Corporation Ladies and Gentlemen: This opinion is furnished to you pursuant to Section 3.01(g)(iv) of the Amended and Restated 364-Day Credit Agreement, dated as of November 27, 2001 (the "Credit Agreement"), among Hershey Foods Corporation (the "Company"), the Lenders party thereto, Citibank, N.A., as administrative agent (the "Agent") for said Lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers. Terms defined in the Credit Agreement are used herein as therein defined. I am the Senior Vice President and General Counsel of the Company, and I have acted as counsel for the Company in connection with the preparation, execution and delivery of the Credit Agreement. In that connection, I have examined: (1) the Credit Agreement and the Revolving Credit Notes of the Company; (2) the documents furnished by the Company pursuant to Article III of the Credit Agreement; (3) the Amended and Restated Certificate of Incorporation of the Company and all amendments thereto (the "Charter"); and (4) the by-laws of the Company and all amendments thereto (the "By-laws"). I have also examined the originals, or copies certified to my satisfaction, of such other corporate records of the Company, certificates of public officials and of officers of the Company, and agreements, instruments and other documents, as I have deemed necessary as a basis for the opinions expressed below. In making such examinations, I have assumed the

genuineness of all signatures (other than those on behalf of the Company), the authenticity of all documents submitted to me as originals and the conformity to authentic original documents of all documents submitted to me as certified, conformed or photographic copies. As to questions of fact material to such opinions, I have, when relevant facts were not independently established by me, relied upon certificates of the Company or its officers or of public officials and as to questions of fact and law, on opinions or statements by other lawyers reporting to me. I have assumed the due execution and delivery, pursuant to due authorization, of the Credit Agreement by the Initial Lenders and the Agent. My opinions expressed below are limited to the law of the Commonwealth of Pennsylvania, and, where applicable, the General Corporation Law of the State of Delaware and the Federal law of the United States. Based upon the foregoing and upon such investigation as I have deemed necessary, I am of the following opinion: 1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. 2. The execution, delivery and performance by the Company of the Credit Agreement and the Notes, and the consummation of the transactions contemplated thereby, are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Charter or the By-laws or (ii) any law, rule or regulation applicable to the Company (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or (iii) any contractual or legal restriction binding on or affecting the Company or, to the best of my knowledge, contained in any other similar document, except where such contravention would not be reasonably likely to have a Material Adverse Effect. The Credit Agreement and the Revolving Credit Notes of the Company have been duly executed and delivered on behalf of the Company. 3. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Company of the Credit Agreement and the Notes, or for the consummation of the transactions contemplated thereby, except for the authorizations, approvals, actions, notices and filings (i) listed on Schedule 4.01(c) to the Credit Agreement, all of which have been duly obtained, taken, given or made and are in full force and effect and (ii) where the Company's failure to receive, take or make such authorization, approval, action, notice or filing would not have a Material Adverse Effect. 4. There (i) are no pending or, to the best of my knowledge, threatened actions, investigations, litigations or proceedings against the Company or any of its Subsidiaries before any court, governmental agency or arbitrator that (a) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (b) purport to affect the legality, validity, binding effect or enforceability of the Credit Agreement or any of the Notes or the consummation of the transactions contemplated

thereby, and (ii) there has been no adverse change in the status, or financial effect on the Company and its Subsidiaries taken as a whole, of the Disclosed Litigation from that described on Schedule 3.01(b) thereto. This opinion letter may be relied upon by you only in connection with the transaction being consummated pursuant to the Credit Agreement and may not be used or relied upon by any other person for any other purpose. Very truly yours,

EXHIBIT I - FORM OF OPINION OF COUNSEL TO A DESIGNATED SUBSIDIARY [Date] To each of the Lenders party to the Credit Agreement referred to below, and to Citibank, N.A., as Agent for said Lenders Ladies and Gentlemen: In my capacity as counsel to \_\_\_\_\_ ("Designated Subsidiary"), I have reviewed that certain Amended and Restated 364-Day Credit Agreement, dated as of November 27, 2001 (the "Credit Agreement"), among Hershey Foods Corporation (the "Company"), the Lenders party thereto, Citibank, N.A., as administrative agent (the "Agent") for said Lenders Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers. Terms defined in the Credit Agreement are used herein as therein defined. In connection therewith, I have also examined the following documents: (i) The Designation Letter (as defined in the Credit Agreement) executed by the Designated Subsidiary. [such other documents as counsel may wish to refer to] I have also reviewed such matters of law and examined the original, certified, conformed or photographic copies of such other documents, records, agreements and certificates as I have considered relevant hereto. As to questions of fact material to such opinions, we have, when relevant facts were not independently established by us, relied upon certificates of the Designated Subsidiary or of its officers or of public officials and as to questions of fact and law, on opinions or statements by other lawyers reporting to me. I have assumed (i) the due execution and delivery, pursuant to due authorization, of each of the documents referred to above by all parties thereto other than the Designated Subsidiary, (ii) the authenticity of all such documents submitted to us as originals and (iii) the conformity to originals of all such documents submitted to me as certified, conformed or photographic copies. My opinions expressed below are limited to \_\_\_\_\_ and the State of New York. Based upon the foregoing, and upon such investigation as I have deemed necessary, I am of the following opinion:

1. The Designated Subsidiary (a) is a corporation duly incorporated, validly existing and in good standing under the laws of \_\_\_\_\_, (b) is duly qualified in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed and (c) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted. 2. The execution, delivery and performance by the Designated Subsidiary of its Designation Letter, the Credit Agreement and its Revolving Credit Notes, and the consummation of the transactions contemplated thereby, are within the Designated Subsidiary's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) any provision of the charter or by-laws or other constituent documents of the Designated Subsidiary, (ii) any law, rule or regulation applicable to the Designated Subsidiary or (iii) any contractual or legal obligation or restriction binding on or affecting the Designated Subsidiary, except where such contravention would not be reasonably likely to have a Material Adverse Effect. The Designation Letter and each Revolving Credit Note of the Designated Subsidiary has been duly executed and delivered on behalf of the Designated Subsidiary. 3. The Designation Letter of the Designated Subsidiary, the Credit Agreement and the Revolving Credit Notes of the Designated Subsidiary are, and each other Note of the Designated Subsidiary when executed and delivered under the Credit Agreement will be, legal, valid and binding obligations of the Designated Subsidiary enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or moratorium or other similar laws relating to the enforcement of creditors' rights generally or by the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and except that I express no opinion as to (i) the subject matter jurisdiction of the District Courts of the United States of America to adjudicate any controversy relating to the Credit Agreement, the Designation Letter of the Designated Subsidiary or the Notes of the Designated Subsidiary or (ii) the effect of the law of any jurisdiction (other than the State of New York) wherein any Lender or Applicable Lending Office may be located or wherein enforcement of the Credit Agreement, the Designation Letter of the Designated Subsidiary or the Notes of the Designated Subsidiary may be sought which limits rates of interest which may be charged or collected by such Lender. 4. There is no pending, or to the best of my knowledge, threatened action, investigation, litigation or proceeding at law or in equity against the Designated Subsidiary before any court, governmental agency or arbitrator that would be reasonably likely to have a Material Adverse Effect or that purports to affect the legality, validity, binding effect or enforceability of the Designation Letter of the Designated Subsidiary, the Credit Agreement or any Revolving Credit Note of the Designated Subsidiary, or the consummation of the transactions contemplated thereby. 5. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required

for the due execution, delivery and performance by the Designated Subsidiary of its Designation Letter, the Credit Agreement or the Notes of the Designated Subsidiary except for such authorizations, consents, approvals, actions, notices or filings as have heretofore been made, obtained or affected and are in full force and effect. This opinion letter may be relied upon by you only in connection with the transaction being consummated pursuant to the Credit Agreement and may not be used or relied upon by any other person for any other purpose. Very truly yours,

AMENDED AND RESTATED  
FIVE-YEAR CREDIT AGREEMENT

Dated as of November 27, 2001

HERSHEY FOODS CORPORATION, a Delaware corporation (the "Company"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, CITIBANK, N.A. ("Citibank"), as administrative agent (the "Agent") for the Lenders (as hereinafter defined), BANK OF AMERICA, N.A., as syndication agent and SALOMON SMITH BARNEY, INC. and BANC AMERICA SECURITIES LLC, as joint lead arrangers and joint book managers (the "Arrangers") agree as follows:

PRELIMINARY STATEMENT. The Company, the Lenders, Citibank, the Agent and other financial institutions have entered into a Five-Year Credit Agreement originally dated as of December 15, 1995 and Amended and Restated as of December 12, 1997 (collectively, the "Existing Credit Agreement"). The Company and the Lenders have agreed to further amend and restate such Existing Credit Agreement as hereinafter set forth.

Article I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Revolving Credit Advance or a Competitive Bid Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 5% or more of the Voting Stock of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agent's Account" means the account of the Agent maintained by the Agent at Citibank with its office at Two Penn's Way, New Castle, Delaware 19720, Account No. 36852248, Attention: Bank Loan Syndications.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance and,

in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to the Agent as its Applicable Lending Office with respect to such Competitive Bid Advance.

"Applicable Margin" means (a) for Base Rate Advances, 0% per annum and (b) for Eurodollar Rate Advances, as of any date, a percentage per annum determined by reference to the Level in effect on such date as set forth below:

Level Applicable	Percentage
Level 1	0.130%
Level 2	0.170%
Level 3	0.260%
Level 4	0.350%
Level 5	0.425%
Level 6	0.600%

"Applicable Percentage" means, as of any date, a percentage per annum determined by reference to the Level in effect on such date as set forth below:

Level Applicable

	Percentage
Level 1	0.070%
Level 2	0.080%
Level 3	0.090%
Level 4	0.100%
Level 5	0.125%
Level 6	0.150%

"Applicable Utilization Fee" means, as of any date that the aggregate Advances exceed 50% of the aggregate Commitments, a percentage per annum determined by reference to the Level in effect on such date as set forth below:

Level Applicable	Utilization Fee
Level 1	0.050%
Level 2	0.100%
Level 3	0.100%
Level 4	0.100%
Level 5	0.100%
Level 6	0.125%



"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit C hereto.

"Assuming Lender" means an Eligible Assignee not previously a Lender that becomes a Lender hereunder pursuant to Section 2.05(c).

"Assumption Agreement" means an agreement in substantially the form of Exhibit D hereto by which an Eligible Assignee agrees to become a Lender hereunder pursuant to Section 2.05(c), agreeing to be bound by all obligations of a Lender hereunder.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the higher of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; and

(b) 1/2 of one percent per annum above the Federal Funds Rate.

"Base Rate Advance" means a Revolving Credit Advance that bears interest as provided in Section 2.07(a)(i).

"Borrower" means the Company or any Designated Subsidiary, as the context requires.

"Borrowing" means a Revolving Credit Borrowing or a Competitive Bid Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advance or LIBO Rate Advance, on which dealings are carried on in the London interbank market.

"Change of Control" means a change in the voting power of Hershey Trust Company, as trustee for the Milton Hershey School (the "Hershey Trust"), such that either (A) (i) it no longer controls a majority of the voting power of the Company's Voting Stock and (ii) at the same time, another Person or group of Persons within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended, controls a percentage of the voting power of the Company's Voting Stock in excess of the percentage controlled by the Hershey Trust or (B) it no longer controls at least 30% of the voting power of the Company's Voting Stock.

"Commitment" has the meaning specified in Section 2.01.

"Commitment Increase" has the meaning specified in Section 2.05(c)(i).

"Commitment Increase Date" has the meaning specified in Section 2.05(c)(i).

"Competitive Bid Advance" means an advance by a Lender to any Borrower as part of a Competitive Bid Borrowing resulting from the competitive bidding procedure described in Section 2.03 and refers to a Fixed Rate Advance or a LIBO Rate Advance.

"Competitive Bid Borrowing" means a borrowing consisting of simultaneous Competitive Bid Advances from each of the Lenders whose offer to make one or more Competitive Bid Advances as part of such borrowing has been accepted under the competitive bidding procedure described in Section 2.03.

"Competitive Bid Note" means a promissory note of any Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of such Borrower to such Lender resulting from a Competitive Bid Advance made by such Lender to such Borrower.

"Competitive Bid Reduction" has the meaning specified in Section 2.01.

"Confidential Information" means any non-public or proprietary information disclosed by any Borrower to the Agent or any Lender that such Borrower indicates is to be treated confidentially, but does not include any such information that is or becomes generally available to the public or that is or becomes available to the Agent or such Lender on a non-confidential basis from a source other than such Borrower, which source is not, to the best knowledge of the Agent or such Lender, subject to a confidentiality agreement with such Borrower.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Consolidated Interest Expense" means, for any period with respect to the Company and its Subsidiaries, net interest expense plus capitalized interest for such period, in each case determined on a Consolidated basis in accordance with GAAP.

"Consolidated Net Interest Expense" means, for any period with respect to the Company and its Subsidiaries, interest expense minus capitalized interest and interest income for such period, in each case determined on a Consolidated basis in accordance with GAAP.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Section 2.08 or 2.09.

"Debt" means, with respect to any Person: (a) indebtedness for borrowed money, (b) obligations evidenced by bonds, debentures, notes or other similar

instruments, (c) obligations to pay the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of business), (d) obligations as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases, (e) all obligations, contingent or otherwise, of such Person in respect of acceptances, letters of credit (other than trade letters of credit) or similar extensions of credit and (f) obligations under direct or indirect guaranties in respect of, and obligations, contingent or otherwise, to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of any other Person of the kinds referred to in clauses (a) through (d) above.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Designated Subsidiary" means any corporate Subsidiary of the Company designated for borrowing privileges under this Agreement pursuant to Section 9.08.

"Designation Letter" means, with respect to any Designated Subsidiary, a letter in the form of Exhibit E hereto signed by such Designated Subsidiary and the Company.

"Disclosed Litigation" has the meaning specified in Section 3.01(b).

"Domestic Lending Office" means, with respect to any Initial Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or, with respect to any other Lender, the office of such Lender specified as its "Domestic Lending Office" in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (a) a Lender or any Affiliate of a Lender which is principally engaged in the commercial banking business, and (b) any bank or other financial institution, or any other Person, that has been approved in writing by the Company and the Agent as an Eligible Assignee for purposes of this Agreement; provided, however, that neither the Company's nor the Agent's approval shall be unreasonably withheld; and provided, further, however, that the Company may withhold its approval if the Company reasonably believes that an assignment to such Eligible Assignee pursuant to Section 9.07 will result in the incurrence of increased costs payable by any Borrower pursuant to Section 2.11 or 2.14.

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice, investigation, proceeding,

consent order or consent agreement relating to any Environmental Law, Environmental Permit or Hazardous Materials or arising from alleged injury to health, safety or the environment.

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the Company's controlled group, or under common control with the Company, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Company or any ERISA affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Company or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, such Plan.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Initial Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or, with respect to any other Lender, the office of such Lender specified as its "Eurodollar Lending Office" in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Company and the Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing, an interest rate per annum equal to the average (rounded to the nearest whole multiple of 1/16 of 1% per annum, or if there is no nearest whole multiple of 1/16 of 1% per annum, then rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in U.S. dollars are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to such Reference Bank's Eurodollar Rate Advance comprising part of such Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period. The Eurodollar Rate for any Interest Period for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"Eurodollar Rate Advance" means a Revolving Credit Advance that bears interest as provided in Section 2.07(a)(ii).

"Eurodollar Rate Reserve Percentage" with respect to any Lender for any Interest Period for all Eurodollar Rate Advances or LIBO Rate Advances comprising part of the same Borrowing means the reserve percentage applicable during such Interest Period (or, if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) actually imposed on such Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate

on Eurodollar Rate Advances or LIBO Rate Advances is determined) having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Excluded Taxes" has the meaning specified in Section 2.14(a).

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fixed Rate Advances" has the meaning specified in Section 2.03(a)(i).

"GAAP" has the meaning specified in Section 1.03.

"Guaranty" means the guaranty made by the Company to the Lenders and the Agent pursuant to Article VII.

"Guaranteed Obligations" has the meaning specified in Section 7.01(a).

"Hazardous Materials" means (a) petroleum and petroleum products, byproducts or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"Increasing Lender" has the meaning specified in Section 2.05(c)(i).

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Revolving Credit Borrowing and each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such Eurodollar Rate Advance or LIBO Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower that requested such Borrowing pursuant to the provisions below and, thereafter, with respect to Eurodollar Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by such Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as the applicable

Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(i) such Borrower may not select any Interest Period that ends after the Termination Date;

(ii) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Revolving Credit Borrowing or for LIBO Rate Advances comprising part of the same Competitive Bid Borrowing shall be of the same duration;

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iv) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"Lenders" means the Initial Lenders, each Assuming Lender that shall become a party hereto pursuant to Section 2.05(c) and each Eligible Assignee that shall become a party hereto pursuant to Section 9.07.

"Level" means, as of any date, the lowest of Level 1, Level 2, Level 3, Level 4, Level 5 or Level 6 then applicable to the Public Debt Rating.

"Level 1" means that either (a) Standard & Poor's shall have assigned a rating of at least AA- or (b) Moody's shall have assigned a rating of at least Aa3.

"Level 2" means that either (a) Standard and Poor's shall have assigned a rating lower than AA- but at least A+ or (b) Moody's shall have assigned a rating lower than Aa3 but at least A1.

"Level 3" means that either (a) Standard and Poor's shall have assigned a rating lower than A+ but at least A or (b) Moody's shall have assigned a rating lower than A1 but at least A2.

"Level 4" means that either (a) Standard and Poor's shall have assigned a rating lower than A but at least A- or (b) Moody's shall have assigned a rating lower than A2 but at least A3.

"Level 5" means that either (a) Standard and Poor's shall have assigned a rating lower than A- but at least BBB+ or (b) Moody's shall have assigned a rating lower than A3 but at least Baal.

"Level 6" means that the Company has not met the criteria for Level 1, Level 2, Level 3, Level 4 and Level 5.

"LIBO Rate" means, for any Interest Period for all LIBO Rate Advances comprising part of the same Competitive Bid Borrowing, an interest rate per annum equal to the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, or if there is no nearest whole multiple of 1/16 of 1% per annum, then rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in U.S. dollars are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the amount that would be such Reference Bank's respective ratable share of such Borrowing if such Borrowing were to be a Revolving Credit Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period. The LIBO Rate for any Interest Period for each LIBO Rate Advance comprising part of the same Competitive Bid Borrowing shall be determined by the Agent on the basis of applicable rates furnished to and received by the Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.08.

"LIBO Rate Advances" has the meaning specified in Section 2.03(a)(i).

"Lien" means any mortgage, pledge, lien, security interest, conditional sale or other title retention agreement or other similar charge or encumbrance.

"Majority Lenders" means at any time Lenders owed at least 51% of the then aggregate unpaid principal amount of the Revolving Credit Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least 51% of the Commitments.

"Material Adverse Change" means any material adverse change in the business, financial condition, operations, performance or principal manufacturing properties of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial condition, operations, performance or principal manufacturing properties of the Company and its Subsidiaries taken as a whole, (b) the rights and remedies of the Agent or the Lenders under this Agreement or any Note or (c) the



ability of any Borrower to perform its obligations (other than payment obligations) under this Agreement or any Note.

"Material Subsidiary" means, at any date of determination, a Subsidiary of the Company that, either individually or together with its Subsidiaries, taken as a whole, has total assets exceeding \$300,000,000 on such date.

"Moody's" means Moody's Investors Service, Inc., or its successor.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any ERISA Affiliate and at least one Person other than the Company and the ERISA Affiliates or (b) was so maintained and in respect of which the Company or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Note" means a Revolving Credit Note or a Competitive Bid Note.

"Notice of Revolving Credit Borrowing" has the meaning specified in Section 2.02(a).

"Notice of Competitive Bid Borrowing" has the meaning specified in Section 2.03(a).

"Other Taxes" has the meaning specified in Section 2.14(b).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b) hereof; (b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business; (c) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; (d) easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes; (e) Liens arising under leases or subleases granted to others that would not be reasonably likely to have a Material Adverse Effect on the Company and its Subsidiaries taken as a whole; (f) Liens granted in connection with any interest

rate or foreign currency options, commodity contracts, futures or similar agreements entered into by the Company or any of its Subsidiaries in the ordinary course of business; and (g) Liens granted in connection with corporate-owned life insurance programs of the Company or any of its Subsidiaries.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Pre-Tax Income from Continuing Operations" means, for any period with respect to the Company and its Subsidiaries, net income (or net loss) from operations (determined without giving effect to extraordinary or non-recurring gains or losses) plus the sum of (a) Consolidated Net Interest Expense, (b) income tax expense and (c) non-recurring non-cash charges (including the cumulative effect of accounting changes, restructuring charges and gains or losses from the sale of businesses), in each case determined on a Consolidated basis in accordance with GAAP; provided, however, that the LIFO adjustment to the determination of Pre-Tax Income from Continuing Operations for purposes of the quarterly financial statements and the compliance certificate delivered pursuant to Section 5.01(h)(i) shall be made in accordance with the Company's best estimation.

"Process Agent" has the meaning specified in Section 9.12(a).

"Public Debt Rating" means, as of any date, the lowest rating that has been most recently and officially announced by either S&P or Moody's, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Company. For purposes of the foregoing, (a) if only one of S&P and Moody's shall have in effect a Public Debt Rating for the Company, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be determined by reference to the available rating; (b) if neither S&P nor Moody's shall have in effect a Public Debt Rating for the Company, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee will be set in accordance with Level 6 under the definition of "Applicable Margin", "Applicable Percentage" or "Applicable Utilization Fee", as the case may be; (c) if the ratings established by S&P and Moody's shall fall within different levels, the Applicable Margin, the Applicable Percentage and the Applicable Utilization Fee shall be based upon the lower rating; (d) if any rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the rating agency making such change (regardless of the effective date thereof); and (e) if S&P or Moody's shall change the basis on which ratings are established, each reference to the Public Debt Rating announced by S&P or Moody's, as the case

may be, shall refer to the then equivalent rating by S&P or Moody's, as the case may be.

"Reference Banks" means Citibank, Bank of America, N.A. and UBS AG, Stamford Branch, or, in the event that less than two of such Lenders remain Lenders hereunder at any time, any other commercial bank designated by the Company and approved by the Majority Lenders as constituting a "Reference Bank" hereunder.

"Register" has the meaning specified in Section 9.07(d).

"Revolving Credit Advance" means an advance by a Lender to any Borrower as part of a Revolving Credit Borrowing by such Borrower and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Revolving Credit Note" means a promissory note of any Borrower payable to the order of any Lender, delivered pursuant to a request made under 2.18(a) in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of such Borrower to such Lender resulting from the Revolving Credit Advances made by such Lender to such Borrower.

"S&P" means Standard & Poor's Ratings Services, a division of McGraw-Hill, Inc., or its successor.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any ERISA Affiliate and no Person other than the Company and the ERISA Affiliates or (b) was so maintained and in respect of which the Company or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Subsidiary" of any Person means any corporation, partnership, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such limited liability company or partnership (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Taxes" has the meaning specified in Section 2.14(a).

"Termination Date" means the earlier of November 27, 2006 and the date of termination in whole of the Commitments pursuant to Section 2.05(a), 2.05(b) or 6.01.

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Withdrawal Liability" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02 Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

SECTION 1.03 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with accounting principles generally accepted in the United States consistent with those applied in the preparation of the financial statements referred to in Section 4.01(e) ("GAAP").

## Article II

### AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01 The Revolving Credit Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances to any Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount for all Borrowers not to exceed at any time outstanding (a) the amount set forth opposite such Lender's name on the signature pages hereof or (b) if such Lender has become a Lender hereunder pursuant to an Assumption Agreement or has increased its Commitment pursuant to Section 2.05(c), or if such Lender has entered into any Assignment and Acceptance, the amount set forth for such Lender in the Register maintained by the Agent pursuant to Section 9.07(d), in each case as such amount may be reduced pursuant to Section 2.05(a) or (b) (such Lender's "Commitment"), provided that the aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate amount of the Competitive Bid Advances then outstanding and such deemed use of the aggregate amount of the Commitments shall be allocated among the Lenders ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a "Competitive Bid Reduction"). Each Revolving Credit Borrowing shall be in an aggregate amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof (or, if less, an aggregate amount equal to the amount by which the aggregate amount of a proposed Competitive Bid Borrowing requested by any Borrower exceeds the aggregate amount of Competitive Bid Advances

offered to be made by the Lenders and accepted by such Borrower in respect of such Competitive Bid Borrowing, if such Competitive Bid Borrowing is made on the same date and by the same Borrower as such Revolving Credit Borrowing) and shall consist of Revolving Credit Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment, any Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.10 and reborrow under this Section 2.01.

SECTION 2.02 Making the Revolving Credit Advances. (a) Each Revolving Credit Borrowing shall be made on notice, given not later than (i) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Eurodollar Rate Advances or (ii) 11:00 A.M. (New York City time) on the day of the proposed Revolving Credit Borrowing in the case of a Revolving Credit Borrowing consisting of Base Rate Advances, by any Borrower to the Agent, which shall give to each Lender prompt notice thereof by telecopier or telex. Each such notice of a Revolving Credit Borrowing (a "Notice of Revolving Credit Borrowing") shall be by telephone, confirmed immediately in writing, or telecopier or telex in substantially the form of Exhibit B-1 hereto, specifying therein the requested (w) date of such Revolving Credit Borrowing, (x) Type of Advances comprising such Revolving Credit Borrowing, (y) aggregate amount of such Revolving Credit Borrowing, and (z) in the case of a Revolving Credit Borrowing consisting of Eurodollar Rate Advances, initial Interest Period for each such Revolving Credit Advance. Each Lender shall, before (i) in the case of a Eurodollar Rate Advance, 11:00 A.M. (New York City time) or (ii) in the case of a Base Rate Advance, 1:00 P.M. (New York City time) on the date of such Revolving Credit Borrowing, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, such Lender's ratable portion of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower requesting the Revolving Credit Borrowing at the Agent's address referred to in Section 9.02.

(b) Anything herein to the contrary notwithstanding, a Borrower may not select Eurodollar Rate Advances for any Revolving Credit Borrowing if the obligation of the Lenders to make Eurodollar Rate Advances shall then be suspended pursuant to Section 2.08 or 2.12.

(c) Each Notice of Revolving Credit Borrowing of any Borrower shall be irrevocable and binding on such Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower requesting such Revolving Credit Borrowing shall indemnify each Lender, after receipt of a written request by such Lender setting forth in reasonable detail the basis for such request, against any loss, cost or expense actually incurred by such Lender as a result of any failure by such Borrower to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (other than loss of anticipated profits), cost or

expense actually incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Revolving Credit Advance to be made by such Lender as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Lender prior to the date of any Revolving Credit Borrowing comprised of Eurodollar Rate Advances or prior to the time of the proposed disbursement of any Revolving Credit Borrowing comprised of Base Rate Advances that such Lender will not make available to the Agent such Lender's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Lender has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower requesting such Revolving Credit Borrowing on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Agent, such Lender and such Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Agent, at (i) in the case of such Borrower, the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Lender's Revolving Credit Advance as part of such Revolving Credit Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Revolving Credit Advance to be made by such other Lender on the date of any Revolving Credit Borrowing.

SECTION 2.03 The Competitive Bid Advances. (a) Each Lender severally agrees that any Borrower may make Competitive Bid Borrowings under this Section 2.03 from time to time on any Business Day during the period from the date hereof until the date occurring 30 days prior to the Termination Date in the manner set forth below; provided that, following the making of each Competitive Bid Borrowing, the aggregate amount of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders (computed without regard to any Competitive Bid Reduction).

(i) A Borrower may request a Competitive Bid Borrowing under this Section 2.03 by delivering to the Agent, by telecopier or telex, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying therein the requested (u) date of such proposed Competitive Bid Borrowing, (v) aggregate amount of such proposed Competitive Bid Borrowing, (w) interest rate basis (LIBO Rate or fixed rate) to be offered by the Lenders,

(x) in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, Interest Period of each Competitive Bid Advance to be made as part of such Competitive Bid Borrowing, or in the case of a Competitive Bid Borrowing Consisting of Fixed Rate Advances, maturity date for repayment of each Fixed Rate Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring 7 days after the date of such Competitive Bid Borrowing or later than the earlier of (I) 180 days after the date of such Competitive Bid Borrowing and (II) the Termination Date), (y) interest payment date or dates relating thereto, and (z) other terms (if any) to be applicable to such Competitive Bid Borrowing, not later than 10:00 A.M. (New York City time) (A) at least one Business Day prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders shall be fixed rates per annum (the Advances comprising any such Competitive Bid Borrowing being referred to herein as "Fixed Rate Advances") and (B) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall instead specify in the Notice of Competitive Bid Borrowing that the rates of interest to be offered by the Lenders are to be based on the LIBO Rate (the Advances comprising such Competitive Bid Borrowing being referred to herein as "LIBO Rate Advances"). Each Notice of Competitive Bid Borrowing of a Borrower shall be irrevocable and binding on such Borrower. Any Notice of Competitive Bid Borrowing by a Designated Subsidiary shall be given to the Agent in accordance with the preceding sentence through the Company on behalf of such Designated Subsidiary. The Agent shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from a Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.

(ii) Each Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Competitive Bid Advances to the Borrower proposing the Competitive Bid Borrowing as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying the Agent (which shall give prompt notice thereof to such Borrower), before 9:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances and before 10:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, of the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts may, subject to the proviso to the first sentence of this Section 2.03(a), exceed such Lender's Commitment, if any), the rate or rates of interest therefor and such Lender's Applicable Lending Office with respect to such Competitive Bid Advance; provided that if the Agent in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify such Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given to the Agent by the other Lenders. If any Lender shall elect not to make such an offer, such Lender shall so notify the Agent, before 10:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Lenders, and such Lender shall not be obligated to, and

shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(iii) The Borrower proposing the Competitive Bid Borrowing shall, in turn, before 10:30 A.M. (New York City time) on the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Advances and before 11:00 A.M. (New York City time) three Business Days before the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of LIBO Rate Advances, either:

(x) cancel such Competitive Bid Borrowing by giving the Agent notice to that effect, or

(y) accept one or more of the offers made by any Lender or Lenders pursuant to paragraph (ii) above, in its sole discretion, by giving notice to the Agent of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to such Borrower by the Agent on behalf of such Lender for such Competitive Bid Advance pursuant to paragraph (ii) above) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to paragraph (ii) above by giving the Agent notice to that effect; provided, however, that such Borrower shall not accept any offer in excess of the requested bid amount for any maturity. Such Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the amount that each such Lender offered at such interest rate.

(iv) If the Borrower proposing the Competitive Bid Advance notifies the Agent that such Competitive Bid Borrowing is cancelled pursuant to paragraph (iii)(x) above, the Agent shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(v) If the Borrower proposing the Competitive Bid Advance accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, the Agent shall in turn promptly notify (A) each Lender that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such Competitive Bid Borrowing and whether or not any offer or offers made by such Lender pursuant to paragraph (ii) above have been accepted by such Borrower, (B) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing, and (C) each Lender that is to make a Competitive Bid



Advance as part of such Competitive Bid Borrowing, upon receipt, that the Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing shall, before 12:00 Noon (New York City time) on the date of such Competitive Bid Borrowing specified in the notice received from the Agent pursuant to clause (A) of the preceding sentence or any later time when such Lender shall have received notice from the Agent pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, such Lender's portion of such Competitive Bid Borrowing. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to such Borrower at the Agent's address referred to in Section 9.02. Promptly after each Competitive Bid Borrowing the Agent will notify each Lender of the amount of the Competitive Bid Borrowing, the consequent Competitive Bid Reduction and the dates upon which such Competitive Bid Reduction commenced and will terminate.

(vi) If the Borrower proposing the Competitive Bid Advance notifies the Agent that it accepts one or more of the offers made by any Lender or Lenders pursuant to paragraph (iii)(y) above, such notice of acceptance shall be irrevocable and binding on such Borrower. Such Borrower shall indemnify each Lender, after receipt of a written request by such Lender setting forth in reasonable detail the basis for such request, against any loss, cost or expense actually incurred by such Lender as a result of any failure by such Borrower to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (other than loss of anticipated profits), cost or expense actually incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

(b) Each Competitive Bid Borrowing shall be in an aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and, following the making of each Competitive Bid Borrowing, the Borrower that has borrowed through such Competitive Bid Borrowing shall be in compliance with the limitation set forth in the proviso to the first sentence of subsection (a) above.

(c) Within the limits and on the conditions set forth in this Section 2.03, each Borrower may from time to time borrow under this Section 2.03, repay or prepay pursuant to subsection (d) below, and reborrow under this Section 2.03.

(d) Each Borrower that has borrowed through a Competitive Bid Borrowing shall repay to the Agent for the account of each Lender that has made a Competitive Bid Advance, on the maturity date of such Competitive Bid Advance (such maturity date being that specified by such Borrower for repayment of such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above and provided in the Competitive Bid Note evidencing such

Competitive Bid Advance), the then unpaid principal amount of such Competitive Bid Advance. A Borrower shall have no right to prepay any principal amount of any Competitive Bid Advance without the consent of the Lender that has made such Competitive Bid Advance or as is specified in the Notice of Competitive Bid Borrowing.

(e) Each Borrower that has borrowed through a Competitive Bid Borrowing shall pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance comprising such Competitive Bid Borrowing to the date the principal amount of such Competitive Bid Advance is repaid in full, at the rate of interest for such Competitive Bid Advance specified by the Lender making such Competitive Bid Advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) above, payable on the interest payment date or dates specified by such Borrower for such Competitive Bid Advance in the related Notice of Competitive Bid Borrowing delivered pursuant to subsection (a)(i) above, as provided in the Competitive Bid Note evidencing such Competitive Bid Advance. Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), each Borrower that has borrowed through a Competitive Bid Borrowing shall pay interest on the amount of unpaid principal of and interest on each Competitive Bid Advance comprising such Competitive Bid Borrowing that is owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

(f) The indebtedness of any Borrower resulting from each Competitive Bid Advance made to such Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of such Borrower payable to the order of the Lender making such Competitive Bid Advance.

SECTION 2.04 Fees. (a) Facility Fee. The Company agrees to pay to the Agent for the account of each Lender a facility fee on the aggregate amount of such Lender's Commitment from the date hereof in the case of each Initial Lender and from the effective date specified in the Assumption Agreement or the Assignment and Acceptance, as the case may be, pursuant to which it became a Lender in the case of each other Lender until the Termination Date at a rate per annum equal to the Applicable Percentage in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December, commencing March 31, 2002, and on the Termination Date.

(b) Agent's Fees. The Company shall pay to the Agent for its own account such fees as may from time to time be agreed in writing between the Company and the Agent.

SECTION 2.05 Termination, Reduction or Increase of the Commitments. (a) Termination or Ratable Reduction by the Company. The Company shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders,

provided that each partial reduction shall be in the aggregate amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and provided further that the aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the aggregate principal amount of the Competitive Bid Advances then outstanding. The aggregate amount of the Commitments, once reduced or terminated as provided in this Section 2.05(a), may not be reinstated, except as provided in Section 2.05(c) below.

(b) Termination by the Majority Lenders upon Change of Control. In the event that a Change of Control occurs, (i) the Agent shall at the request, or may with the consent, of the Majority Lenders, by notice to the Company given not later than 10 Business Days after receipt by the Lenders and the Agent of notice from the Company of such Change of Control pursuant to Section 5.01(h)(iv), declare the Commitments (determined without giving effect to any Competitive Bid Reduction) to be terminated in whole, effective as of the date set forth in such notice, provided, however, that such date shall be no earlier than 10 Business Days after the Company's receipt of such notice of termination and (ii) each Borrower's right to make a Borrowing under this Agreement shall thereupon be suspended and shall remain suspended until 10 Business Days after receipt by the Lenders and the Agent of notice from the Company of such Change of Control pursuant to Section 5.01(h)(iv) unless the Majority Lenders shall have exercised their right to terminate the Commitments as provided in clause (i) of this Section 2.05(b), in which case each Borrower's right to make a Borrowing under this Agreement shall remain suspended until the effective date of such termination. A notice of termination pursuant to this Section 2.05(b) shall have the effect of accelerating the outstanding Advances of the Lenders and the Notes of the Lenders and each Borrower shall, on or prior to the effective date of the termination of the Commitments, prepay or cause to be prepaid the outstanding principal amount of all Advances owing by any such Borrower to the Lenders, together with accrued interest thereon to the date of such payment, any facility fees or other fees payable to the Lenders pursuant to the provisions of Section 2.04, and all other amounts payable to the Lenders under this Agreement (including, but not limited to, any increased costs or other amounts owing under Section 2.11 and any indemnification for Taxes under Section 2.14). Upon such prepayment and the termination of the Commitments in accordance with this Section 2.05(b), the obligations of the Lenders under this Agreement shall, by the provisions hereof, be released and discharged.

(c) Increase by the Company. (i) The Company may at any time, by notice to the Agent, propose that the aggregate amount of the Commitments be increased (each such proposed increase being a "Commitment Increase") by up to \$300,000,000 in excess of the aggregate of the Commitments as of the Effective Date, effective as at a date (the "Commitment Increase Date") that shall be specified in such notice and that shall be (A) prior to the Termination Date and (B) at least 15 Business Days after the date of such notice; provided, however, that (w) the Company may not propose more than one Commitment Increase during any calendar year, (x) the minimum proposed Commitment Increase for each Commitment Increase Date shall be \$50,000,000, (y) in no event shall the aggregate amount of the Commitments at any time exceed \$500,000,000 and (z) no Default shall have occurred and be continuing on such Commitment Increase Date or

shall result from such Commitment Increase. The Agent shall notify the Lenders and any Eligible Assignees requested by the Company and acceptable to the Agent as potential Assuming Lenders hereunder of the proposed Commitment Increase promptly upon the Agent's receipt of any such notice. It shall be in each Lender's sole discretion whether to increase its Commitment hereunder in connection with the proposed Commitment Increase. No later than 10 Business Days after its receipt of the Company's notice, each Lender that is willing to increase its Commitment hereunder (each such Lender being an "Increasing Lender") shall deliver to the Agent a notice in which such Lender shall set forth the maximum increase in its Commitment to which such Lender is willing to agree, and the Agent shall promptly provide to the Company a copy of such Increasing Lender's notice. The Agent shall cooperate with the Company in discussions with the Lenders and Eligible Assignees with a view to arranging the proposed Commitment Increase through the increase of the Commitments of one or more of the Lenders and/or the addition of one or more Eligible Assignees acceptable to the Company and the Agent as Assuming Lenders and as parties to this Agreement; provided, however, that the minimum Commitment of each such Assuming Lender that becomes a party to this Agreement pursuant to this Section 2.05(c) shall be \$10,000,000; and provided, further, that any allocations of Commitments shall be determined by the Company.

(ii) If agreement is reached prior to the relevant Commitment Increase Date with any Increasing Lenders and Assuming Lenders as to a Commitment Increase (the amount of which may be less than (subject to the limitation set forth in clause (i)(x) of this Section 2.05(c)) but not greater than that amount specified in the applicable notice from the Company), the Company shall deliver, no later than one Business Day prior to the Commitment Increase Date, a notice thereof in reasonable detail to the Agent (and the Agent shall give notice thereof to the Lenders, including any Assuming Lenders). The Assuming Lenders, if any, shall become Lenders hereunder as of the Commitment Increase Date and the Commitments of any Increasing Lenders and such Assuming Lenders shall become or be, as the case may be, as of the Commitment Increase Date, the amounts specified in the notice delivered by the Company to the Agent; provided, however, that:

(x) the Agent shall have received on or prior to 9:00 A.M. (New York City time) on the Commitment Increase Date (A) a duly executed Revolving Credit Note from each Borrower, dated as of the Commitment Increase Date and in substantially the form of Exhibit A-1 hereto for each Assuming Lender, and dated the date to which interest on the existing Revolving Credit Note of such Borrower shall have been paid and in substantially the form of Exhibit A-1 hereto for each Increasing Lender, in each case in an amount equal to the Commitment of each such Assuming Lender and each such Increasing Lender after giving effect to such Commitment Increase, (B) a certificate of a duly authorized officer of the Company stating that no event has occurred and is continuing, or would result from such Commitment Increase, that constitutes a Default, and that each of the other applicable conditions to such Commitment Increase set forth in this Section 2.05(c) to be fulfilled by the Company has been satisfied and (C) an opinion of counsel for the Company in substantially the form of Exhibit G hereto,

dated the Commitment Increase Date (with copies for each Lender, including each Assuming Lender);

(y) with respect to each Assuming Lender, the Agent shall have received, on or prior to 9:00 A.M. (New York City time) on the Commitment Increase Date, an appropriate Assumption Agreement in substantially the form of Exhibit D hereto, duly executed by such Assuming Lender and the Company, and acknowledged by the Agent; and

(z) each Increasing Lender shall have delivered to the Agent, on or prior to 9:00 A.M. (New York City time) on the Commitment Increase Date, (A) its existing Revolving Credit Note or Notes and (B) confirmation in writing satisfactory to the Agent as to its increased Commitment, with a copy of such confirmation to the Company.

(iii) Upon its receipt of confirmation from a Lender that it is increasing its Commitment hereunder, together with the appropriate Revolving Credit Note or Notes, certificate and opinion referred to in clause (ii)(x) above, the Agent shall (A) record the information contained therein in the Register and (B) give prompt notice thereof to the Company. Upon its receipt of an Assumption Agreement executed by an Assuming Lender representing that it is an Eligible Assignee, together with the appropriate Revolving Credit Note or Notes, certificate and opinion referred to in clause (ii)(x) above, the Agent shall, if such Assumption Agreement has been completed and is in substantially the form of Exhibit D hereto, (x) accept such Assumption Agreement, (y) record the information contained therein in the Register and (z) give prompt notice thereof to the Company.

(iv) In the event that the Agent shall not have received notice from the Company as to such agreement on or prior to the Commitment Increase Date or the Company shall, by notice to the Agent prior to the Commitment Increase Date, withdraw its proposal for a Commitment Increase or any of the actions provided for above in clauses (ii)(x) through (ii)(z) shall not have occurred by 9:00 A.M. (New York City time) on the Commitment Increase Date, such proposal by the Company shall be deemed not to have been made. In such event, any actions theretofore taken under clauses (ii)(x) through (ii)(z) above shall be deemed to be of no effect and all the rights and obligations of the parties shall continue as if no such proposal had been made.

(v) In the event that the Agent shall have received notice from the Company as to such agreement on or prior to the Commitment Increase Date and each of the actions provided for in clauses (ii)(x) through (ii)(z) above shall have occurred by 9:00 A.M. (New York City time) on the Commitment Increase Date, the Agent shall notify the Lenders (including any Assuming Lenders) of the occurrence of the Commitment Increase Date promptly and in any event by 10:00 A.M. (New York City time) on such date by telecopier, telex or cable. Each Increasing Lender and each Assuming Lender shall, before 11:00 A.M. (New York City time) on the Commitment Increase Date, make available for the account of its Applicable Lending Office to the Agent at the Agent's Account, in same day funds, in the case of such Assuming Lender,

an amount equal to such Assuming Lender's ratable portion of the Revolving Credit Borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments outstanding after giving effect to the relevant Commitment Increase) and, in the case of such Increasing Lender, an amount equal to the excess of (i) such Increasing Lender's ratable portion of the Revolving Credit Borrowings then outstanding (calculated based on its Commitment as a percentage of the aggregate Commitments outstanding after giving effect to the relevant Commitment Increase) over (ii) such Increasing Lender's ratable portion of the Revolving Credit Borrowings then outstanding (calculated based on its Commitment (without giving effect to the relevant Commitment Increase) as a percentage of the aggregate Commitments outstanding after giving effect to the relevant Commitment Increase). After the Agent's receipt of such funds from each such Increasing Lender and each such Assuming Lender, the Agent will promptly thereafter cause to be distributed like funds to the other Lenders for the account of their respective Applicable Lending Offices in an amount to each other Lender such that the aggregate amount of the outstanding Revolving Credit Advances owing to each Lender after giving effect to such distribution equals such Lender's ratable portion of the Revolving Credit Borrowings then outstanding (calculated based on such Lender's Commitment as a percentage of the aggregate Commitments outstanding after giving effect to the relevant Commitment Increase). If the Commitment Increase Date shall occur on a date that is not the last day of the Interest Period for all Eurodollar Rate Advances then outstanding, (a) the Company shall pay any amounts owing pursuant to Section 9.04(d) as a result of the distributions to Lenders under this Section 2.05(c)(v) and (b) for each Revolving Credit Borrowing comprised of Eurodollar Rate Advances, the respective Revolving Credit Advances made by the Increasing Lenders and the Assuming Lenders pursuant to this Section 2.05(c)(v) shall be Base Rate Advances until the last day of the then existing Interest Period for such Revolving Credit Borrowing.

SECTION 2.06 Repayment of Revolving Credit Advances. Each Borrower shall repay to the Agent for the ratable account of the Lenders on the Termination Date the aggregate principal amount of the Revolving Credit Advances then outstanding in respect of such Borrower.

SECTION 2.07 Interest on Revolving Credit Advances. (a) Scheduled Interest. Each Borrower shall pay interest on the unpaid principal amount of each Revolving Credit Advance owing by such Borrower to each Lender from the date of such Revolving Credit Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Revolving Credit Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (x) the Base Rate in effect from time to time plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee, if any, in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurodollar Rate Advances. During such periods as such Revolving Credit Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Revolving Credit Advance to the sum of (x) the Eurodollar Rate for such Interest Period for such Revolving Credit Advance plus (y) the Applicable Margin in effect from time to time plus (z) the Applicable Utilization Fee, if any, in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), each Borrower shall pay interest on (i) the unpaid principal amount of each Revolving Credit Advance owing by such Borrower to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Revolving Credit Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder by such Borrower that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on Base Rate Advances pursuant to clause (a)(i) above.

(c) Additional Interest on Eurodollar Rate Advances. The applicable Borrower shall pay to each Lender, so long as such Lender shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Lender to such Borrower, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the applicable Interest Period for such Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Advance. Such additional interest shall be determined by such Lender and notified in reasonable detail to such Borrower through the Agent.

SECTION 2.08 Interest Rate Determination. (a) Each Reference Bank agrees to furnish to the Agent timely information for the purpose of determining each Eurodollar Rate and each LIBO Rate. If any one or more of the Reference Banks shall not furnish such timely information to the Agent for the purpose of determining any such interest rate, the Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks. The Agent shall give prompt notice to the relevant Borrowers and the Lenders of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(i) or (ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.07(a)(ii).

(b) If, with respect to any Eurodollar Rate Advances, the Majority Lenders notify the Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period (which cost each such Lender reasonably determines in good faith is material), the Agent shall forthwith so notify each Borrower and the Lenders, whereupon (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and (ii) the obligation of the Lenders to make, or to Convert Revolving Credit Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify each Borrower and the Lenders that the circumstances causing such suspension no longer exist.

(c) If any Borrower, in requesting a Revolving Credit Borrowing comprised of Eurodollar Rate Advances, shall fail to select the duration of the Interest Period for such Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify such Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances.

(d) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than \$5,000,000, such Advances shall automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances.

(e) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

(f) If fewer than two Reference Banks furnish timely information to the Agent for determining the Eurodollar Rate or LIBO Rate for any Eurodollar Rate Advances or LIBO Rate Advances, as the case may be, such Eurodollar Rate or LIBO Rate shall be the interest rate per annum determined by the Agent to be the offered rate per annum at which deposits in U.S. dollars for a maturity comparable to the Interest Period for such Eurodollar Rate Advances or LIBO Rate Advances, as the case may be, appears on the Telerate Page 3750 (or any successor page) as of 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period (the "Telerate"); provided that if the Telerate is not then available:

(i) the Agent shall forthwith notify the relevant Borrower and the Lenders that the interest rate cannot be determined for such Eurodollar Rate Advances or LIBO Rate Advances, as the case may be;

(ii) with respect to Eurodollar Rate Advances, each such Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a



Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance); and

(iii) the obligation of the Lenders to make Eurodollar Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify each Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.09 Optional Conversion of Revolving Credit Advances.

Any Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.08 and 2.12, Convert all Revolving Credit Advances of one Type comprising the same Borrowing into Revolving Credit Advances of the other Type; provided, however, that any Conversion of Eurodollar Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Revolving Credit Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the relevant Borrower.

SECTION 2.10 Optional Prepayments of Revolving Credit Advances.

Any Borrower may, upon notice to the Agent stating the proposed date and aggregate principal amount of the prepayment, given not later than 11:00 A.M. (New York City time) on the second Business Day prior to the date of such proposed prepayment, in the case of Eurodollar Rate Advances, and not later than 11:00 A.M. (New York City time) on the day of such proposed prepayment, in the case of Base Rate Advances, and, if such notice is given such Borrower shall, prepay the outstanding principal amount of the Revolving Credit Advances comprising part of the same Revolving Credit Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount of \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof and (y) in the event of any such prepayment of a Eurodollar Rate Advance, such Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 9.04(d). Each notice of prepayment by a Designated Subsidiary shall be given to the Agent through the Company.

SECTION 2.11 Increased Costs. (a) If, after the date hereof, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority having jurisdiction over any Lender (whether or not having the force of law), there shall be any increase in the cost to any Lender (which cost such Lender reasonably determines in good faith is material) of agreeing to make or making, funding or maintaining Eurodollar Rate Advances or LIBO Rate Advances (excluding for purposes of this Section 2.11 any such

increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.14 shall govern) and (ii) Excluded Taxes), then the Borrower of such Advances shall from time to time, upon demand by such Lender made not later than 60 days after such Lender obtains knowledge of such increased costs (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. Each Lender agrees that if such Lender requests compensation for any amounts owing from a Borrower for such increased cost under this Section 2.11(a), such Lender shall, prior to a Borrower being required to pay such increased costs, furnish to such Borrower a certificate of a senior financial officer of such Lender verifying that such increased cost was actually incurred by such Lender and the amount of such increased cost and setting forth in reasonable detail the basis therefore (with a copy of such certificate to the Agent); provided, however, that such certificate shall be conclusive and binding for all purposes, absent manifest error.

(b) If, after the date hereof, any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority having jurisdiction over any Lender (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender made not later than 60 days after such Lender obtains knowledge of such increase in capital (with a copy of such demand to the Agent), the Company shall pay to the Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. Each Lender agrees that if such Lender requests compensation for any amounts owing from the Company for such increase in capital under this Section 2.11(b), such Lender shall, prior to a Borrower being required to compensate such Lender for such increase in capital, furnish to the Company a certificate of a senior financial officer of such Lender verifying that such increase in capital was actually required by such Lender and the amount of such increase in capital and setting forth in reasonable detail the basis therefore (with a copy of such certificate to the Agent); provided, however, that such certificate shall be conclusive and binding for all purposes, absent manifest error.

(c) No Borrower shall be obligated to pay under this Section 2.11 any amounts which relate to costs or increases of capital incurred prior to the 12 months immediately preceding the date of demand for payment of such amounts, unless the applicable law, regulation, guideline or request resulting in such costs or increases of capital is imposed retroactively. In the case of any law, regulation, guideline or request which is imposed retroactively, the Lender making demand for payment of any amount under this Section 2.11 shall notify the related Borrower not later than 12 months from the date that such Lender should reasonably have known (but promptly upon gaining knowledge of such increase) of such law, regulation, guideline or request and such Borrower's obligation to compensate such Lender for such amount is contingent upon such Lender's so notifying such Borrower; provided, however, that any failure by such

Lender to provide such notice shall not affect such Borrower's obligations under this Section 2.11 with respect to amounts resulting from costs or increases of capital incurred after the date which occurs 12 months immediately preceding the date on which such Lender notified such Borrower of such law, regulation, guideline or request.

(d) If any Lender shall subsequently recoup any costs (other than from a Borrower) for which such Lender has theretofore been compensated by a Borrower under this Section 2.11, such Lender shall remit to such Borrower an amount equal to the amount of such recoupment as reasonably determined by such Lender.

SECTION 2.12 Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall after the date hereof, notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority having jurisdiction over any Lender asserts that it is unlawful, for any Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or LIBO Rate Advances or to fund or maintain Eurodollar Rate Advances or LIBO Rate Advances hereunder, (i) each Eurodollar Rate Advance or LIBO Rate Advance, as the case may be, will automatically, upon such demand, Convert into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.07(a)(i), as the case may be, and (ii) the obligation of the Lenders to make Eurodollar Rate Advances or LIBO Rate Advances or to Convert Revolving Credit Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify each Borrower and the Lenders that the circumstances causing such suspension no longer exist.

SECTION 2.13 Payments and Computations. (a) Each Borrower shall make each payment hereunder and relating to the Advances not later than 1:00 P.M. (New York City time) on the day when due in U.S. dollars to the Agent at the Agent's Account in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.03, 2.05(c), 2.07(c), 2.11, 2.14 or 9.04(d)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 9.07(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and relating to the Advances in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. Upon any Assuming Lender becoming a Lender hereunder as a result of the effectiveness of a Commitment Increase pursuant to Section 2.05(c), and upon the Agent's receipt of such Lender's Assumption Agreement and recording the information contained therein in the Register, from and after the relevant Increase Date, the Agent shall make all payments hereunder and relating to the Advances in respect of the interest assumed thereby to such Assuming Lender.

(b) All computations of interest based on the Base Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate and of facility fees shall be made by the Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or facility fees are payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or relating to the Advances shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances or LIBO Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from a Borrower prior to the date on which any payment is due to the Lenders from such Borrower hereunder that such Borrower will not make such payment in full, the Agent may assume that such Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent such Borrower shall not have so made such payment in full to the Agent, each Lender shall repay to the Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.14 Taxes. (a) Any and all payments by each Borrower hereunder or relating to the Advances shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction under the laws of which such Lender or the Agent (as the case may be) is organized or any political subdivision thereof or by any jurisdiction in which such Lender or the Agent (as the case may be) is doing business that is unrelated to this Agreement and such net income taxes or franchise taxes that would not have been imposed if such Lender or the Agent (as the case may be) had not been conducting such unrelated business and, in the case of each Lender, taxes imposed on its overall net income, and franchise taxes imposed on it in lieu of net income taxes, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such excluded taxes being hereinafter referred to as "Excluded Taxes" and all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or relating to the Advances being hereinafter referred to as "Taxes"). If any Borrower shall be required by law to deduct any Taxes from or in respect of any sum

payable hereunder or relating to the Advances to any Lender or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions for Taxes (including deductions for Taxes applicable to additional sums payable under this Section 2.14) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or relating to the Advances or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or relating to the Advances (hereinafter referred to as "Other Taxes").

(c) Each Borrower shall indemnify each Lender and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any taxes imposed by any jurisdiction on amounts payable under this Section 2.14) imposed on or paid by such Lender or the Agent (as the case may be) and any liability for penalties, interest and reasonable expenses arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender or the Agent (as the case may be) makes written demand therefor; provided that such Lender shall, prior to a Borrower being required to indemnify such Lender pursuant to this Section 2.14(c), furnish to such Borrower a certificate of a senior financial officer of such Lender verifying that such Taxes or Other Taxes were actually incurred by such Lender and the amount of such Taxes or Other Taxes and setting forth in reasonable detail the basis therefor (with a copy of such certificate to the Agent), provided, however, that such certificate shall be conclusive and binding for all purposes, absent manifest error.

(d) Within 30 days after the date of any payment of Taxes, each Borrower shall furnish to the Agent, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing payment thereof. In the case of any payment hereunder or relating to the Advances by or on behalf of any Borrower through an account or branch outside the United States or by or on behalf of any Borrower by a payor that is not a United States person, if such Borrower determines that no Taxes are payable in respect thereof, such Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel acceptable to the Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter as requested in writing by any Borrower (but only so long as such Lender remains lawfully able to do so), shall provide

the Agent and each Borrower with two original Internal Revenue Service forms 1001 or 4224, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or relating to the Advances. If the forms provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance or the Assumption Agreement, as the case may be, pursuant to which a Lender assignee becomes a party to this Agreement, the Lender assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender assignee on such date.

(f) For any period with respect to which a Lender has failed to provide each Borrower with the appropriate form described in Section 2.14(e) (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided, or if such form otherwise is not required under the first sentence of subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.14(a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, each Borrower agrees to take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(g) If any Lender determines, in its sole discretion, that it has actually and finally realized, by reason of a refund, deduction or credit of any Taxes or Other Taxes paid or reimbursed by a Borrower pursuant to subsection (a) or (c) above in respect of payments under the Credit Agreement or relating to the Advances, a current monetary benefit that it would otherwise not have obtained, and that would result in the total payments under this Section 2.14 exceeding the amount needed to make such Lender whole, such Lender shall pay to such Borrower, with reasonable promptness following the date on which it actually realizes such benefit, an amount equal to the lesser of the amount of such benefit or the amount of such excess, in each case net of all reasonable out-of-pocket expenses in securing such refund, deduction or credit.

SECTION 2.15 Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Revolving Credit Advances owing to it (other than pursuant to Section 2.05(c), 2.07(c), 2.11, 2.14 or 9.04(d)) in excess of its ratable share of payments on account of the Revolving Credit Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Revolving Credit Advances owing to them as shall be necessary to cause such purchasing

Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Each Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of such Borrower in the amount of such participation.

SECTION 2.16 Use of Proceeds. The proceeds of the Advances shall be available (and each Borrower agrees that it shall use such proceeds) solely (i) for general corporate purposes of such Borrower and its Subsidiaries and (ii) for acquisitions by such Borrower that have been approved by the Board of Directors of the corporation that is to be acquired by such Borrower.

SECTION 2.17 Mandatory Assignment by a Lender; Mitigation. If any Lender requests from a Borrower either payment of additional interest on Eurodollar Rate Advances pursuant to Section 2.07(c), or reimbursement for increased costs pursuant to Section 2.11, or payment of or reimbursement for Taxes pursuant to Section 2.14, or if any Lender notifies the Agent that it is unlawful for such Lender or its Eurodollar Lending Office to perform its obligations hereunder pursuant to Section 2.12, (i) such Lender will, upon three Business Days' notice by such Borrower to such Lender and the Agent, to the extent not inconsistent with such Lender's internal policies and applicable legal and regulatory restrictions, use reasonable efforts to make, fund or maintain its Eurodollar Rate Advances through another Eurodollar Lending Office of such Lender if (A) as a result thereof the additional amounts required to be paid pursuant to Section 2.07(c), 2.11 or 2.14, as applicable, in respect of such Eurodollar Rate Advances would be materially reduced or the provisions of Section 2.12 would not apply to such Lender, as applicable, and (B) as determined by such Lender in good faith but in its sole discretion, the making or maintaining of such Eurodollar Rate Advances through such other Eurodollar Lending Office would not otherwise materially and adversely affect such Eurodollar Rate Advances or such Lender and (ii) unless such Lender has therefore taken steps to remove or cure, and has removed or cured (to the extent not inconsistent with internal policies and applicable legal and regulatory restrictions), the conditions creating such obligation to pay such additional amounts or the circumstances described in Section 2.12, such Lender will, upon at least five Business Days' notice from the Company to such Lender and the Agent, assign, pursuant to and in accordance with the provisions of Section 9.07, to one or more Eligible Assignees designated by the Company all, but not less than all, of the Revolving Credit Advances then owing to such Lender and all, but not less than all, of such Lender's rights and obligations hereunder (other than rights in respect of such Lender's outstanding Competitive Bid Advance), without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the outstanding principal amount of each such Advance then owing to such Lender plus any

accrued but unpaid interest thereon and any accrued but unpaid facility fees owing thereto and, in addition, all additional costs reimbursements, expense reimbursements and indemnities, if any, owing in respect of such Lender's Commitment hereunder at such time shall be paid to such Lender.

SECTION 2.18 Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Revolving Credit Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Revolving Credit Advances. Each Borrower agrees that upon reasonable notice by any Lender to such Borrower (with a copy of such notice to the Agent) to the effect that a Revolving Credit Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Revolving Credit Advances owing to, or to be made by, such Lender, such Borrower shall promptly execute and deliver to such Lender a Revolving Credit Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

(b) The Register maintained by the Agent pursuant to Section 9.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assumption Agreement and each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from such Borrower to each Lender hereunder and (iv) the amount of any sum received by the Agent from each Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from each Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of any Borrower under this Agreement.

### Article III

#### CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01 Conditions Precedent to Effectiveness of Sections 2.01 and 2.03. Sections 2.01 and 2.03 of this Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:



(a) There shall have occurred no Material Adverse Change since December 31, 2000 except as disclosed by the Company in writing to the Lenders prior to the date of execution of this Agreement.

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting the Company or any of its Subsidiaries pending or threatened before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect other than the matters described on Schedule 3.01(b) hereto (the "Disclosed Litigation") or (ii) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and there shall have been no material adverse change in the status, or financial effect on the Company and its Subsidiaries taken as a whole, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(c) All governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not acceptable to the Lenders) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Lenders that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(d) The Company shall have notified the Agent in writing as to the proposed Effective Date.

(e) The Company shall have paid all accrued fees and expenses of the Agent and the Lenders that shall have been invoiced as of the Effective Date (including the accrued fees and expenses of counsel to the Agent), in each case solely to the extent such fees and expenses are required by other provisions of this Agreement to be so paid.

(f) On the Effective Date, the following statements shall be true and the Agent shall have received for the account of each Lender a certificate signed by a duly authorized officer of the Company, dated the Effective Date, stating that:

(i) The representations and warranties of the Company contained in Section 4.01 are correct on and as of the Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default.

(g) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance reasonably satisfactory to the Agent and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(i) The Revolving Credit Notes of the Company to the order of the Lenders, respectively, to the extent requested by any Lender pursuant to Section 2.18.

(ii) Certified copies of the resolutions of the Board of Directors of the Company approving this Agreement (including the Commitment Increase contemplated by Section 2.05(c)) and the Notes of the Company, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and such Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to sign this Agreement and the Notes of the Company and the other documents to be delivered hereunder.

(iv) A favorable opinion of Robert M. Reese, Vice President and General Counsel of the Company, substantially in the form of Exhibit G hereto and as to such other matters as any Lender through the Agent may reasonably request.

(v) A favorable opinion of Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent.

(vi) Such other approvals, opinions or documents as any Lender, through the Agent, may reasonably request prior to the Effective Date.

(h) The Company shall have terminated the commitments, and paid in full all Debt, interest, fees and other amounts outstanding, under (i) the Existing Credit Agreement and (ii) the \$200,000,000 364-Day Credit Agreement dated as of December 15, 1995 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "364-Day Credit Agreement") among the Borrower, as borrower, the lenders and arrangers parties thereto and Citibank, as administrative agent, and each of the Lenders that is a party to each such credit facility hereby waives, upon execution of this Agreement, the three Business Days' notice required by Section 2.05 of the Existing Credit Agreement and Section 2.05 of the 364-Day Credit Agreement, respectively, relating to the termination of commitments thereunder.

SECTION 3.02 Initial Borrowing of Each Designated Subsidiary.  
The obligation of each Lender to make an initial Advance to each Designated Subsidiary following any designation of such Designated Subsidiary as a Borrower hereunder pursuant to Section 9.08 is subject to the Agent's receipt on or before the date of such Initial Advance of each of the following, in form and substance satisfactory to the Agent and dated such date, and (except for the Revolving Credit Notes) in sufficient copies for each Lender:

(a) The Revolving Credit Notes of such Borrower to the order of the Lenders, respectively, to the extent requested by any Lender pursuant to Section 2.18.

(b) Certified copies of the resolutions of the Board of Directors of such Borrower approving this Agreement and the Notes of such Borrower, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and such Notes.

(c) A certificate of the Secretary or an Assistant Secretary of such Borrower certifying the names and true signatures of the officers of such Borrower authorized to sign this Agreement and the Notes of such Borrower and the other documents to be delivered hereunder.

(d) A certificate signed by a duly authorized officer of the Company, dated as of the date of such initial Advance, certifying that such Borrower shall have obtained all governmental and third party authorizations, consents, approvals (including exchange control approvals) and licenses required under applicable laws and regulations necessary for such Borrower to execute and deliver this Agreement and the Notes of such Borrower and to perform its obligations thereunder.

(e) The Designation Letter of such Designated Subsidiary, substantially in the form of Exhibit E hereto.

(f) With respect to each Designated Subsidiary that has its principal place of business outside of the United States of America, evidence of the Process Agent's acceptance of its appointment pursuant to Section 9.12(a) as the agent of such Borrower, substantially in the form of Exhibit F hereto.

(g) A favorable opinion of counsel to such Designated Subsidiary, dated the date of such Initial Advance, substantially in the form of Exhibit H hereto.

(h) Such other approvals, opinions or documents as any Lender, through the Agent, may reasonably request.

SECTION 3.03 Conditions Precedent to Each Revolving Credit Borrowing. The obligation of each Lender to make a Revolving Credit Advance on the occasion of each Revolving Credit Borrowing shall be subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Revolving Credit Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing and the acceptance by the Borrower requesting such Revolving Credit Borrowing of the proceeds of such Revolving Credit Borrowing shall constitute a representation and warranty by such Borrower that on the date of such Borrowing such statements are true):

(i) the representations and warranties of the Company contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f) thereof (other than clause (i)(B) thereof)) are correct on and as of the date of such Revolving Credit Borrowing, before and after giving effect to such Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and, if such Borrower is a Designated Subsidiary, the representations and warranties of such Borrower contained in its Designation Letter are correct on and as of the date of such Revolving Credit Borrowing, before and after giving effect to such Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and

(ii) no event has occurred and is continuing, or would result from such Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

SECTION 3.04 Conditions Precedent to Each Competitive Bid Borrowing. The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing to make such Competitive Bid Advance as part of such Competitive Bid Borrowing is subject to the conditions precedent that (a) the Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (b) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.03, and (c) on the date of such Competitive Bid Borrowing the following statements shall be true (and each of the giving of the applicable Notice of Competitive Bid Borrowing and the acceptance by the Borrower requesting such Competitive Bid Borrowing of the proceeds of such Competitive Bid Borrowing shall constitute a representation and warranty by such Borrower that on the date of such Competitive Bid Borrowing such statements are true):

(i) the representations and warranties of the Company contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f) thereof (other than clause (i)(B) thereof)) are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and, if such Borrower is a Designated Subsidiary, the representations and warranties of such Borrower contained in its Designation Letter are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

(ii) no event has occurred and is continuing, or would result from such Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default, and

(iii) no event has occurred and no circumstance exists as a result of which the information concerning such Borrower that has been provided to the Agent and each Lender by such Borrower in connection herewith would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

SECTION 3.05 Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that the Company, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Lenders of the occurrence of the Effective Date.

#### Article IV

#### REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties of the Company.  
The Company represents and warrants as follows:

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

(b) The execution, delivery and performance by the Company of this Agreement and the Notes of the Company to be delivered by it, and the consummation of the transactions contemplated hereby, are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Company's charter or by-laws or (ii) any law or any contractual restriction binding on or affecting the Company, except where such contravention would not be reasonably likely to have a Material Adverse Effect.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Company of this Agreement or the Notes of the Company to be delivered by it, except for those authorizations, approvals, actions, notices and filings (i) listed on Schedule 4.01(c) hereto, all of which have been duly obtained, taken, given or made and are in full force and effect and (ii) where the Company's failure to receive, take or make such authorization, approval, action, notice or filing would not have a Material Adverse Effect.

(d) This Agreement has been, and each of the Notes of the Company to be delivered by it when delivered hereunder will have been, duly executed and

delivered by the Company. This Agreement is, and each of the Notes of the Company when delivered hereunder will be, the legal, valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and general principles of equity.

(e) The Consolidated balance sheet of the Company and its Subsidiaries as at December 31, 2000, and the related Consolidated statements of income and cash flows of the Company and its Subsidiaries for the fiscal year then ended, accompanied by an opinion of Arthur Andersen LLP, independent public accountants, and the Consolidated condensed balance sheet of the Company and its Subsidiaries as at July 1, 2001, and the related Consolidated statements of income and condensed cash flows of the Company and its Subsidiaries for the six months then ended, duly certified by the chief financial officer of the Company, copies of which have been furnished to each Lender, fairly present, subject, in the case of said balance sheet as at July 1, 2001, and said statements of income and cash flows for the six months then ended, to audit adjustments, the Consolidated financial condition of the Company and its Subsidiaries as at such dates and the Consolidated results of the operations of the Company and its Subsidiaries for the periods ended on such dates, all in accordance with accounting principles generally accepted in the United States consistently applied; provided, however, that said balance sheet and statements of income and cash flows for the six months ended as at July 1, 2001, are instead prepared in accordance with applicable rules and regulations of the Securities and Exchange Commission. Since December 31, 2000, there has been no Material Adverse Change.

(f) (i) There is no pending or, to the Company's knowledge, threatened action, suit, investigation, litigation or proceeding, including, without limitation, any Environmental Action, affecting the Company or any of its Subsidiaries before any court, governmental agency or arbitrator that (A) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (B) purports to affect the legality, validity or enforceability of this Agreement or any Note or the consummation of the transactions contemplated hereby, and (ii) there has been no adverse change in the status, or financial effect on the Company and its Subsidiaries taken as a whole, of the Disclosed Litigation from that described on Schedule 3.01(b) hereto.

(g) No proceeds of any Advance will be applied in any manner that will violate or cause any Lender to violate Regulation U or Regulation G issued by the Board of Governors of the Federal Reserve System.

(h) The Company is not, and immediately after the application by the Company of the proceeds of each Advance will not be, an "investment company", or a company "controlled" by an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

(i) The Company and each of its Subsidiaries are in compliance with all applicable laws, rules, regulations and orders, including, without limitation, ERISA and Environmental Laws and Environmental Permits, except where the failure to so comply would not be reasonably likely to have a Material Adverse Effect.

(j) To the Company's knowledge, (i) all past non-compliance with any Environmental Laws and Environmental Permits has been resolved without ongoing obligations or costs except where the failure to so comply would not be reasonably likely to have a Material Adverse Effect and (ii) no circumstances exist that would be reasonably likely to (A) form the basis of an Environmental Action against the Company or any of its Subsidiaries or any of their properties that would be reasonably likely to have a Material Adverse Effect or (B) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law that would be reasonably likely to have a Material Adverse Effect.

(k) No ERISA Event that would be reasonably likely to have a Material Adverse Effect has occurred or is reasonably expected to occur with respect to any Plan.

(l) Schedule B (Actuarial Information) to the most recent annual report (Form 5500 Series) for each Plan whose "funded current liability percentage" is less than 90% and whose "unfunded current liability" exceeds \$5,000,000 (as such terms are defined in Section 302(d)(8) of ERISA), copies of which have been filed with the Internal Revenue Service and furnished to the Lenders, is complete and accurate and fairly presents in all material respects the funding status of such Plan.

(m) Neither the Company nor any ERISA Affiliate has outstanding liability with respect to, or is reasonably expected to incur any Withdrawal Liability to, any Multiemployer Plan that would be reasonably likely to have a Material Adverse Effect.

(n) Neither the Company nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA, where such reorganization or termination would be reasonably likely to have a Material Adverse Effect.

(o) Except as set forth in the financial statements referred to in Section 4.01(e) and in Section 5.01(h), the Company and its Subsidiaries taken as a whole have no material liability with respect to "expected post retirement benefit obligations" within the meaning of Statement of Financial Accounting Standards No. 106.

COVENANTS OF THE COMPANY

SECTION 5.01 Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will:

(a) Compliance with Laws, Obligations, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and Environmental Laws as provided in Section 5.01(i), except where the failure to so comply would not be reasonably likely to have a Material Adverse Effect.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent if the failure to so pay and discharge would be reasonably likely to have a Material Adverse Effect, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, will by law become a Lien upon its property; provided, however, that neither the Company nor any of its Subsidiaries shall be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained.

(c) Maintenance of Insurance. Maintain, and cause each of its Material Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations (or continue to maintain self-insurance) in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Company or such Subsidiary operates.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights (charter and statutory) and franchises; provided, however, that the Company and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(b) and provided further that neither the Company nor any of its Subsidiaries shall be required to preserve any right or franchise if the Board of Directors of the Company or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company or such Subsidiary, as the case may be, and that the loss thereof would not be reasonably likely to have a Material Adverse Effect.

(e) Authorizations. Obtain, and cause each Designated Subsidiary with a principal place of business outside the United States to obtain, at any time and from time to time all authorizations, licenses, consents or approvals (including exchange control approvals) as shall now or hereafter be necessary or desirable under applicable law or regulations in connection with such Designated



Subsidiary's making and performance of this Agreement and, upon the request of any Lender, promptly furnish to such Lender copies thereof.

(f) Keeping of Books. Keep, and cause each of its Material Subsidiaries with a principal place of business in the United States to keep, proper books of record and account, in which full and correct entries in all material respects shall be made of all financial transactions and the assets and business of the Company and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used in the conduct of its business in good working order and condition, ordinary wear and tear excepted, except where the failure to do so would not be reasonably likely to have a Material Adverse Effect.

(h) Reporting Requirements. Furnish to the Lenders:

(i) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Company, Consolidated condensed balance sheet of the Company and its Subsidiaries as of the end of such quarter and Consolidated statements of income and Consolidated condensed statements of cash flows of the Company and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, duly certified (subject to audit adjustments) by the chief financial officer of the Company as having been prepared in accordance with applicable rules and regulations of the Securities and Exchange Commission and certificates of the chief financial officer of the Company as to compliance with the terms of this Agreement and setting forth in reasonable detail the calculations necessary to demonstrate compliance with Section 5.03, provided that in the event of any change in GAAP used in the preparation of such financial statements, the Company shall also provide, if necessary for the determination of compliance with Section 5.03, a statement of reconciliation conforming such financial statements to GAAP;

(ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Company, a copy of the annual report for such year for the Company and its Subsidiaries, containing Consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Company and its Subsidiaries for such fiscal year, in each case accompanied by an opinion of Arthur Andersen LLP or other nationally recognized independent public accountants, provided that in the event of any change in GAAP used in the preparation of such financial statements, the Company shall also provide, if necessary for the determination of

compliance with Section 5.03, a statement of reconciliation conforming such financial statements to GAAP;

(iii) as soon as possible and in any event within five days after the occurrence of each Default continuing on the date of such statement, a statement of the chief financial officer of the Company setting forth the details of such Default and the action that the Company has taken and proposes to take with respect thereto;

(iv) as soon as possible and in any event within three days after the occurrence of a Change of Control, notice of such Change of Control setting forth the details of such Change of Control;

(v) promptly after the sending or filing thereof, copies of all reports that the Company sends to any of its public securityholders, and copies of all reports and registration statements that the Company or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange;

(vi) (a) promptly and in any event within 20 days after the Company or any ERISA Affiliate has actual knowledge that an event that is an ERISA Event that has resulted or that would be reasonably likely to result in a liability of the Company or any ERISA Affiliate in an amount in excess of \$25,000,000 has occurred, a statement of the chief financial officer or other authorized officer of the Company describing such ERISA Event and the action, if any, that the Company or such ERISA Affiliate has taken and proposes to take with respect thereto and (b) on the date any records, documents or other information must be furnished to the PBGC with respect to any Plan pursuant to Section 4010 of ERISA, a copy of such records, documents and information;

(vii) promptly and in any event within three Business Days after receipt thereof by the Company or any ERISA Affiliate, copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan, where such notice, termination or appointment has resulted or would be reasonably likely to result in a liability of the Company or any ERISA Affiliate in an amount in excess of \$25,000,000;

(viii) promptly and in any event within 30 days after filing thereof with the Internal Revenue Services, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan whose "funded current liability percentage" is less than 90% and whose "unfunded current liability" exceeds \$5,000,000 (as such terms are defined in Section 302(d)(8) of ERISA);

(ix) promptly and in any event within five Business Days after receipt thereof by the Company or any ERISA Affiliate from the sponsor of a Multiemployer Plan, copies of each notice concerning (A) the imposition of Withdrawal Liability by any such Multiemployer Plan, (B) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan or (C) the amount of liability incurred, or that may be incurred, by the Company or any ERISA Affiliate in connection with any event described in clause (A) or (B), where such imposition, reorganization or termination has resulted or would be reasonably likely to result in a liability of the Company or any ERISA Affiliate in an amount exceeding \$25,000,000;

(x) promptly after the commencement thereof, notice of all actions and proceedings before any court, governmental agency or arbitrator affecting the Company or any of its Subsidiaries of the type described in Section 4.01(f); and

(xi) such other information respecting the Company or any of its Subsidiaries as any Lender through the Agent may from time to time reasonably request.

(i) Compliance with Environmental Laws. Comply, and cause each of its Subsidiaries and all lessees and other Persons operating or occupying its properties, to comply with all applicable Environmental Laws and Environmental Permits except where the failure to so comply would not be reasonably likely to have a Material Adverse Effect.

SECTION 5.02 Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company will not:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, other than:

(i) Permitted Liens,

(ii) purchase money Liens upon or in any real property or equipment acquired or held by the Company or any Subsidiary of the Company in the ordinary course of business to secure the purchase price of such property or equipment or to secure Debt incurred solely for the purpose of financing the acquisition of such property or equipment, or Liens existing on such property or equipment at the time of its acquisition (other than any such Liens created in contemplation of such acquisition that were not incurred to finance the acquisition of such property) or extensions, renewals or replacements of any of the foregoing for the same

or a lesser amount, provided, however, that no such Lien shall extend to or cover any properties of any character other than the real property or equipment being acquired, and no such extension, renewal or replacement shall extend to or cover any properties not theretofore subject to the Lien being extended, renewed or replaced,

(iii) any assignment of any right to receive income existing on the Effective Date and any Liens existing on the Effective Date,

(iv) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Company or any Subsidiary of the Company or becomes a Subsidiary of the Company; provided that such Liens do not extend to any assets other than those of the Person so merged into or consolidated with the Company or such Subsidiary or acquired by the Company or such Subsidiary,

(v) other Liens or any other assignment of any right to receive income (in addition to the Liens and assignments permitted under clauses (i), (ii), (iii), (iv) or (vi)) securing Debt in an aggregate principal amount not to exceed \$450,000,000, and

(vi) the replacement, extension or renewal of any Lien or any assignment of any right to receive income permitted by clause (iii) or (iv) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Debt secured thereby.

(b) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or permit any of its Subsidiaries to do so, except that any Subsidiary of the Borrower may merge or consolidate with or into, or dispose of assets to, any other Subsidiary of the Company, and except that any Subsidiary of the Company may merge into or dispose of assets to the Company and the Company may merge with any other Person so long as the Company is the surviving corporation, provided, in each case, that no Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom.

(c) Change in Nature of Business. Make, or permit any of its Subsidiaries to make, any material change in the nature of its business as carried on at the date hereof.

SECTION 5.03 Financial Covenant. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Company shall maintain, as of the end of each fiscal quarter, a ratio of (a) Pre-Tax Income from

Continuing Operations for the four fiscal quarters then ended to (b)  
Consolidated Interest Expense for such four fiscal quarters of not less than 2.0  
to 1.0.

## Article VI

### EVENTS OF DEFAULT

SECTION 6.01 Events of Default. If any of the following events  
("Events of Default") shall occur and be continuing:

(a) Any Borrower shall fail to pay any principal of any Advance within one Business Day after the same becomes due and payable; or any Borrower shall fail to pay any interest on any Advance or make any other payment of fees or other amounts payable under this Agreement or any Note within three Business Days after the same becomes due and payable; or

(b) Any representation or warranty made by any Company herein or, if such Borrower is a Designated Subsidiary, in such Borrower's Designation Letter, or by any Borrower in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(c) (i) The Company shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(d) or (h)(iii), (iv) or (vi)-(ix), 5.02 or 5.03, or (ii) the Company or any other Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(h)(i), (ii), (v), (x) or (xi) if such failure shall remain unremedied for 10 days after written notice thereof shall have been given to the relevant Borrower by the Agent or any Lender, or (iii) the Company or any other Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the relevant Borrower by the Agent or any Lender;  
or

(d) Any Borrower or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any Debt that is outstanding in a principal or notional amount of at least \$75,000,000 in the aggregate (but excluding Debt outstanding hereunder) of such Borrower or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem,

purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof, unless the event giving rise to such prepayment, redemption, purchase or defeasance is not related directly to any action taken by, or the condition (financial or otherwise) or operations of, the Company, any of its Subsidiaries, or any of their respective properties; or

(e) Any Borrower or any of its Material Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Borrower or any of its Material Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or any Borrower or any of its Material Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Any judgment or order for the payment of money in excess of \$50,000,000 shall be rendered against any Borrower or any of its Subsidiaries and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) The Company or any ERISA Affiliate shall incur, or, in the reasonable opinion of the Majority Lenders, shall be reasonably likely to incur liability in excess of \$75,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of the Company or any of its ERISA Affiliates from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan; or

(h) Any ERISA Event shall have occurred with respect to a Plan and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Company and the ERISA Affiliates related to such ERISA Event) exceeds \$75,000,000; or

(i) The Company or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount that, when aggregated with all other

amounts required to be paid to Multiemployer Plans by the Company and the ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds \$75,000,000; or

(j) The Company or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Company and the ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount exceeding \$75,000,000 in the aggregate;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Majority Lenders, by notice to the Company and each other Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Majority Lenders, by notice to the Company and each other Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrowers; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Borrower under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances to such Borrower (or, if such event has occurred in respect of the Company, to make Advances to any Borrower) shall automatically be terminated and (B) the Advances, all such interest and all such amounts owing by such Borrower (or, if such event has occurred in respect of the Company, owing by all of the Borrowers) shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrowers.

## Article VII

### GUARANTY

SECTION 7.01 Guaranty. For valuable consideration, receipt whereof is hereby acknowledged, and to induce each Lender to make Advances to the Designated Subsidiaries and to induce the Agent to act hereunder, the Company hereby unconditionally and irrevocably guarantees to each Lender and the Agent the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of the Designated Subsidiaries now or hereafter existing under this Agreement or the Notes, whether for principal, interest, fees, indemnities, expenses or otherwise (such obligations being the "Guaranteed Obligations"), and agrees to pay any and all reasonable and documented expenses (including reasonable counsel fees and

expenses) incurred by the Agent or any Lender in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, the Company's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and that would be owed by any Designated Subsidiary to the Agent or any Lender under this Agreement and the Notes but for the fact that such Guaranteed Obligations are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such Designated Subsidiary.

SECTION 7.02 Guaranty Absolute. The Company guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of this Agreement regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent or any Lender with respect thereto. The obligations of the Company under this Guaranty are independent of the Guaranteed Obligations or any other obligations of any Designated Subsidiary under this Agreement and the Notes, and a separate action or actions may be brought and prosecuted against the Company to enforce the obligations of the Company under this Guaranty, irrespective of whether any action is brought against any Borrower or whether any Borrower is joined in any such action or actions. The liability of the Company under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Company hereby irrevocably waives any defenses it may now or hereafter have in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of this Agreement or the Notes, or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other obligations of any Designated Subsidiary under this Agreement or the Notes, or any other amendment or waiver of or any consent to departure from this Agreement or any Note, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Designated Subsidiary or any of its Subsidiaries or otherwise;

(c) any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(d) any change, restructuring or termination of the corporate structure or existence of any Designated Subsidiary or any of its Subsidiaries;

(e) any failure of the Agent or any Lender to disclose to the Company or any Designated Subsidiary any information relating to the financial condition, operations, properties or prospects of any Designated Subsidiary now or in the future known to the Agent or such Lender, as the case may be (the Company waiving any duty on the part of the Agent or the Lenders to disclose such information); or



(f) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by the Agent or any Lender that might otherwise constitute a defense available to, or a discharge of, any Designated Subsidiary or the Company or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Agent or any Lender upon the insolvency, bankruptcy or reorganization of any Designated Subsidiary or otherwise, all as though such payment had not been made.

SECTION 7.03 Waivers and Acknowledgments. (a) The Company hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that the Agent or any Lender exhaust any right or take any action against any Designated Subsidiary or any other Person, and all other notices and demands whatsoever.

(b) The Company hereby waives any right to revoke this Guaranty, and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) The Company acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by this Agreement and the Notes and that the waivers set forth in this Section 7.03 are knowingly made in contemplation of such benefits.

SECTION 7.04 Subrogation. The Company will not exercise any rights that it may now or hereafter acquire against any Designated Subsidiary or any other insider guarantor that arise from the existence, payment, performance or enforcement of the Company's obligations under this Guaranty or any provision of this Agreement or the Notes, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Agent or any Lender against such Designated Subsidiary or any other insider guarantor or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from such Designated Subsidiary or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash and the Commitments shall have expired or terminated. If any amount shall be paid to the Company in violation of the preceding sentence at any time prior to the later of the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty and the Termination Date, such amount shall be held in trust for the benefit of the Agent and Lenders and shall forthwith be paid to the Agent to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the

terms of this Agreement and any Notes, or to be held as collateral for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising. If (i) the Company shall make payment to the Agent or any Lender of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall be paid in full in cash and (iii) the Termination Date shall have occurred, the Agent and the Lenders will, at the Company's request and expense, execute and deliver to the Company appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Company of an interest in the Guaranteed Obligations resulting from such payment by the Company.

SECTION 7.05 Continuing Guaranty; Assignments under the Credit Agreement. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Agreement and the Termination Date, (b) be binding upon the Company, its successors and assigns and (c) inure to the benefit of and be enforceable by the Agent and the Lenders and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under this Agreement (including, without limitation, all or any portion of its Commitment, the Advances owing to it and any Note or Notes held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, in each case as and to the extent provided in Section 9.07 of this Agreement.

SECTION 7.06 No Stay. The Company agrees that, as between (a) the Company and (b) the Lenders and the Agent, the Guaranteed Obligations of any Designated Subsidiary guaranteed by the Company hereunder may be declared to be forthwith due and payable as provided in Article VI hereof for purposes of this Guaranty by declaration to the Company as guarantor notwithstanding any stay, injunction or other prohibition preventing such declaration as against such Designated Subsidiary and that, in the event of such declaration to the Company as guarantor, such Guaranteed Obligations (whether or not due and payable by such Designated Subsidiary), shall forthwith become due and payable by the Company for purposes of this Guaranty.

#### Article VIII

##### THE AGENT

SECTION 8.01 Authorization and Action. Each Lender hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Advances), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the

instructions of the Majority Lenders, and such instructions shall be binding upon all Lenders and all holders of Advances; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. The Agent agrees to give to each Lender prompt notice of each notice given to it by any Borrower pursuant to the terms of this Agreement.

SECTION 8.02 Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (a) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the Agent receives and accepts an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 9.07; (b) may consult with legal counsel (including counsel for any Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of any Borrower or to inspect the property (including the books and records) of any Borrower; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (f) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.03 Citibank and Affiliates. With respect to its Commitment, the Advances made by it and the Note issued to it, Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Citibank in its individual capacity. Citibank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Company, any of its Subsidiaries and any Person who may do business with or own securities of the Company or any such Subsidiary, all as if Citibank were not the Agent and without any duty to account therefor to the Lenders.

SECTION 8.04 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents

and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 8.05 Indemnification. The Lenders agree to indemnify the Agent (to the extent not reimbursed by a Borrower), ratably according to the respective principal amounts of the Revolving Credit Notes then held by each of them (or if no Revolving Credit Notes are at the time outstanding or if any Revolving Credit Notes are held by Persons that are not Lenders, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by a Borrower.

SECTION 8.06 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and each Borrower and may be removed at any time with or without cause by the Majority Lenders and such resignation or removal shall be effective upon the appointment of a successor Agent. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor Agent, subject to the Company's approval (which shall not be unreasonably withheld). If no successor Agent shall have been so appointed by the Majority Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$250,000,000, subject to the Company's approval (which shall not be unreasonably withheld). Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

Article IX

MISCELLANEOUS

SECTION 9.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Revolving Credit Notes, nor consent to any departure by any Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (a) increase the Commitment of any Lender (other than as provided for in Section 2.05(c)) or subject any Lender to any additional monetary obligations, (b) reduce the principal of, or interest on, the Revolving Credit Notes or any fees or other amounts payable hereunder, (c) postpone any date fixed for any payment of principal of, or interest on, the Revolving Credit Notes or any fees or other amounts payable hereunder, (d) release the Company from any of its obligations under Article VII or limit the liability of the Company thereunder or (e) amend or waive this Section 9.01 or the definition of "Majority Lenders"; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Agent under this Agreement or any Note.

SECTION 9.02 Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic or telex communication) and mailed, telecopied, telegraphed, telexed or delivered, if to the Company or to any Designated Subsidiary, at the Company's address at Corporate Headquarters, 100 Crystal A Drive, Hershey, Pennsylvania 17033-0810, Attention: Treasury Department, Fax No. (717) 534-6724; if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assumption Agreement or the Assignment and Acceptance, as the case may be, pursuant to which it became a Lender; and if to the Agent, at its address at Two Penn's Way, New Castle, Delaware 19720, Attention: Bank Loan Syndications, Fax No. (302) 894-6120; or, as to any Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent. All such notices and communications shall, when mailed, telecopied, telegraphed or telexed, be effective when deposited in the mails, telecopied, delivered to the telegraph company or confirmed by telex answerback, respectively, except that notices and communications to the Agent pursuant to Article II, III or VIII shall not be effective until received by the Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 9.03 No Waiver; Remedies. No failure on the part of any Lender or the Agent to exercise, and no delay in exercising, any right hereunder or under

any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9.04 Costs and Expenses. (a) The Company agrees to pay or cause to be paid on demand all reasonable and documented costs and expenses of the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, (A) all due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, messenger costs and expenses and (B) the reasonable fees and expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement. The Company further agrees to pay or cause to be paid on demand all reasonable and documented costs and expenses of the Agent and the Lenders, if any (including, without limitation, reasonable counsel fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the Notes and the other documents to be delivered hereunder, including, without limitation, reasonable fees and expenses of counsel for the Agent and each Lender in connection with the enforcement of rights under this Section 9.04(a).

(b) The Company agrees to indemnify and hold harmless the Agent and each Lender and each of their Affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with the Notes, this Agreement, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Advances whether or not such investigation, litigation or proceeding is brought by any Borrower or the directors, shareholders or creditors of any Borrower or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated, except to the extent such claim, damage, loss, liability or expense results from such Indemnified Party's gross negligence or willful misconduct.

(c) Promptly after receipt by an Indemnified Party of notice of the commencement of any action or proceeding involving any claim, damage, loss or liability referred to in paragraph (b) above, such Indemnified Party will, if a claim in respect thereof is to be made against any Borrower, give written notice to such Borrower of the commencement of such action; provided that the failure of any Indemnified Party to give notice as provided in this Section 9.04(c) shall not relieve such Borrower of its obligations under paragraph (b) above, except only to the extent that such Borrower actually suffers damage solely as a result of such failure to give notice. In the event that any such action or proceeding is brought against an Indemnified Party, unless in such

Indemnified Party's sole judgment (based on advise of counsel) a conflict of interest between such Indemnified Party and a Borrower may exist in respect thereof, such Borrower shall be entitled to participate in and to assume the defense thereof with counsel reasonably satisfactory to such Indemnified Party. After notice from such Borrower to such Indemnified Party of its election to assume the defense thereof, such Borrower shall not be liable to such Indemnified Party for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof (other than reasonable costs of investigation). No Borrower shall consent to the entry of any dismissal or judgment, or enter into any settlement of any pending or threatened action or proceeding against any Indemnified Party that is or could have been a party and for whom indemnity could have been sought under paragraph (b) above without the consent of such Indemnified Party unless such judgment, dismissal or settlement includes as an unconditional term thereof the giving of a release from all liability in respect of such action or proceeding to such Indemnified Party; provided that each Indemnified Party agrees that, if a Borrower reconfirms to such Indemnified Party that it is indemnified from all liability in respect of any such action or proceeding referred to in the preceding sentence, such Indemnified Party will not enter into any settlement of any such action or proceeding without the consent of such Borrower (which consent shall not be unreasonably withheld). In addition to the foregoing, each Borrower shall not, in assuming the defense of any Indemnified Party, agree to any dismissal or settlement without the prior written consent of such Indemnified Party if such dismissal or settlement (A) would require any admission or acknowledgement of culpability or wrongdoing by such Indemnified Party or (B) would provide for any nonmonetary relief to any Persons to be performed by such Indemnified Party.

(d) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance or LIBO Rate Advance is made by any Borrower to or for the account of a Lender other than on the last day of the Interest Period for such Advance, as a result of (i) a payment or Conversion pursuant to Section 2.03(d), 2.10 or 2.12, (ii) a Commitment Increase pursuant to Section 2.05(c), (iii) acceleration of the maturity of the Advances pursuant to Section 6.01 or for any other reason, or (iv) by an Eligible Assignee to a Lender other than on the last day of the Interest Period for such Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 9.07(a) as a result of a demand by the Company pursuant to Section 2.17, such Borrower shall, upon demand by such Lender (with a copy of such demand to the Agent), pay to the Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that it may reasonably and actually incur as a result of such payment or Conversion, including, without limitation, any loss (other than loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(e) Without prejudice to the survival of any other agreement of any Borrower hereunder, the agreements and obligations of such Borrower contained in Sections 2.11, 2.14 and 9.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and relating to the Advances.

SECTION 9.05 Right of Set-off. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final but excluding trust accounts) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Borrower against any and all of the obligations of such Borrower now or hereafter existing under this Agreement and the Note of such Borrower held by such Lender, whether or not such Lender shall have made any demand under this Agreement or such Note. Each Lender agrees promptly to notify the relevant Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender may have.

SECTION 9.06 Binding Effect. This Agreement shall become effective (other than Sections 2.01 and 2.03, which shall only become effective upon satisfaction of the conditions precedent set forth in Section 3.01) when it shall have been executed by the Company and the Agent and when the Agent shall have been notified by each Initial Lender that such Initial Lender has executed it and thereafter shall be binding upon and inure to the benefit of each Borrower, the Agent and each Lender and their respective successors and assigns, except that no Borrower shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 9.07 Assignments, Designations and Participations. (a) Each Lender may at any time, and if demanded by the Company pursuant to Section 2.17, shall assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Revolving Credit Advances owing to it and the Revolving Credit Note or Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than any right to make Competitive Bid Advances, Competitive Bid Advances owing to it and Competitive Bid Notes), (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof, (iii) each such assignment shall be to an Eligible Assignee, (iv) each such assignment made as a result of a demand by the Company pursuant to Section 2.17 shall be arranged by the Company after consultation with the Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (v) no Lender shall be obligated to make any such assignment as a result of a demand by the Company pursuant to Section 2.17 (A) so



long as a Default shall have occurred and be continuing, (B) unless and until such Lender shall have received one or more payments from either the Company, any other Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement (including, but not limited to, any amounts owing under Section 2.11 and Section 2.14), and the Company shall have satisfied all of its other obligations under this Agreement as of the effective date of the assignment and (C) if any such Eligible Assignee is not an existing Lender, the Company shall have paid to the Agent a processing and recordation fee of \$1,000, (vi) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Revolving Credit Note subject to such assignment and, if such assignment does not occur as a result of a demand by the Company pursuant to Section 2.17 (in which case the Company shall pay the fee required by clause (v)(C) of this Section 9.07(a)), a processing and recordation fee of \$3,500, and (vii) in the case of an assignment to any Affiliate of such Lender that is engaged in the business of commercial banking, notice thereof shall have been given to the Company and the Agent. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01(e), the most recent financial statements referred to in Section 5.01(h) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this

Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Revolving Credit Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to each Borrower.

(d) The Agent shall maintain at its address referred to in Section 9.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and each Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by any Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Each Lender may sell participations to one or more banks or other entities (other than any Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to any Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Note for all purposes of this Agreement, (iv) each Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement or any Note, or any consent to any departure by any Borrower therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder, in each case to the extent subject to such participation. Each Lender agrees that, promptly upon selling any such participation in accordance with this Section 9.07(e), such Lender shall deliver written notice thereof to the Company.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.07, disclose to the assignee, or participant or proposed assignee, or participant, any information relating to the Company or any other Borrower furnished to such Lender by or on behalf of such Borrower; provided that, prior to any such disclosure, the assignee, or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information relating to such Borrower received by it from such Lender.

(g) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

SECTION 9.08 Designated Subsidiaries. (a) Designation. The Company may at any time, and from time to time, by delivery to the Agent of a Designation Letter duly executed by the Company and the respective Subsidiary and substantially in the form of Exhibit E hereto, designate such Subsidiary as a "Designated Subsidiary" for purposes of this Agreement and such Subsidiary shall thereupon become a "Designated Subsidiary" for purposes of this Agreement and, as such, shall have all of the rights and obligations of a Borrower hereunder. The Agent shall promptly notify each Lender of each such designation by the Company and the identity of the respective Subsidiary.

(b) Termination. Upon the payment and performance in full of all of the indebtedness, liabilities and obligations under this Agreement and relating to the Advances of any Designated Subsidiary then, so long as at the time no Notice of Revolving Credit Borrowing or Notice of Competitive Bid Borrowing in respect of such Designated Subsidiary is outstanding, such Subsidiary's status as a "Designated Subsidiary" shall terminate upon notice to such effect from the Agent to the Lenders (which notice the Agent shall give promptly upon its receipt of a request therefor from the Company). Thereafter, the Lenders shall be under no further obligation to make any Advance hereunder to such Designated Subsidiary.

SECTION 9.09 Confidentiality. Neither the Agent nor any Lender shall disclose any Confidential Information to any other Person without the consent of the relevant Borrower, other than (a) to the Agent's or such Lender's officers, directors, employees, agents and advisors and, as contemplated by Section 9.07(f), to actual or prospective assignees and participants, and then only on a need-to-know and confidential basis in connection with the transactions contemplated by this Agreement, (b) pursuant to subpoena or other legal process or as otherwise required by law (provided that the Person making such disclosure shall, to the extent permitted by law, provide the Company with notice thereof), and (c) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking having jurisdiction over any Lender.

SECTION 9.10 Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.11 Execution in Counterparts. This Agreement 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 one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.12 Jurisdiction, Etc. (a) Each of the parties hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction only of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the Notes, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined only in any such New York State court or, to the extent permitted by law, in such federal court. Notwithstanding the foregoing sentence, each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each Designated Subsidiary that has its principal place of business outside of the United States of America hereby agrees that service of process in any such action or proceeding may be made upon the Company at its offices specified in Section 9.02 (the "Process Agent") and each such Designated Subsidiary hereby irrevocably appoints the Process Agent its authorized agent to accept such service of process, and agrees that the failure of the Process Agent to give any notice of any such service shall not impair or affect the validity of such service or of any judgment rendered in any action or proceeding based thereon. Each Borrower hereby further irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid, to such Borrower at its address set forth in Section 9.02. Nothing in this Agreement shall affect any right that any party may otherwise have to serve legal process in any other manner permitted by law. To the extent that any Designated Subsidiary has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Designated Subsidiary hereby irrevocably waives such immunity in respect of its obligations under this Agreement.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York State or federal court of the United States of America sitting in New York City. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

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

HERSHEY FOODS CORPORATION

By /s/ Frank Cerminara

-----  
Title: Senior Vice President,  
Chief Financial Officer

By /s/ R. M. Garrabrant

-----  
Title: Vice President and Treasurer

CITIBANK, N.A.,  
as Administrative Agent

By /s/ Carolyn A. Kee

-----  
Title: Vice President

BANK OF AMERICA, N.A.,  
as Syndication Agent

By /s/ William F. Sweeney

-----  
Title: Managing Director

SALOMON SMITH BARNEY, INC.,  
as Arranger

By /s/ Carolyn A. Kee

-----  
Title: Attorney-in-Fact

BANC AMERICA SECURITIES, LLC,  
as Arranger

By /s/ Thomas M. Brown

-----  
Title: Managing Director

Commitment

Initial Lenders

-----  
\$37,500,000

-----  
CITIBANK, N.A.

By: /s/ Carolyn A. Kee

-----  
Title: Vice President

By:

-----  
Title:

\$37,500,000

BANK OF AMERICA, N.A.

By: /s/ William F. Sweeney

-----  
Title: Managing Director

\$25,000,000

UBS AG, STAMFORD BRANCH

By: /s/ Wilfred V. Saint

-----  
Title: Associate Director  
Banking Products Services, US

By: /s/ Jennifer L. Poccia

-----  
Title: Associate Director  
Banking Products Services, US

\$25,000,000

MELLON BANK, N.A.

By: /s/ Donald G. Cassidy Jr.

-----  
Title: Senior Vice President

\$25,000,000

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Robert F. Giarnone

-----  
Title: Vice President

\$10,000,000

DEUTSCHE BANK AG  
NEW YORK BRANCH

By: /s/ Alexander Karow

-----  
Title: Vice President

By: /s/ Christoph A. Koch

-----  
Title: Vice President

\$10,000,000

CIBC, INC.

By: /s/ Dominic Sorresso

-----  
Title: Executive Director  
CIBC World Markets Corp., As  
Agent

\$10,000,000

WACHOVIA BANK, N.A.

By: /s/ Christa P. Holland

-----  
Title: Vice President

\$10,000,000

BANCO POPULAR DE PUERTO RICO

By: /s/ Hector A. Vina

-----  
Title: Vice President

\$10,000,000

SUMITOMO MITSUI

By: /s/ Edward D. Henderson

-----  
Title: Senior Vice President

\$200,000,000

Total of the Commitments



SCHEDULE I

APPLICABLE LENDING OFFICES

Name of Initial Lender -----	Domestic Lending Office -----	Eurodollar Lending Office -----
BANK OF AMERICA, N.A.	Bank of America, N.A. 901 Main Street, 14th Floor Dallas, TX 75202 Attn: Sam Brown Phone: 214-209-9262 Fax: 214-290-9519	Bank of America, N.A. 901 Main Street, 14th Floor Dallas, TX 75202 Attn: Sam Brown Phone: 214-209-9262 Fax: 214-290-9519
CIBC, INC.	CIBC, Inc. 2 Paces West 2727 Paces Ferry Road Suite 1200 Atlanta, GA 30439 Attn: Mary Fann Phone: 770-319-4849 Fax: 770-319-4950	CIBC, Inc. 2 Paces West 2727 Paces Ferry Road Suite 1200 Atlanta, GA 30439 Attn: Mary Fann Phone: 770-319-4849 Fax: 770-319-4950
CITIBANK, N.A.	Citibank, N.A. One Court Square Seventh Floor Long Island City, NY 11120 Attn: John Makrinos Phone: 718-248-4531 Fax: 718-248-4844	Citibank, N.A. One Court Square Seventh Floor Long Island City, NY 11120 Attn: John Makrinos Phone: 718-248-4531 Fax: 718-248-4844
DEUTSCHE BANK AG NEW YORK BRANCH	Deutsche Bank AG, New York Branch 40 Kingsbridge Road (Mailstop PIS 01-213H) Piscataway, NJ 08854 Attn: Carmen Melendez Phone: 732-981-7437 Fax: 732-981-7470 or 5903	Deutsche Bank AG, New York Branch 40 Kingsbridge Road (Mailstop PIS 01-213H) Piscataway, NJ 08854 Attn: Carmen Melendez Phone: 732-981-7437 Fax: 732-981-7470 or 5903
PNC BANK, NATIONAL ASSOCIATION	PNC Bank, National Association 4242 Carlisle Pike Camp Hill, PA 17011 Attn: Robin Zacheri Phone: 717-730-2368 Fax: 717-730-2387	PNC Bank, National Association 4242 Carlisle Pike Camp Hill, PA 17011 Attn: Robin Zacheri Phone: 717-730-2368 Fax: 717-730-2387
BANCO POPULAR DE PUERTO RICO	Banco Popular de Puerto Rico 7 West 51st - 2nd Floor New York, NY 10019 Attn: Branch Manager Tel: (212) 445-1988 Fax: (212) 586-3537	Banco Popular de Puerto Rico 7 West 51st - 2nd Floor New York, NY 10019 Attn: Branch Manager Tel: (212) 445-1988 Fax: (212) 586-3537

Name of Initial Lender -----	Domestic Lending Office -----	Eurodollar Lending Office -----
UBS AG, STAMFORD BRANCH	UBS AG, Stamford Branch 677 Washington Blvd. Stamford, CT 06901 Attn: Johnny Villard Tel: (203) 719-3845 Fax: (203) 719-3888	UBS AG, Stamford Branch 677 Washington Blvd. Stamford, CT 06901 Attn: Johnny Villard Tel: (203) 719-3845 Fax: (203) 719-3888
MELLON	Mellon Bank, N.A. 3 Mellon Bank Center, 12th Floor Pittsburgh, PA 15259 Attn: Sannford M. Richards Tel: 412-234-8285 Fax: 412-209-6118	Mellon Bank, N.A. 3 Mellon Bank Center, 12th Floor Pittsburgh, PA 15259 Attn: Sannford M. Richards Tel: 412-234-8285 Fax: 412-209-6118
WACHOVIA BANK, N.A.	Wachovia Bank, N.A. 191 Peachtree Street Atlanta, GA 30302 Attn: Tel: (404) 332- Fax: (404) 332-	Wachovia Bank, N.A. 191 Peachtree Street Atlanta, GA 30302 Attn: Tel: (404) 332- Fax: (404) 332-
SUMITOMO MITSUI	Sumitomo Mitsui 277 Park Avenue New York, NY 10172 Attn: Tracey Watson Tel: (212) 224-4393 Fax: (212) 224-5197	Sumitomo Mitsui 277 Park Avenue New York, NY 10172 Attn: Tracey Watson Tel: (212) 224-4393 Fax: (212) 224-5197

SCHEDULE 3.01(b)

DISCLOSED LITIGATION

NONE

SCHEDULE 4.01(c)

REQUIRED AUTHORIZATIONS AND APPROVALS

NONE

U.S. \$200,000,000

AMENDED AND RESTATED  
FIVE-YEAR CREDIT AGREEMENT

Dated as of November 27, 2001

Among

HERSHEY FOODS CORPORATION,

as Borrower,

and

THE INITIAL LENDERS NAMED HEREIN,

as Initial Lenders,

and

CITIBANK, N.A.,

as Administrative Agent,

and

BANK OF AMERICA, N.A.,

as Syndication Agent,

and

SALOMON SMITH BARNEY INC.,

and

BANC AMERICA SECURITIES LLC,

as Joint Lead Arrangers and Joint Book Managers

TABLE OF CONTENTS

Page

Article I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Certain Defined Terms.....1  
SECTION 1.02 Computation of Time Periods.....14  
SECTION 1.03 Accounting Terms.....14

Article II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01 The Revolving Credit Advances..... 14  
SECTION 2.02 Making the Revolving Credit Advances.....15  
SECTION 2.03 The Competitive Bid Advances..... 16  
SECTION 2.04 Fees.....20  
SECTION 2.05 Termination, Reduction or Increase of the Commitments.....20  
SECTION 2.06 Repayment of Revolving Credit Advances.....24  
SECTION 2.07 Interest on Revolving Credit Advances.....24  
SECTION 2.08 Interest Rate Determination..... 25  
SECTION 2.09 Optional Conversion of Revolving Credit Advances.....27  
SECTION 2.10 Optional Prepayments of Revolving Credit Advances.....27  
SECTION 2.11 Increased Costs.....27  
SECTION 2.12 Illegality.....29  
SECTION 2.13 Payments and Computations.....29  
SECTION 2.14 Taxes.....30  
SECTION 2.15 Sharing of Payments, Etc.....32  
SECTION 2.16 Use of Proceeds.....33  
SECTION 2.17 Mandatory Assignment by a Lender; Mitigation.....33  
SECTION 2.18 Evidence of Debt.....34

Article III

CONDITIONS TO EFFECTIVENESS AND LENDING

SECTION 3.01 Conditions Precedent to Effectiveness of Sections 2.01 and 2.03.....34  
SECTION 3.02 Initial Borrowing of Each Designated Subsidiary.....36  
SECTION 3.03 Conditions Precedent to Each Revolving Credit Borrowing.....37  
SECTION 3.04 Conditions Precedent to Each Competitive Bid Borrowing.....38  
SECTION 3.05 Determinations Under Section 3.01.....39

Article IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties of the Company.....39

Article V

COVENANTS OF THE COMPANY

SECTION 5.01 Affirmative Covenants.....42  
SECTION 5.02 Negative Covenants.....45  
SECTION 5.03 Financial Covenant.....46

Article VI

EVENTS OF DEFAULT

SECTION 6.01 Events of Default.....47

Article VII

GUARANTY

SECTION 7.01 Guaranty.....49  
SECTION 7.02 Guaranty Absolute.....50  
SECTION 7.03 Waivers and Acknowledgments.....51  
SECTION 7.04 Subrogation.....51  
SECTION 7.05 Continuing Guaranty; Assignments under the Credit Agreement.....52  
SECTION 7.06 No Stay.....52

Article VIII

THE AGENT

SECTION 8.01 Authorization and Action.....52  
SECTION 8.02 Agent's Reliance, Etc.....53  
SECTION 8.03 Citibank and Affiliates.....53  
SECTION 8.04 Lender Credit Decision.....53  
SECTION 8.05 Indemnification.....54  
SECTION 8.06 Successor Agent.....54

Article IX

MISCELLANEOUS

SECTION 9.01 Amendments, Etc.....55  
SECTION 9.02 Notices, Etc.....55  
SECTION 9.03 No Waiver; Remedies.....55  
SECTION 9.04 Costs and Expenses.....56  
SECTION 9.05 Right of Set-off.....58  
SECTION 9.06 Binding Effect.....58  
SECTION 9.07 Assignments, Designations and Participations.....58  
SECTION 9.08 Designated Subsidiaries.....61  
SECTION 9.09 Confidentiality.....61  
SECTION 9.10 Governing Law.....61  
SECTION 9.11 Execution in Counterparts.....62  
SECTION 9.12 Jurisdiction, Etc.....62

SCHEDULES

Schedule I - List of Applicable Lending Offices  
Schedule 3.01(b) - Disclosed Litigation  
Schedule 4.01(c) - Required Authorizations and Approvals

EXHIBITS

Exhibit A-1 - Form of Revolving Credit Note  
Exhibit A-2 - Form of Competition Bid Note  
Exhibit B-1 - Form of Notice of Revolving Credit Borrowing  
Exhibit B-2 - Form of Notice of Competitive Bid Borrowing  
Exhibit C - Form of Assignment and Acceptance  
Exhibit D - Form of Assumption Agreement  
Exhibit E - Form of Designation Letter  
Exhibit F - Form of Acceptance by Process Agent  
Exhibit G - Form of Opinion of Robert M. Reese, Senior Vice President and  
General Counsel of the Company  
Exhibit H - Form of Opinion of Counsel to a Designated Subsidiary



EXHIBIT A-1 - FORM OF  
REVOLVING CREDIT  
PROMISSORY NOTE

U.S.\$ \_\_\_\_\_

Dated: November 27, 2001

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a \_\_\_\_\_ corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_ (the "Lender") for the account of its Applicable Lending Office on the Termination Date (each as defined in the Credit Agreement referred to below) the principal sum of U.S.\$[amount of the Lender's Commitment in figures] or, if less, the aggregate principal amount of the Revolving Credit Advances (as defined in the Credit Agreement referred to below) made by the Lender to the Borrower pursuant to the Amended and Restated Five-Year Credit Agreement dated as of November 27, 2001 among Hershey Foods Corporation, the Lender and certain other lenders party thereto, Citibank, N.A., as administrative agent (the "Agent") for the Lender and such other lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined) outstanding on the Termination Date.

The Borrower promises to pay interest on the unpaid principal amount of each Revolving Credit Advance from the date of such Revolving Credit Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A., as Agent, at the Agent's Account in same day funds. Each Revolving Credit Advance owing to the Lender by the Borrower pursuant to the Credit Agreement, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Revolving Credit Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of Revolving Credit Advances by the Lender to the Borrower and each other "Borrower" thereunder from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Revolving Credit Advance being evidenced by this Promissory Note, and (ii) contains provisions in Sections 6.01 and 2.10, respectively, for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This promissory note shall be governed by, and construed in accordance with the laws of the State of New York.

[NAME OF BORROWER]

By

-----

Title:



EXHIBIT A-2 - FORM OF  
COMPETITIVE BID  
PROMISSORY NOTE

U.S.\$ \_\_\_\_\_

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

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a \_\_\_\_\_ corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_ (the "Lender") for the account of its Applicable Lending Office (as defined in the Amended and Restated Five-Year Credit Agreement dated as of November 27, 2001 among Hershey Foods Corporation, the Lender and certain other lenders party thereto, Citibank, N.A., as administrative agent (the "Agent") for the Lender and such other lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined)), on \_\_\_\_\_, the principal amount of U.S.\$ \_\_\_\_\_.

The Borrower promises to pay interest on the unpaid principal amount hereof from the date hereof until such principal amount is paid in full, at the interest rate and payable on the interest payment date or dates provided below:

Interest Rate: \_\_\_\_\_% per annum (calculated on the basis of a year of \_\_\_\_\_ days for the actual number of days elapsed).

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A. for the account of the Lender at the Agent's Account in same day funds.

This Promissory Note is one of the Competitive Bid Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, contains provisions in Section 6.01 for acceleration of the maturity hereof upon the happening of certain stated events.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

[NAME OF BORROWER]

By

-----  
Title:

EXHIBIT B-1 - FORM OF NOTICE OF  
REVOLVING CREDIT BORROWING

Citibank, N.A., as Agent  
for the Lenders party  
to the Credit Agreement  
referred to below  
Two Penn's Way

New Castle, Delaware 19720

[Date]

Attention: Bank Loan Syndications

Ladies and Gentlemen:

The undersigned, [Name of Borrower], refers to the Amended and Restated Five-Year Credit Agreement, dated as of November 27, 2001 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among Hershey Foods Corporation, certain Lenders party thereto, Citibank, N.A., as administrative agent (the "Agent") for said Lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Revolving Credit Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Revolving Credit Borrowing (the "Proposed Revolving Credit Borrowing") as required by Section 2.02(a) of the Credit Agreement:

- (i) The Business Day of the Proposed Revolving Credit Borrowing is \_\_\_\_\_.
- (ii) The Type of Advances comprising the Proposed Revolving Credit Borrowing is [Base Rate Advances] [Eurodollar Rate Advances].
- (iii) The aggregate amount of the Proposed Revolving Credit Borrowing is \$\_\_\_\_\_.
- [(iv) The initial Interest Period for each Eurodollar Rate Advance made as part of the Proposed Revolving Credit Borrowing is \_\_\_\_\_ month[s].]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Revolving Credit Borrowing:

(A) the representations and warranties of the Company contained in Section 4.01 of the Credit Agreement (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f) thereof (other than clause (i)(B) thereof) are correct, before and after giving effect to the Proposed Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date\* [and the

representations and warranties contained in the Designation Letter of the undersigned is correct, before and after giving effect to the Proposed Revolving Credit Borrowing and to the application of the proceeds therefrom, as though made on and as of such date]; and

(B) no event has occurred and is continuing, or would result from such Proposed Revolving Credit Borrowing or from the application of the proceeds therefrom, that constitutes a Default.

Very truly yours,

[NAME OF BORROWER]

By

-----

Title:

\* This language should be added only if the Borrower is a Designated Subsidiary.

NYDOCS03/608894  
EXHIBIT B-2 - FORM OF NOTICE OF  
COMPETITIVE BID BORROWING

Citibank, N.A., as Agent  
for the Lenders party  
to the Credit Agreement  
referred to below  
Two Penn's Way

New Castle, Delaware 19720

[Date]

Attention: Bank Loan Syndications

Ladies and Gentlemen:

The undersigned, [Name of Borrower], refers to the Amended and Restated Five-Year Credit Agreement, dated as of November 27, 2001 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among Hershey Foods Corporation, certain Lenders party thereto, Citibank, N.A., as administrative agent (the "Agent") for said Lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers, and hereby gives you notice, irrevocably, pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests a Competitive Bid Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Competitive Bid Borrowing (the "Proposed Competitive Bid Borrowing") is requested to be made:

- (A) Date of Competitive Bid Borrowing \_\_\_\_\_
- (B) Principal Amount  
of Competitive Bid Borrowing \_\_\_\_\_
- (C) [Maturity Date] [Interest Period]2 \_\_\_\_\_
- (D) Interest Rate Basis  
(LIBO Rate or Fixed Rate) \_\_\_\_\_
- (E) Interest Payment Date(s) \_\_\_\_\_
- (F) \_\_\_\_\_
- (G) \_\_\_\_\_
- (H) \_\_\_\_\_

\* Which shall be subject to the definition of "Interest Paid" and end on or before the Termination Date.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Competitive Bid Borrowing:

(a) the representations and warranties of the Company contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f) thereof (other than clause (i)(B) thereof)) are correct, before and after giving effect to the Proposed Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date\* [and the representations and warranties contained in the Designation Letter of the undersigned is correct, before and after giving effect to the Proposed Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date];

(b) no event has occurred and is continuing, or would result from the Proposed Competitive Bid Borrowing or from the application of the proceeds therefrom, that constitutes a Default;

(c) no event has occurred and no circumstance exists as a result of which the information concerning the undersigned that has been provided to the Agent and each Lender by the undersigned in connection with the Credit Agreement would include an untrue statement of a material fact or omit to state any material fact or any fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading; and

(d) the aggregate amount of the Proposed Competitive Bid Borrowing and all other Borrowings to be made on the same day under the Credit Agreement is within the aggregate amount of the unused Commitments of the Lenders.

The undersigned hereby confirms that the Proposed Competitive Bid Borrowing is to be made available to it in accordance with Section 2.03(a)(v) of the Credit Agreement.

Very truly yours,

[NAME OF BORROWER]

By

-----  
Title:

\* This language should be added only if the Borrower is a Designated Subsidiary.



EXHIBIT C - FORM OF  
ASSIGNMENT AND ACCEPTANCE

[Date]

Reference is made to the Amended and Restated Five-Year Credit Agreement dated as of November 27, 2001 (as amended or modified from time to time, the "Credit Agreement") among Hershey Foods Corporation, a Delaware corporation (the "Company"), the Lenders (as defined in the Credit Agreement), Citibank, N.A., as administrative agent (the "Agent") for the Lenders (the "Agent"), Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers. Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule I hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof (other than in respect of Competitive Bid Advances and Competitive Bid Notes) equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement (other than in respect of Competitive Bid Advances and Competitive Bid Notes). After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Revolving Credit Advances owing to the Assignee will be as set forth on Schedule 1 hereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iv) attaches each Revolving Credit Note of a Borrower held by the Assignor and requests that the Agent exchange each Revolving Credit Note for a new Revolving Credit Note of such Borrower payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto or new Revolving Credit Notes of such Borrower payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto and the Assignor in an amount equal to the Commitment retained by the Assignor under the Credit Agreement, respectively, as specified on Schedule 1 hereto.

3. The Assignee (i) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (ii) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01(e) thereof, the most recent financial statements referred to in Section 5.01(h) thereof and such other

documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iii) agrees that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iv) confirms that it is an Eligible Assignee; (v) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (vi) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vii) attaches any U.S. Internal Revenue Service forms required under Section 2.14 of the Credit Agreement.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance and recording by the Agent pursuant to Section 9.07 of the Credit Agreement. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by the Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Agent, from and after the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by the Agent, from and after the Effective Date, the Agent shall make all payments under the Credit Agreement and the Revolving Credit Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Revolving Credit Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance 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 one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

Schedule 1  
to  
Assignment and Acceptance

Percentage interest assigned: \_\_\_\_\_%

Assignee's Commitment: \$ \_\_\_\_\_

Aggregate outstanding principal amount of Revolving Credit Advances assigned: \$ \_\_\_\_\_

Principal amount of Revolving Credit Note payable to Assignee: \$ \_\_\_\_\_

Principal amount of Revolving Credit Note payable to Assignor: \$ \_\_\_\_\_

Effective Date\*: \_\_\_\_\_

[NAME OF ASSIGNOR], as Assignor

By

-----  
Title:

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

[NAME OF ASSIGNEE], as Assignee

By

-----  
Title:

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

Domestic Lending Office:  
[Address]

Eurodollar Lending Office:  
[Address]

\* This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to the Agent.

Accepted and Approved this  
\_\_\_\_\_ day of \_\_\_\_\_

CITIBANK, N.A., as Agent

By

---

Title:

Approved this \_\_\_\_\_ day  
of \_\_\_\_\_

HERSHEY FOODS CORPORATION

By

---

Title:

EXHIBIT D - FORM OF  
ASSUMPTION AGREEMENT

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

Hershey Foods Corporation  
Corporate Headquarters  
Hershey, Pennsylvania 17033-0810

Attention: Treasury Department

Citibank, N. A.  
as Agent  
Two Penn's Way  
New Castle, Delaware 19720

Attention: Bank Loan Syndications

Ladies and Gentlemen:

Reference is made to the Amended and Restated Five-Year Credit Agreement, dated as of November 27, 2001 (as amended or modified from time to time, the "Credit Agreement"), among Hershey Foods Corporation, a Delaware corporation (the "Company"), the Lenders (as defined in the Credit Agreement) party thereto, Citibank, N.A., as administrative agent for such Lenders (the "Agent"), Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers. Terms defined in the Credit Agreement are used herein with the same meaning.

The undersigned (the "Assuming Lender") proposes to become an Assuming Lender pursuant to Section 2.05(c) of the Credit Agreement and, in that connection, hereby agrees that it shall become a Lender for purposes of the Credit Agreement on [applicable Commitment Increase Date] and that its Commitment shall as of such date be \$\_\_\_\_\_.

The undersigned (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01(e) thereof, the most recent financial statements referred to in Section 5.01(h) thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assumption Agreement; (ii) agrees that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender; (v) confirms that it is an Eligible Assignee; (vi) specifies as its Applicable Lending Offices (and address for notices)

the offices set forth beneath its name on the signature pages hereof; and (vii) attaches the forms prescribed by the Internal Revenue Service of the United States required under Section 2.14 of the Credit Agreement.

The effective date for this Assumption Agreement shall be [applicable Commitment Increase Date.] Upon delivery of this Assumption Agreement to the Company and the Agent, and satisfaction of all conditions imposed under Section 2.05(c) as of [date specified above], the undersigned shall be a party to the Credit Agreement and shall have all of the rights and obligations of a Lender thereunder. As of [date specified above], the Agent shall make all payments under the Credit Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees) to the Assuming Lender.

This Assumption Agreement may be executed in 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 one and the same agreement. Delivery of an executed counterpart by telecopier shall be effective as delivery of a manually executed counterpart of this Assumption Agreement.

This Assumption Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

[NAME OF ASSUMING LENDER]

By \_\_\_\_\_

Name:  
Title:

Domestic Lending Office  
(and address for notices):

[Address]

Eurodollar Lending Office

[Address]

Acknowledged and Agreed to:

HERSHEY FOODS CORPORATION

By \_\_\_\_\_

Name:

Title:

CITIBANK, N.A.,  
As Agent

By \_\_\_\_\_

Name:

Title:

EXHIBIT E - FORM OF  
DESIGNATION LETTER

[DATE]

To Citibank, N.A.,  
as Agent for the Lenders  
party to the Credit Agreement  
referred to below

Ladies and Gentlemen:

Reference is made to the Amended and Restated Five-Year Credit Agreement dated as of November 27, 2001 (the "Credit Agreement") among Hershey Foods Corporation (the "Company"), the Lenders named therein, Citibank, N.A., as administrative agent (the "Agent") for said Lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers. For convenience of reference, terms used herein and defined in the Credit Agreement shall have the respective meanings ascribed to such terms in the Credit Agreement.

Please be advised that the Company hereby designates its undersigned Subsidiary, \_\_\_\_\_ (the "Designated Subsidiary"), as a "Designated Subsidiary" under and for all purposes of the Credit Agreement.

The Designated Subsidiary, in consideration of each Lender's agreement to extend credit to it under and on the terms and conditions set forth in the Credit Agreement, does hereby assume each of the obligations imposed upon a "Designated Subsidiary" and a "Borrower" under the Credit Agreement and agrees to be bound by the terms and conditions of the Credit Agreement. In furtherance of the foregoing, the Designated Subsidiary hereby represents and warrants to each Lenders as follows:

1. The Designated Subsidiary is a corporation duly incorporated, validly existing and in good standing under the laws of \_\_\_\_\_ and is duly qualified to transact business in all jurisdictions in which such qualification is required.

2. The execution, delivery and performance by the Designated Subsidiary of this Designation Letter, the Credit Agreement and the Notes of such Designated Subsidiary, and the consummation of the transactions contemplated thereby, are within the Designated Subsidiary's corporate powers, have been duly authorized by all necessary corporate action, and do not and will not contravene (i) the charter or by-laws of the Designated Subsidiary or (ii) law or any contractual restriction binding on or affecting the Designated Subsidiary.

3. This Designation Agreement and each of the Notes of the Designated Subsidiary, when delivered, will have been duly executed and delivered, and this Designation Letter, the Credit Agreement and each of the Notes of the Designated Subsidiary, when delivered, will constitute the legal, valid and binding obligations of the Designated Subsidiary enforceable against the Designated Subsidiary in accordance with



their respective terms except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

4. There is no pending or threatened action, suit, investigation, litigation or proceeding including, without limitation, any Environmental Action, affecting the Designated Subsidiary or any of its Subsidiaries before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect, or (ii) purports to effect the legality, validity or enforceability of this Designation Letter, the Credit Agreement, any Note of the Designated Subsidiary or the consummation of the transactions contemplated thereby.

5. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or administrative or regulatory body or any other third party are required in connection with the execution, delivery or performance by the Designated Subsidiary of this Designation Letter, the Credit Agreement or the Notes of the Designated Subsidiary except for such authorizations, consents, approvals, licenses, filings or registrations as have heretofore been made, obtained or effected and are in full force and effect.

6. The Designated Subsidiary is not, and immediately after the application by the Designated Subsidiary of the proceeds of each Advance will not be, an "investment company", or an "affiliated person" of, or "promotor" or "principal underwriter" for, an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

Very truly yours,

HERSHEY FOODS COMPANY

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

[THE DESIGNATED SUBSIDIARY]

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

EXHIBIT F - FORM OF  
ACCEPTANCE BY PROCESS AGENT

[Letterhead of Process Agent]

[Date]

To each of the Lenders party  
to the Credit Agreement (as defined  
below) and to Citibank, N.A.,  
as Agent for said Lenders

[Name of Designated Subsidiary]

Ladies and Gentlemen:

Reference is made to (i) that certain Amended and Restated Five-Year Credit Agreement, dated as of November 27, 2001, among Hershey Foods Corporation (the "Company"), the Lenders named therein, Citibank, N.A., as administrative agent (the "Agent") for said Lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers (as hereafter amended, supplemented or otherwise modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined), and (ii) to the Designation Letter, dated \_\_\_\_\_, pursuant to which \_\_\_\_\_ has become a Borrower under the Credit Agreement.

Pursuant to Section 9.12(a) of the Credit Agreement, \_\_\_\_\_ has appointed the Company (with an office on the date hereof at Corporate Headquarters, 100 Crystal A Drive, Hershey, Pennsylvania 17033-0810, United States) as Process Agent to receive on behalf of \_\_\_\_\_ service of copies of the summons and complaint and any other process which may be served in any action or proceeding in any New York State or Federal court of the United States of America sitting in New York City arising out of or relating to the Credit Agreement.

The Company hereby accepts such appointment as Process Agent and agrees with each of you that (i) the undersigned will not terminate or abandon the undersigned agency as such Process Agent without at least six months' prior notice to the Agent (and hereby acknowledges that the undersigned has been retained for its services as Process Agent through \_\_\_\_\_), (ii) the undersigned will maintain an office in the United States through such date and will give the Agent prompt notice of any change of address of the undersigned, (iii) the undersigned will perform its duties as Process Agent to receive on behalf of \_\_\_\_\_ service of copies of the summons and complaint and any other process which may be served in any action or proceeding in any New York State or Federal court of the United States of America sitting in New York City arising out of or relating to the Credit Agreement and (iv) the

undersigned will forward forthwith to \_\_\_\_\_ at its address at \_\_\_\_\_ or, if different, its then current address, copies of any summons, complaint and other process which the undersigned receives in connection with its appointment as Process Agent.

This acceptance and agreement shall be binding upon the undersigned and all successors of the undersigned.

Very truly yours,

[PROCESS AGENT]

By \_\_\_\_\_

EXHIBIT G - FORM OF  
OPINION OF ROBERT M. REESE,  
VICE PRESIDENT AND GENERAL COUNSEL  
OF THE COMPANY

[Effective Date]

To each of the Lenders party  
to the Credit Agreement referred  
to below and to Citibank, N.A., as  
Agent for such Lenders

Hershey Foods Corporation

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 3.01(g)(iv) of the Amended and Restated Five-Year Credit Agreement, dated as of November 27, 2001 (the "Credit Agreement"), among Hershey Foods Corporation (the "Company"), the Lenders party thereto, Citibank, N.A., as administrative agent (the "Agent") for said Lenders, Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and Banc America Securities LLC, as joint lead arrangers and joint book managers. Terms defined in the Credit Agreement are used herein as therein defined.

I am the Vice President and General Counsel of the Company, and I have acted as counsel for the Company in connection with the preparation, execution and delivery of the Credit Agreement.

In that connection, I have examined:

- (1) the Credit Agreement and the Revolving Credit Notes of the Company;
- (2) the documents furnished by the Company pursuant to Article III of the Credit Agreement;
- (3) the Amended and Restated Certificate of Incorporation of the Company and all amendments thereto (the "Charter"); and
- (4) The by-laws of the Company and all amendments thereto (the "By-laws").

I have also examined the originals, or copies certified to my satisfaction, of such other corporate records of the Company, certificates of public officials and of officers of the Company, and agreements, instruments and other documents, as I have deemed necessary as a basis for the opinions expressed below. In making such examinations, I have assumed the

genuineness of all signatures (other than those on behalf of the Company), the authenticity of all documents submitted to me as originals and the conformity to authentic original documents of all documents submitted to me as certified, conformed or photographic copies. As to questions of fact material to such opinions, I have, when relevant facts were not independently established by me, relied upon certificates of the Company or its officers or of public officials and as to questions of fact and law, on opinions or statements by other lawyers reporting to me. I have assumed the due execution and delivery, pursuant to due authorization, of the Credit Agreement by the Initial Lenders and the Agent.

My opinions expressed below are limited to the law of the Commonwealth of Pennsylvania, and, where applicable, the General Corporation Law of the State of Delaware and the Federal law of the United States.

Based upon the foregoing and upon such investigation as I have deemed necessary, I am of the following opinion:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.
2. The execution, delivery and performance by the Company of the Credit Agreement and the Notes, and the consummation of the transactions contemplated thereby, are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Charter or the By-laws or (ii) any law, rule or regulation applicable to the Company (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or (iii) any contractual or legal restriction binding on or affecting the Company or, to the best of my knowledge, contained in any other similar document, except where such contravention would not be reasonably likely to have a Material Adverse Effect. The Credit Agreement and the Revolving Credit Notes of the Company have been duly executed and delivered on behalf of the Company.
3. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Company of the Credit Agreement and the Notes, or for the consummation of the transactions contemplated thereby, except for the authorizations, approvals, actions, notices and filings (i) listed on Schedule 4.01(c) to the Credit Agreement, all of which have been duly obtained, taken, given or made and are in full force and effect and (ii) where the Company's failure to receive, take or make such authorization, approval, action, notice or filing would not have a Material Adverse Effect.
4. There (i) are no pending or, to the best of my knowledge, threatened actions, investigations, litigations or proceedings against the Company or any of its Subsidiaries before any court, governmental agency or arbitrator that (a) would be reasonably likely to have a Material Adverse Effect (other than the Disclosed Litigation) or (b) purport to affect the legality, validity, binding effect or enforceability of the Credit Agreement or any of the Notes or the consummation of the transactions contemplated

thereby, and (ii) there has been no adverse change in the status, or financial effect on the Company and its Subsidiaries taken as a whole, of the Disclosed Litigation from that described on Schedule 3.01(b) thereto.

This opinion letter may be relied upon by you only in connection with the transaction being consummated pursuant to the Credit Agreement and may not be used or relied upon by any other person for any other purpose.

Very truly yours,

i  
EXHIBIT H - FORM OF OPINION OF COUNSEL  
TO A DESIGNATED SUBSIDIARY

[Date]

To each of the Lenders party  
to the Credit Agreement  
referred to below,  
and to Citibank, N.A., as Agent  
for said Lenders

Ladies and Gentlemen:

In my capacity as counsel to \_\_\_\_\_  
("Designated Subsidiary"), I have reviewed that certain Amended and Restated  
Five-Year Credit Agreement, dated as of November 27, 2001 (the "Credit  
Agreement"), among Hershey Foods Corporation (the "Company"), the Lenders party  
thereto, Citibank, N.A., as administrative agent (the "Agent") for said Lenders,  
Bank of America, N.A., as syndication agent and Salomon Smith Barney Inc. and  
Banc America Securities LLC, as joint lead arrangers and joint book managers.  
Terms defined in the Credit Agreement are used herein as therein defined. In  
connection therewith, I have also examined the following documents:

- (i) The Designation Letter (as defined in the Credit  
Agreement) executed by the Designated Subsidiary.

[such other documents as counsel may wish to refer to]

I have also reviewed such matters of law and examined the  
original, certified, conformed or photographic copies of such other documents,  
records, agreements and certificates as I have considered relevant hereto. As to  
questions of fact material to such opinions, we have, when relevant facts were  
not independently established by us, relied upon certificates of the Designated  
Subsidiary or of its officers or of public officials and as to questions of fact  
and law, on opinions or statements by other lawyers reporting to me. I have  
assumed (i) the due execution and delivery, pursuant to due authorization, of  
each of the documents referred to above by all parties thereto other than the  
Designated Subsidiary, (ii) the authenticity of all such documents submitted to  
us as originals and (iii) the conformity to originals of all such documents  
submitted to me as certified, conformed or photographic copies.

My opinions expressed below are limited to \_\_\_\_\_  
and the State of New York.

Based upon the foregoing, and upon such investigation as I  
have deemed necessary, I am of the following opinion:

1. The Designated Subsidiary (a) is a corporation duly incorporated, validly existing and in good standing under the laws of \_\_\_\_\_, (b) is duly qualified in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed and (c) has all requisite corporate power and authority to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

2. The execution, delivery and performance by the Designated Subsidiary of its Designation Letter, the Credit Agreement and its Revolving Credit Notes, and the consummation of the transactions contemplated thereby, are within the Designated Subsidiary's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) any provision of the charter or by-laws or other constituent documents of the Designated Subsidiary, (ii) any law, rule or regulation applicable to the Designated Subsidiary or (iii) any contractual or legal obligation or restriction binding on or affecting the Designated Subsidiary, except where such contravention would not be reasonably likely to have a Material Adverse Effect. The Designation Letter and each Revolving Credit Note of the Designated Subsidiary has been duly executed and delivered on behalf of the Designated Subsidiary.

3. The Designation Letter of the Designated Subsidiary, the Credit Agreement and the Revolving Credit Notes of the Designated Subsidiary are, and each other Note of the Designated Subsidiary when executed and delivered under the Credit Agreement will be, legal, valid and binding obligations of the Designated Subsidiary enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or moratorium or other similar laws relating to the enforcement of creditors' rights generally or by the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and except that I express no opinion as to (i) the subject matter jurisdiction of the District Courts of the United States of America to adjudicate any controversy relating to the Credit Agreement, the Designation Letter of the Designated Subsidiary or the Notes of the Designated Subsidiary or (ii) the effect of the law of any jurisdiction (other than the State of New York) wherein any Lender or Applicable Lending Office may be located or wherein enforcement of the Credit Agreement, the Designation Letter of the Designated Subsidiary or the Notes of the Designated Subsidiary may be sought which limits rates of interest which may be charged or collected by such Lender.

4. There is no pending, or to the best of my knowledge, threatened action, investigation, litigation or proceeding at law or in equity against the Designated Subsidiary before any court, governmental agency or arbitrator that would be reasonably likely to have a Material Adverse Effect or that purports to affect the legality, validity, binding effect or enforceability of the Designation Letter of the Designated Subsidiary, the Credit Agreement or any Revolving Credit Note of the Designated Subsidiary, or the consummation of the transactions contemplated thereby.



5. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Designated Subsidiary of its Designation Letter, the Credit Agreement or the Notes of the Designated Subsidiary except for such authorizations, consents, approvals, actions, notices or filings as have heretofore been made, obtained or affected and are in full force and effect.

This opinion letter may be relied upon by you only in connection with the transaction being consummated pursuant to the Credit Agreement and may not be used or relied upon by any other person for any other purpose.

Very truly yours,

## HERSHEY FOODS CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Hershey Foods Corporation and its subsidiaries (the "Corporation") are engaged in the manufacture, distribution and sale of consumer food products. The Corporation produces and distributes a broad line of chocolate and non-chocolate confectionery and grocery products. The Corporation was organized under the laws of the State of Delaware on October 24, 1927, as a successor to a business founded in 1894 by Milton S. Hershey.

**RESULTS OF OPERATIONS****Net Sales**

Net sales rose \$336.3 million, or 8%, from 2000 to 2001. The increase in 2001 was primarily due to incremental sales from the mint and gum businesses acquired from Nabisco, Inc. in December 2000 and increases in sales of base confectionery and grocery products, primarily resulting from the introduction of new confectionery products, selected confectionery selling price increases in the United States, and increased international exports. These increases were partially offset by lower sales resulting from the divestiture of the *Luden's* throat drops business and the impact of unfavorable foreign currency exchange rates.

Net sales rose \$250.1 million, or 6%, from 1999 to 2000. The higher sales primarily reflected an increase in sales of base confectionery and grocery products in North America, including incremental sales from the introduction of new confectionery products, increased international exports and lower product returns, discounts and allowances. In 2000, certain international distributor allowances were netted against sales instead of being reported in selling, marketing and administrative expenses as in 1999. Distributor allowances in 1999 amounted to \$18.3 million. Net sales in 1999 included \$29.3 million related to the Corporation's pasta business, which was sold in January 1999.

**Gross Margin**

Gross margin was 41.5% in 2000 and 2001. Gross margin in 2001 was negatively impacted 1.1 percentage points from the inclusion in cost of sales of a charge of \$50.1 million associated with business realignment initiatives recorded during the fourth quarter. The \$50.1 million charge to cost of sales resulted from the reduction of raw material inventories, principally cocoa beans and cocoa butter, no longer required to support operations as a result of outsourcing the manufacture of certain ingredients. Excluding the impact of the business realignment initiatives, the increase in gross margin to 42.6% resulted from lower costs for freight, distribution and warehousing, as well as improved supply chain efficiencies including decreased costs for the disposal of aged finished goods inventory and obsolete packaging. Selected confectionery selling price increases and the profitability of the mint and gum business also contributed to the higher gross margin in 2001. The impact of these items was partially offset by higher manufacturing costs, primarily related to higher labor rates and employee benefits costs, as well as start-up costs associated with the installation of new manufacturing equipment.

Gross margin increased from 40.7% in 1999 to 41.5% in 2000. The increase in gross margin reflected decreased costs for certain major raw materials, primarily cocoa, as well as lower product returns, discounts and allowances. The impact of these items was offset partially by higher absorption of fixed manufacturing costs in 2000, primarily related to decreased finished goods inventory levels in 2000 compared to 1999. In addition, the sales mix of confectionery items sold in 2000 compared to 1999 contributed to lower profitability, as the growth in sales of the more profitable standard bars was outpaced by sales of packaged confectionery items. Also, higher distribution and warehousing costs in 2000 reflected higher warehouse handling costs and incremental costs associated with expanded warehousing capacity.

A-1

---

Gross margin in 1999 benefited .3 percentage points from the inclusion in cost of sales of a one-time \$12.5 million gain from revisions to the Corporation's retiree medical plan, net of contributions into the Employee Savings Stock Investment and Ownership Plan ("ESSIOP"). During the first quarter of 1999, the Corporation changed its retiree medical plan to eliminate coverage for all eligible hourly employees under age 45, to be replaced by annual contributions into the ESSIOP. The change applied primarily to U.S. hourly employees working in Pennsylvania. In addition, gross margin in 1999 would have been .3 percentage points lower if certain international distributor allowances were reclassified, as discussed above for 2000.

**Selling, Marketing and Administrative**

Selling, marketing and administrative expenses increased \$142.8 million, or 13%, from 2000 to 2001, primarily reflecting selling, marketing and administrative expenditures for the newly acquired mint and gum business, increased administrative expenses primarily resulting from higher staffing levels to support sales activity in North America and international businesses, increased marketing expenses and higher incentive compensation expense. Selling, marketing and administrative costs in 2000 included a one-time gain of \$7.3 million arising from the sale of certain corporate aircraft.

Selling, marketing and administrative expenses increased \$69.3 million, or 7%, from 1999 to 2000, primarily reflecting: increased marketing expenditures for base confectionery brands, international exports and the introduction of new products; increased selling and administrative expenses primarily related to higher staffing levels to support sales and customer service activity in North America and the international export business; higher incentive compensation expense reflecting improved operating performance in 2000; and higher software amortization costs. The impact of these items was offset partially by the inclusion in administrative expense in 2000 of a one-time gain of \$7.3 million arising from the sale of certain corporate aircraft. Selling, marketing and administrative costs in 1999 included \$10.7 million related to the Corporation's pasta business, which was sold in January 1999.

### **Business Realignment Initiatives**

In late October 2001, the Corporation's Board of Directors approved a plan to improve the efficiency and profitability of the Corporation's operations. The plan included asset management improvements, product line rationalization, supply chain efficiency improvements and a voluntary work force reduction program. The major components of the plan will be completed by the fourth quarter of 2002.

During the fourth quarter of 2001, a charge to cost of sales and a business realignment and asset impairment charge were recorded totaling \$278.4 million before tax (\$171.9 million after tax or \$1.25 per share-diluted). The total charges included a charge to cost of sales of \$50.1 million associated with raw material inventory reductions and a business realignment and asset impairment charge of \$228.3 million (collectively, "the business realignment initiatives"). Components of the \$228.3 million pre-tax charge included \$5.3 million relating to asset management improvements, \$28.3 million relating to product line rationalization, \$46.0 million relating to supply chain efficiency improvements and \$148.7 million relating to a voluntary work force reduction program. These initiatives are expected to generate \$75 million to \$80 million of annual savings when fully implemented, with less than half the estimated amount expected to be realized in 2002. Additional charges totaling approximately \$31.6 million before tax, or \$.14 per share-diluted, are expected to be recorded in 2002, as incurred, primarily related to pension settlement costs resulting from the voluntary work force reduction program and expenses associated with the relocation of manufacturing equipment.

The charge to cost of sales of \$50.1 million was a result of decisions to outsource the manufacture of certain ingredients and to significantly reduce the inventory levels of certain raw materials, primarily cocoa beans and cocoa butter. Also included in the charge was the impact of a decision

A-2

---

to reduce raw material inventory levels for almonds and peanuts. The Corporation sold raw material inventories and delayed raw material deliveries during the fourth quarter of 2001. A pre-tax charge of \$5.3 million was also recorded in the fourth quarter as part of the pre-tax business realignment and asset impairments charge. This charge reflected the write-off of manufacturing machinery and equipment as a result of the ingredients manufacturing outsourcing.

Product line rationalization plans include the sale or exit of certain businesses, the discontinuance of certain non-chocolate confectionery products and the realignment of the Corporation's domestic and international sales organizations. The estimated loss on the sale or exit of these businesses was \$26.4 million as of December 31, 2001, net of estimated sales proceeds. Net sales associated with these businesses were approximately \$38.0 million, \$43.1 million and \$45.3 million in 2001, 2000 and 1999, respectively. Costs associated with the realignment of the sales organizations totaled \$1.9 million, primarily related to sales office closings and terminating the use of certain sales brokers.

To improve supply chain efficiency and profitability, three manufacturing facilities, a distribution center and certain other facilities will be closed. A net pre-tax charge of \$46.0 million was recorded in the fourth quarter of 2001 relating to the closure of these facilities. A manufacturing facility in Denver, Colorado will be closed, with manufacturing equipment and machinery to be sold or relocated for production at a contract manufacturer. The Denver, Colorado plant principally manufactures *Jolly Rancher* hard candy. A manufacturing facility in Pennsburg, Pennsylvania will also be closed and the production of *POT OF GOLD* chocolates will be moved to another manufacturing plant. Finally, a small manufacturing and packaging facility located in Palmyra, Pennsylvania, as well as a distribution center and certain minor facilities located in Oakdale, California will be closed. The closure of these facilities is expected to result in the termination of approximately 750 employees, with total involuntary employee termination benefits of approximately \$5.0 million.

In October 2001, the Corporation offered a voluntary work force reduction program ("VWRP") to certain eligible employees in the United States, Canada and Puerto Rico in order to reduce staffing levels and improve profitability. The VWRP consisted of an early retirement program and an enhanced mutual separation program. The early retirement program was offered to approximately 1,200 eligible salaried employees who were born prior to January 1, 1954 and were employed by the Corporation prior to January 1, 1999. The early retirement program provided enhanced pension, post-retirement and certain supplemental benefits. The enhanced mutual separation program provided increased severance and temporary medical benefits. The Corporation expects that the VWRP will provide a reduction of approximately 600 employees. Most employees accepting the VWRP will end their employment with the Corporation during the first quarter of 2002. A total pre-tax charge of \$148.7 million was recorded in the fourth quarter of 2001 upon

employee acceptance of the VWRP. The charge primarily reflected enhanced retirement and separation benefits.

### Interest Expense, Net

Net interest expense for 2001 was \$6.9 million below the prior year, reflecting a decrease in short-term interest expense due to a decrease in average short-term borrowing rates and reduced average short-term borrowings. Net interest expense for 2000 was \$1.7 million above the prior year, primarily as a result of higher short-term interest expense related to increased average short-term borrowings and borrowing rates, and lower capitalized interest. The impact of these items in 2000 was offset partially by higher interest income, and lower fixed interest expense as a result of interest rate swap and forward agreements entered into in October 1999.

### Income Taxes

The Corporation's effective income tax rate was 39.7% in 2001, 38.8% in 2000, and 36.8% in 1999. Excluding the income tax benefit associated with charges pertaining to the business realignment

A-3

---

initiatives and the income tax provision associated with the gain on the sale of the *Luden's* throat drops business, the effective income tax rate was 37.3% in 2001. The decrease of 1.5 percentage points from 2000 was primarily due to the lower tax rate on the newly acquired mint and gum business. Excluding the provision for income taxes associated with the gain on the sale of the Corporation's pasta business, the effective income tax rate was 39.0% in 1999.

### Net Income

Net income decreased \$127.4 million, or 38%, from 2000 to 2001. Excluding the after-tax gain on the sale of the *Luden's* throat drops business and the after-tax effect of the business realignment initiatives recorded in 2001, as well as the after-tax gain on sale of corporate aircraft in 2000, net income increased \$47.8 million, or 14%, from 2000 to 2001.

Net income decreased \$125.8 million, or 27%, from 1999 to 2000. In the first quarter of 1999, the Corporation received cash proceeds of \$450.0 million, retained a 6% minority interest and recorded a gain of approximately \$243.8 million before tax, \$165.0 million or \$1.17 per share-diluted after tax, as a result of the sale of the Corporation's pasta business. Excluding the gain, net income increased \$39.2 million, or 13%, from 1999 to 2000.

Net income as a percent of net sales was: 8.3% in 2001, excluding the after-tax gain on the sale of the *Luden's* throat drops business and the after-tax effect of the business realignment initiatives; 7.8% in 2000, excluding the after-tax gain on the sale of corporate aircraft; and 7.4% in 1999, excluding the after-tax gain on the sale of the pasta business.

### FINANCIAL CONDITION

The Corporation's financial condition remained strong during 2001. The capitalization ratio (total short-term and long-term debt as a percent of stockholders' equity, short-term and long-term debt) was 44% as of December 31, 2001, and 49% as of December 31, 2000. The ratio of current assets to current liabilities was 1.9:1 as of December 31, 2001, and 1.7:1 as of December 31, 2000.

In September 2001, the Corporation completed the sale of the *Luden's* throat drops business to Pharmacia Consumer Healthcare, a unit of Pharmacia Corporation. Included in the sale were the trademarks and manufacturing equipment for the throat drops business. Under a supply agreement with Pharmacia, the Corporation agreed to manufacture *Luden's* throat drops for up to 19 months after the date of sale. Under a separate services agreement, the Corporation agreed to continue to sell, warehouse and distribute *Luden's* throat drops through March 2002. In the third quarter of 2001, the Corporation received cash proceeds of \$59.9 million and recorded a gain of \$19.2 million before tax, \$1.1 million or \$.01 per share-diluted after tax, as a result of the transaction. A higher gain for tax purposes primarily reflected the low tax basis of the intangible assets included in the sale, resulting in taxes on the gain of \$18.1 million. Net sales for the *Luden's* throat drops business were \$10.2 million, \$24.8 million and \$29.7 million in 2001, 2000 and 1999, respectively.

In July 2001, the Corporation's Brazilian subsidiary, Hershey do Brasil, acquired the chocolate and confectionery business of Visagis for \$17.1 million. This business had sales of approximately \$20 million in 2000. Included in the acquisition were the *IO-IO* brand of hazelnut creme items and the chocolate and confectionery products sold under the *Visconti* brand. Also included in the purchase were a manufacturing plant and confectionery equipment in São Roque, Brazil. Had the results of the acquisition been included in the consolidated results, the effect would not have been material.

In December 2000, the Corporation completed the purchase of the intense and breath freshener mints and gum businesses of Nabisco, Inc. ("Nabisco"). The Corporation paid \$135.0 million to acquire the businesses, including *Ice Breakers* and *Breath Savers Cool Blasts* intense mints, *Breath Savers* mints, and *Ice Breakers*, *Carefree*, *Stick\*Free*, *Bubble Yum* and *Fruit Stripe* gums. Also included in the purchase were manufacturing machinery and equipment and a gum-manufacturing

A-4

plant in Las Piedras, Puerto Rico. These businesses had sales of approximately \$270 million in 1999. The Corporation's results of operations for 2000 did not include results of the acquisition, as the transaction was completed very late in the year. Had the results of the acquired businesses been included in the consolidated results for 2000 and 1999, the effect would not have been material.

## Assets

Total assets decreased \$200.3 million, or 6%, as of December 31, 2001, primarily as a result of lower prepaid expenses and other current assets, inventories, property, plant and equipment, and intangibles resulting from business acquisitions, partially offset by an increase in cash and cash equivalents.

Current assets decreased by \$127.8 million, or 10%, principally reflecting decreased prepaid expenses and other current assets and lower inventories. The decrease in prepaid expenses and other current assets was principally associated with the reclassification of gains and losses on cash flow hedging derivatives to accumulated other comprehensive loss upon adoption of Statement of Financial Accounting Standards No. 133, as amended, in 2001. The decrease in inventories of \$93.0 million primarily reflected lower raw material inventories, principally cocoa beans and cocoa butter, as a result of the business realignment initiatives. The increase in cash and cash equivalents reflected strong cash flows during the year, commodity margin transfers and increased cash resulting from the reduction of raw material inventories in December under the business realignment initiatives. These increases were partially offset by a \$95.0 million contribution in December to one of the Corporation's pension plans.

Property, plant and equipment was lower than the prior year primarily due to depreciation expense of \$153.5 million and the planned sale of businesses and asset impairment write-downs of \$45.3 million resulting from the business realignment initiatives, partially offset by capital additions of \$160.1 million. The decrease in intangibles resulting from business acquisitions primarily reflected the amortization of intangibles, \$30.8 million associated with the sale of the *Luden's* throat drops business and the write-down of goodwill of approximately \$7.8 million associated with the planned sale of businesses under the business realignment initiatives. The increase in other non-current assets was primarily a result of pension plan minimum liability adjustments reflecting lower asset returns and higher liabilities related to the VWRP.

## Liabilities

Total liabilities decreased by \$172.5 million, or 8%, as of December 31, 2001, primarily reflecting a reduction in short-term borrowings as a result of a significant increase in operating cash flows in 2001. The increase in accrued liabilities was primarily the result of higher accruals for enhanced employee benefits and other liabilities associated with business realignment initiatives recorded in the fourth quarter of 2001.

## Capital Structure

The Corporation has two classes of stock outstanding, Common Stock and Class B Common Stock ("Class B Stock"). Holders of the Common Stock and the Class B Stock generally vote together without regard to class on matters submitted to stockholders, including the election of directors, with the Common Stock having one vote per share and the Class B Stock having ten votes per share. However, the Common Stock, voting separately as a class, is entitled to elect one-sixth of the Board of Directors. With respect to dividend rights, the Common Stock is entitled to cash dividends 10% higher than those declared and paid on the Class B Stock.

In December 2000, the Corporation's Board of Directors unanimously adopted a Stockholder Protection Rights Agreement ("Rights Agreement"). The Rights Agreement was supported by the Corporation's largest stockholder, Hershey Trust Company, as trustee for the benefit of Milton Hershey School ("Milton Hershey School Trust"). This action was not in response to any specific effort to acquire control of the Corporation. Under the Rights Agreement, the Corporation's Board of Directors declared a dividend of one right ("Right") for each outstanding share of Common Stock

A-5

---

and Class B Stock payable to stockholders of record at the close of business on December 26, 2000. The Rights will at no time have voting power or receive dividends. The issuance of the Rights has no dilutive effect, will not affect reported earnings per share, is not taxable and will not change the manner in which the Corporation's Common Stock is traded. The Rights Agreement is discussed further in Note 14 to the Consolidated Financial Statements.

## LIQUIDITY AND CAPITAL RESOURCES

Historically, the Corporation's major source of financing has been cash generated from operations. The Corporation's income and, consequently, cash provided from operations during the year are affected by seasonal sales patterns, the timing of new product introductions, business acquisitions and divestitures, and price increases. Chocolate, confectionery and grocery seasonal and holiday-related sales have typically been highest during the third and fourth quarters of the year, representing the principal seasonal effect. Generally, seasonal working capital needs peak during the summer months and have been met by issuing commercial paper.

Over the past three years, cash provided from operating activities exceeded cash requirements for share repurchases, dividend payments, capital

expenditures and capitalized software additions by \$88.4 million. Total debt, including debt assumed, decreased during the period by \$340.2 million, reflecting reduced short-term borrowings and the repayment of long-term debt. Cash and cash equivalents increased by \$95.1 million during the period.

The Corporation anticipates that capital expenditures and capitalized software additions will be in the range of \$150 million to \$200 million per annum during the next several years as a result of continued efficiency improvements in existing facilities and capacity expansion to support sales growth and new products, along with continued improvement and enhancements of computer software. As of December 31, 2001, the Corporation's principal capital commitments included manufacturing capacity expansion to support sales growth and new products, modernization and efficiency improvements.

In February 2001, the Corporation made a \$75.0 million contribution to its domestic pension plans to improve the funded status and, in December 2001, an additional contribution of \$95.0 million was made to fund anticipated payments related to the early retirement program implemented in the fourth quarter of 2001. The Corporation anticipates additional funding requirements for its domestic pension plans in 2002, reflecting asset performance and interest rate levels.

The following table summarizes the Corporation's contractual cash obligations by year:

Contractual Obligations	Payments Due by Year						Total
	2002	2003	2004	2005	2006	Thereafter	
Purchase Commitments	\$743,100	\$523,800	\$303,800	\$51,000	\$3,300	\$8,800	\$1,633,800
Non-cancelable Operating Leases	21,653	21,284	21,095	20,988	18,779	49,621	153,420
Long-term Debt	921	17,133	136	202,139	142	657,422	877,893
Total Obligations	\$765,674	\$562,217	\$325,031	\$274,127	\$22,221	\$715,843	\$2,665,113

In entering into these contractual obligations, the Corporation has assumed the risk which might arise from the possible inability of counterparties to meet the terms of their contracts. The Corporation's risk is limited to replacing the contracts at prevailing market rates. The Corporation does not expect any losses as a result of counterparty defaults.

A-6

The Corporation has entered into certain commitments for the purchase of raw materials. Purchase commitments primarily reflect forward contracts for the purchase of raw materials from third-party brokers and dealers.

The Corporation has entered into three off-balance sheet arrangements for the leasing of certain warehouse and distribution facilities. The operating lease arrangements are with special purpose trusts ("SPTs") whereby the Corporation leases warehouse and distribution facilities in Redlands, California; Atlanta, Georgia; and Hershey, Pennsylvania, as discussed below. The SPTs were formed to facilitate the acquisition and subsequent leasing of the facilities to the Corporation. The SPTs financed the acquisition of the facilities by issuing notes and equity certificates to independent third-party financial institutions. The independent third-party financial institutions who hold the equity certificates are owners of the SPTs. The Corporation's transactions with the SPTs are limited to the operating lease agreements and the associated rent expense is included in cost of sales in the Consolidated Statements of Income. The Corporation has not entered into any other arrangements involving special purpose entities.

The leases include substantial residual guarantees by the Corporation for the majority of the financing and options to purchase the facilities at original cost. If the Corporation were to exercise its options to purchase the three facilities at original cost at the end of the respective initial lease terms, the Corporation could purchase the facilities for a total of approximately \$120.0 million, \$79.9 million for the Pennsylvania and Georgia facilities in 2005, and \$40.1 million for the California facility in 2007.

In December 2000, the Corporation entered into an operating lease agreement with the owner of the warehouse and distribution facility in Redlands, California. The lease term was approximately ten years, with occupancy to begin upon completion of the facility. The lease agreement contained an option for the Corporation to purchase the facility. In January 2002, the Corporation assigned its right to purchase the facility to an SPT that in turn purchased the completed facility and leased it to the Corporation under a new operating lease agreement. The lease term is five years, with up to four renewal periods of five years each with the consent of the lessor. The cost incurred by the SPT to acquire the facility, including land, was \$40.1 million.

In October 2000, the Corporation entered into an operating lease agreement with an SPT for the leasing of a warehouse and distribution facility near Atlanta, Georgia. The lease term is five years, with up to four renewal periods of five years each with the consent of the lessor. The cost incurred by the SPT to acquire the facility, including land, was \$18.2 million.

In July 1999, the Corporation entered into an operating lease agreement with an SPT for the construction and leasing of a warehouse and distribution facility located on land owned by the Corporation near Hershey, Pennsylvania. Under the agreement, the lessor paid construction costs totaling \$61.7 million. The lease term is six years, including the one-year construction period, with up to four renewal periods of five years each with the consent of the lessor.

In 1999, the Corporation implemented an enterprise-wide integrated information system in the United States. The first phase of system implementation included new business systems and processes related to purchasing, accounts payable, fixed assets, the general ledger, production reporting and tracking of plant inventories. The second phase of system implementation included systems and processes in the areas of sales order and billing, transportation planning and management, electronic data interchange communications with warehouses, finished goods inventories, accounts receivable and tracking of marketing promotions. Initial implementation costs amounted to approximately \$101.0 million of capitalized software and hardware and \$10.6 million of expenses. These expenditures were financed with cash provided from operations and proceeds from the sale of the Corporation's pasta business.

Under share repurchase programs which began in 1993, a total of 18,300,637 shares of Common Stock have been repurchased for approximately \$745.8 million, including 1,579,779 shares purchased from the Milton Hershey School Trust for \$100.0 million in 1999. Of the shares

A-7

---

repurchased, 528,000 shares were retired, 5,267,305 shares were reissued to satisfy stock options obligations, Supplemental Retirement Contributions and employee stock ownership trust ("ESOP") obligations and 3,806,002 shares were repurchased in the open market to replace the reissued shares. Additionally, the Corporation has purchased a total of 28,000,536 shares of its Common Stock to be held as Treasury Stock from the Milton Hershey School Trust for \$1.0 billion. As of December 31, 2001, a total of 44,311,870 shares were held as Treasury Stock and \$84.2 million remained available for repurchases of Common Stock under a program approved by the Corporation's Board of Directors in October 1999.

In March 1997, the Corporation issued \$150 million of 6.95% Notes under a November 1993 Form S-3 Registration Statement. In August 1997, the Corporation filed another Form S-3 Registration Statement under which it could offer, on a delayed or continuous basis, up to \$500 million of additional debt securities. Also in August 1997, the Corporation issued \$150 million of 6.95% Notes due 2012 and \$250 million of 7.2% Debentures due 2027 under the November 1993 and August 1997 Registration Statements. Proceeds from the debt issuance were used to repay a portion of the short-term borrowings associated with the purchase of Common Stock from the Milton Hershey School Trust. As of December 31, 2001, \$250 million of debt securities remained available for issuance under the August 1997 Registration Statement. Proceeds from any offering of the \$250 million of debt securities available under the shelf registration may be used for general corporate requirements, which include reducing existing commercial paper borrowings, financing capital additions and share repurchases, and funding future business acquisitions and working capital requirements.

As of December 31, 2001, the Corporation maintained short-term and long-term committed credit facilities with a syndicate of banks in the amount of \$400 million which could be borrowed directly or used to support the issuance of commercial paper. The Corporation may increase the credit facilities to \$1.0 billion with the concurrence of the banks. In November 2001, the short-term credit facility agreement was amended and restated with a credit limit of \$200 million expiring in November 2002, and the long-term committed credit facility agreement was amended and restated with a \$200 million credit limit expiring in November 2006. The credit facilities may be used to fund general corporate requirements, to support commercial paper borrowings and, in certain instances, to finance future business acquisitions. The Corporation also had lines of credit with domestic and international commercial banks of \$21.7 million and \$27.5 million as of December 31, 2001 and 2000, respectively.

The Corporation negotiated a settlement with the Internal Revenue Service ("IRS") of its Corporate Owned Life Insurance ("COLI") program effective October 1, 2001. The resulting Closing Agreement with the IRS limited the COLI interest expense deductions for all applicable tax years and resulted in the surrender of all insurance policies, thereby ending the COLI program. The settlement is a complete resolution of all federal and state tax aspects of this program.

### **Cash Flow Activities**

Over the past three years, cash from operating activities provided approximately \$1.4 billion. Over this period, cash used by or provided from accounts receivable and inventories has tended to fluctuate as a result of sales during December and inventory management practices. Cash provided from inventories was principally associated with a reduction of raw material inventories in December 2001 as part of the Corporation's business realignment initiatives. The change in cash required for or provided from other assets and liabilities between the years was primarily related to hedging transactions, the timing of payments for accrued liabilities, including income taxes, and variations in the funded status of pension plans.

Investing activities included capital additions, capitalized software additions, business acquisitions and divestitures. Capital additions during the past three years included the purchase of manufacturing equipment, and expansion and modernization of existing facilities. Capitalized software

additions over the past three years were associated primarily with the implementation of an enterprise-wide integrated information system and ongoing enhancement of information systems.

In July 2001, the Corporation's Brazilian subsidiary, Hershey do Brasil, acquired the chocolate and confectionery business of Visagis for \$17.1 million. In September 2001, the *Luden's* throat drops business was sold for \$59.9 million in cash. The acquisition of Nabisco's mint and gum businesses for \$135.0 million was completed in 2000 and the Corporation's pasta business was sold for \$450.0 million in 1999.

Financing activities included debt borrowings and repayments, payments of dividends, the exercise of stock options, incentive plan transactions, and the repurchase of Common Stock. During the past three years, short-term borrowings in the form of commercial paper or bank borrowings were used to purchase Nabisco's mint and gum businesses, fund seasonal working capital requirements, and finance share repurchase programs. During the past three years, a total of 8,439,518 shares of Common Stock have been repurchased for \$458.3 million, including 1,579,779 shares purchased from the Milton Hershey School Trust for \$100.0 million. Cash used for incentive plan transactions of \$116.2 million during the past three years was partially offset by cash received from the exercise of stock options of \$73.5 million. Cash used by incentive plan transactions reflected purchases of the Corporation's Common Stock in the open market to replace treasury stock issued for stock options exercises.

#### **ACCOUNTING POLICIES AND MARKET RISKS ASSOCIATED WITH DERIVATIVE INSTRUMENTS**

The Corporation utilizes certain derivative instruments, from time to time, including interest rate swaps, foreign currency forward exchange contracts and commodities futures contracts, to manage interest rate, currency exchange rate and commodity market price risk exposures. Interest rate swaps and foreign currency contracts are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. Commodities futures contracts are entered into for varying periods and are intended to be and are effective as hedges of market price risks associated with anticipated raw material purchases, energy requirements and transportation costs. The Corporation does not hold or issue derivative instruments for trading purposes and is not a party to any instruments with leverage or prepayment features. In entering into these contracts, the Corporation has assumed the risk which might arise from the possible inability of counterparties to meet the terms of their contracts. The Corporation does not expect any losses as a result of counterparty defaults.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "*Accounting for Derivative Instruments and Hedging Activities*" ("SFAS No. 133"). Subsequently, the FASB issued Statement No. 137, "*Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133, an amendment of FASB Statement No. 133*" and Statement No. 138, "*Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133.*" SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133, as amended, requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

SFAS No. 133, as amended, provides that the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument be reported as a component of other comprehensive income and be reclassified into earnings in the same period or periods during which the transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, must be recognized currently in earnings. All derivative instruments currently utilized by the Corporation, including interest rate swaps, foreign exchange contracts and

commodities futures contracts, are designated and accounted for as cash flow hedges. The Corporation adopted SFAS No. 133, as amended, as of January 1, 2001. Additional information with regard to accounting policies associated with derivative instruments is contained in Note 5, Derivative Instruments and Hedging Activities.

The information below summarizes the Corporation's market risks associated with long-term debt and derivative instruments outstanding as of December 31, 2001. This information should be read in conjunction with Note 1, Note 5 and Note 7 to the Consolidated Financial Statements.

#### **Long-Term Debt**

The table below presents the principal cash flows and related interest rates by maturity date for long-term debt, including the current portion, as of December 31, 2001. The fair value of long-term debt was determined based upon quoted market prices for the same or similar debt issues.



(In thousands of dollars except for rates)

	2002	2003	2004	2005	2006	Thereafter	Total	Fair Value
Long-term Debt	\$921	\$17,133	\$136	\$202,139	\$142	\$657,422	\$877,893	\$957,754
Fixed Rate	2.0%	3.4%	2.0%	6.7%	2.0%	7.3%	7.1%	

### Interest Rate Swaps

In order to minimize its financing costs and to manage interest rate exposure, the Corporation, from time to time, enters into interest rate swap agreements. In February 2001, the Corporation entered into interest rate swap agreements that effectively convert interest-rate-contingent rental payments on certain operating leases from a variable to a fixed rate of 6.1%. As of December 31, 2001, the fair value of interest rate swap agreements was a liability of \$2.7 million. The potential loss in fair value of interest rate swaps resulting from a hypothetical near-term adverse change in market rates of ten percent was not material as of December 31, 2001.

### Foreign Exchange Contracts

The Corporation enters into foreign exchange forward contracts to hedge transactions primarily related to firm commitments to purchase equipment, certain raw materials and finished goods denominated in foreign currencies and to hedge payment of intercompany transactions with its non-domestic subsidiaries. These contracts reduce currency risk from exchange rate movements. Foreign currency price risks are hedged generally for periods from 3 to 24 months.

Foreign exchange forward contracts are intended to be and are effective as hedges of firm, identifiable, foreign currency commitments. Prior to January 1, 2001, the Corporation accounted for foreign exchange forward contracts in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation," and accordingly, gains and losses were deferred and accounted for as part of the underlying transactions.

As of January 1, 2001, the Corporation accounted for foreign exchange forward contracts under SFAS No. 133, as amended. Foreign exchange forward contracts are designated as cash flow hedging derivatives and the fair value of such contracts is recorded on the Consolidated Balance Sheets as either an asset or liability. Gains and losses on these contracts are recorded as a component of other comprehensive income and are reclassified into earnings in the same period during which the hedged transaction affects earnings.

As of December 31, 2001, the Corporation had foreign exchange forward contracts maturing primarily in 2002 and 2003 to purchase \$24.3 million in foreign currency, primarily British sterling and euros, and to sell \$12.2 million in foreign currency, primarily Japanese yen, at contracted forward rates.

A-10

As of December 31, 2000, the Corporation had foreign exchange forward contracts maturing in 2001 and 2002 to purchase \$36.3 million in foreign currency, primarily British sterling and euros, and to sell \$11.5 million in foreign currency, primarily Japanese yen, at contracted forward rates.

The fair value of foreign exchange forward contracts was estimated by obtaining quotes for future contracts with similar terms, adjusted where necessary for maturity differences. As of December 31, 2001 and 2000, the fair value of foreign exchange forward contracts approximated the contract value. The potential loss in fair value of foreign exchange forward contracts resulting from a hypothetical near-term adverse change in market rates of ten percent was not material as of December 31, 2001 and 2000.

### Commodity Price Risk Management

The Corporation's most significant raw material requirements include cocoa, sugar, milk, peanuts and almonds. The Corporation attempts to minimize the effect of future price fluctuations related to the purchase of these raw materials primarily through forward purchasing to cover future manufacturing requirements, generally for periods from 3 to 24 months. With regard to cocoa, sugar, corn sweeteners, natural gas, fuel oil and certain dairy products, price risks are also managed by entering into futures contracts. At the present time, active futures contracts are not available for use in pricing the Corporation's other major raw material requirements. Futures contracts are used in combination with forward purchasing of cocoa, sugar, corn sweetener, natural gas and certain dairy product requirements principally to take advantage of market fluctuations which provide more favorable pricing opportunities and flexibility in sourcing these raw materials and energy requirements. Fuel oil futures contracts are used to minimize price fluctuations associated with the Corporation's transportation costs. The Corporation's commodity procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the ability to benefit from possible price decreases.

The cost of cocoa beans and the prices for the related commodity futures contracts historically have been subject to wide fluctuations attributable to a variety of factors, including the effect of weather on crop yield, other imbalances between supply and demand, currency exchange rates, political unrest in producing countries and speculative influences. Cocoa prices in 2001 rebounded from the historical lows established at the end of

2000. Less favorable climatic conditions combined with a recovery in demand, particularly in Eastern Europe, resulted in a decrease of world stocks of cocoa. During 2002, a continued reduction in available cocoa stocks could result in future price increases. The Corporation's costs during 2002 will not necessarily reflect market price fluctuations because of its forward purchasing practices, premiums and discounts reflective of relative values, varying delivery times, and supply and demand for specific varieties and grades of cocoa beans.

### Commodities Futures Contracts

In connection with the purchasing of cocoa, sugar, corn sweeteners, natural gas and certain dairy products for anticipated manufacturing requirements and to hedge transportation costs, the Corporation enters into commodities futures contracts as deemed appropriate to reduce the effect of price fluctuations. Prior to January 1, 2001, accounting for commodities futures contracts was in accordance with Statement of Financial Accounting Standards No. 80, "Accounting for Futures Contracts." Futures contracts met the hedge criteria and were accounted for as hedges. Accordingly, gains and losses were deferred and recognized in cost of sales as part of the product cost.

Exchange traded futures contracts are used to fix the price of physical forward purchase contracts. Cash transfers reflecting changes in the value of futures contracts (unrealized gains and losses) are made on a daily basis and prior to January 1, 2001, were included in prepaid expenses and other current assets or accrued liabilities on the Consolidated Balance Sheets. As of January 1, 2001, the Corporation accounted for commodities futures contracts under SFAS No. 133, as amended, and accordingly, cash transfers are reported as a component of other comprehensive income. Such cash transfers will be offset by higher or lower cash requirements for payment of

A-11

invoice prices of raw materials, energy requirements and transportation costs in the future. Futures being held in excess of the amount required to fix the price of unpriced physical forward contracts are effective as hedges of anticipated purchases.

The following sensitivity analysis reflects the market risk of the Corporation to a hypothetical adverse market price movement of ten percent, based on the Corporation's net commodity positions at four dates spaced equally throughout the year. The Corporation's net commodity positions consist of the excess of futures contracts held over unpriced physical forward contracts for the same commodities, relating to cocoa, sugar, corn sweeteners, natural gas, fuel oil and certain dairy products. Inventories, priced forward contracts and estimated anticipated purchases not yet contracted for were not included in the sensitivity analysis calculations. A loss is defined, for purposes of determining market risk, as the potential decrease in fair value or the opportunity cost resulting from the hypothetical adverse price movement. The fair values of net commodity positions were based upon quoted market prices or estimated future prices including estimated carrying costs corresponding with the future delivery period.

For the years ended December 31,	2001		2000	
In millions of dollars	Fair Value	Market Risk (Hypothetical 10% Change)	Fair Value	Market Risk (Hypothetical 10% Change)
Highest long position	\$(15.1)	\$1.5	\$77.6	\$7.8
Lowest long position	(96.9)	9.7	(28.3)	2.8
Average position (long)	(46.7)	4.7	30.3	3.0

The decrease in fair values from 2000 to 2001 primarily reflected a decrease in net commodity positions in 2001. The negative positions primarily resulted as commodities futures required to fix the price of unpriced physical forward contracts exceeded the amount of commodities futures being held at certain points in time during the year.

Sensitivity analysis disclosures represent forward-looking statements which are subject to certain risks and uncertainties that could cause actual results to differ materially from those presently anticipated or projected. The important factors that could affect the sensitivity analysis disclosures include significant increases or decreases in market prices reflecting fluctuations attributable to the effect of weather on crop yield, other imbalances between supply and demand, currency exchange rates, political unrest in producing countries and speculative influences in addition to changes in the Corporation's hedging strategies.

### USE OF ESTIMATES AND OTHER CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the period. Significant accounting policies employed by the Corporation, including the use of estimates, are presented in the Notes to Consolidated Financial Statements.

Critical accounting policies are those that are most important to the portrayal of the Corporation's financial condition and results of operations, and require management's most difficult, subjective or complex judgements, as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Corporation's most critical

accounting policies, discussed below, pertain to accounts receivable-trade, accrued liabilities, and pension and other post-retirement benefit plans. Actual results could differ from estimates used in employing the critical accounting policies, although the Corporation does not believe that any differences would materially affect its financial condition or results of operations.

#### Accounts Receivable-Trade

In the normal course of business, the Corporation extends credit to customers that satisfy pre-defined credit criteria. The Corporation believes that it has little concentration of credit risk

A-12

due to the diversity of its customer base. Accounts Receivable-Trade, as shown on the Consolidated Balance Sheets, were net of allowances and anticipated discounts. An allowance for doubtful accounts is determined through analysis of the aging of accounts receivable at the date of the financial statements, assessments of collectibility based on historical trends and an evaluation of the impact of current and projected economic conditions. An allowance for discounts is based on historical experience with regard to the timing of customer payments that qualify for cash discounts in accordance with the Corporation's payment terms.

#### Accrued Liabilities

Accrued liabilities requiring the most difficult or subjective judgments include liabilities associated with marketing promotion programs and potentially unsaleable products. An accrued liability for marketing promotions is determined through analysis of historical trends regarding customer and consumer participation in such programs, the related costs, sales and payment trends, and experience with payment patterns associated with similar programs that had been previously offered. Consideration is also given to the impact of future changes in the Corporation's sales and marketing programs, including the introduction of new products, along with the impact of projected economic conditions.

Costs associated with the possible return of unsaleable products are included as a reduction to net sales as part of the provision for returns, discounts and allowances. An accrued liability is determined using statistical analysis that incorporates historical sales trends, seasonal timing and sales patterns, and product movement at retail.

#### Pension and Other Post-Retirement Benefit Plans

The Corporation's policy is to fund domestic pension liabilities in accordance with the minimum and maximum limits imposed by the Employee Retirement Income Security Act of 1974 and federal income tax laws, respectively. Non-domestic pension liabilities are funded in accordance with applicable local laws and regulations. Plan assets are invested in a broadly diversified portfolio consisting primarily of domestic and international common stocks and fixed income securities. Short-term and long-term liabilities associated with benefit plans are primarily determined based on actuarial calculations. These calculations are made considering payroll and employee data, including age and years of service, along with actuarial assumptions at the date of the financial statements. The Corporation takes into consideration long-term projections with regard to economic conditions, including interest rates, return on assets and the rate of increase in compensation levels. With regard to liabilities associated with post-retirement benefit plans that provide health care and life insurance, the Corporation takes into consideration the long-term annual rate of increase in the per capita cost of the covered health care benefits.

#### MARKET PRICES AND DIVIDENDS

Cash dividends paid on the Corporation's Common Stock and Class B Stock were \$154.8 million in 2001 and \$144.9 million in 2000. The annual dividend rate on the Common Stock was \$1.21 per share, an increase of 8% over the 2000 rate of \$1.12 per share. The 2001 dividend represented the 27th consecutive year of Common Stock dividend increases.

On February 13, 2002, the Corporation's Board of Directors declared a quarterly dividend of \$.3025 per share of Common Stock payable on March 15, 2002, to stockholders of record as of February 25, 2002. It is the Corporation's 289th consecutive Common Stock dividend. A quarterly dividend of \$.2725 per share of Class B Stock also was declared.

Hershey Foods Corporation's Common Stock is listed and traded principally on the New York Stock Exchange ("NYSE") under the ticker symbol "HSY." Approximately 126.7 million shares of the Corporation's Common Stock were traded during 2001. The Class B Stock is not publicly traded.

The closing price of the Common Stock on December 31, 2001, was \$67.70. There were 40,311 stockholders of record of the Common Stock and the Class B Stock as of December 31, 2001.

A-13

The following table shows the dividends paid per share of Common Stock and Class B Stock and the price range of the Common Stock for each quarter of the past two years:

Dividends Paid Per Share		Common Stock Price Range*	
Common Stock	Class B Stock	High	Low

2001				
1st Quarter	\$ .2800	\$ .2525	\$70.15	\$55.13
2nd Quarter	.2800	.2525	69.58	58.55
3rd Quarter	.3025	.2725	66.45	58.70
4th Quarter	.3025	.2725	68.62	60.40
Total	\$1.1650	\$1.0500		
2000				
1st Quarter	\$ .2600	\$ .2350	\$50.69	\$37.75
2nd Quarter	.2600	.2350	55.81	45.00
3rd Quarter	.2800	.2525	54.69	41.56
4th Quarter	.2800	.2525	66.44	48.44
Total	\$1.0800	\$ .9750		

\* NYSE-Composite Quotations for Common Stock by calendar quarter.

## RETURN MEASURES

### Operating Return on Average Stockholders' Equity

The Corporation's operating return on average stockholders' equity was 32.5% in 2001. Over the most recent six-year period, the return has ranged from 27.5% in 1996 to 36.0% in 1998. For the purpose of calculating operating return on average stockholders' equity, earnings is defined as net income, excluding the after-tax gain on the sale of the *Luden's* throat drops business and the after-tax effect of the business realignment initiatives in 2001, and the after-tax gain on the sale of the pasta business in 1999.

### Operating Return on Average Invested Capital

The Corporation's operating return on average invested capital was 18.1% in 2001. Over the most recent six-year period, the return has ranged from 14.8% in 1999 to 18.1% in 2001. Average invested capital consists of the annual average of beginning and ending balances of long-term debt, deferred income taxes and stockholders' equity. For the purpose of calculating operating return on average invested capital, earnings is defined as net income, excluding the after-tax gain on the sale of the *Luden's* throat drops business and the after-tax effect of the business realignment initiatives in 2001, the after-tax gain on the sale of the pasta business in 1999 and the after-tax effect of interest on long-term debt.

## OUTLOOK

The outlook section contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially.

Going forward, the Corporation has set balanced and sustainable goals, including: three to four percent sales growth; gross margin expansion; nine to eleven percent growth in earnings per share; and continued market share gains.

A-14

The Corporation anticipates that the total U.S. confectionery market will grow at a rate of two to three percent in 2002. The Corporation intends to increase spending on marketing and selling programs compared to 2001, as the cost savings generated by the business realignment initiatives are invested substantially in enhanced brand building and selling capabilities. Annual savings of approximately \$75 million to \$80 million are anticipated when the business realignment initiatives are fully implemented, with less than half the estimated amount expected to be realized in 2002.

Variability of gross margin in future periods is affected by various factors, including raw material and logistics costs, manufacturing efficiencies and the mix of products sold in any period. The Corporation expects margin expansion in 2002, as the Corporation anticipates sales increases in more profitable product lines, improved operating efficiencies throughout the supply chain and the exit of certain under-performing businesses. In addition, commodity costs are anticipated to be relatively stable in 2002 as a result of the Corporation's forward purchasing and hedging practices.

The Corporation intends to achieve earnings per share growth of nine to eleven percent from sales volume increases in response to increased spending on marketing and selling capabilities, by expanding gross margin and by reducing administrative costs. As a result of the VWRP, the Corporation's salaried work force will be reduced by approximately 600 employees during 2002. The on-going effective income tax rate is projected to be consistent with 2001, excluding one-time items.

The Corporation expects strong cash flows from operating activities in 2002. Net cash provided from operating activities is expected to exceed cash requirements for capital additions, capitalized software additions and anticipated dividend payments.

The Emerging Issues Task Force ("EITF") of the FASB addressed several issues related to the income statement classification of certain sales incentives and marketing promotion programs (see Recent Accounting Pronouncements in Note 1 to the Consolidated Financial Statements). Reclassifications made in

2002 will not affect the Corporation's financial position or net income. These reclassifications will reduce the Corporation's gross profit and margin, while other percent of sales measures will increase.

The Corporation has not fully assessed the potential impact of the adoption of SFAS No. 142 (see Recent Accounting Pronouncements in Note 1 to the Consolidated Financial Statements). However, it is estimated that earnings per share-diluted will increase by approximately \$.10 in 2002 as substantially all amortization of goodwill and other intangible assets will be eliminated. The Corporation's growth goal for earnings per share of nine to eleven percent does not include the impact of changes to accounting methods to be implemented in 2002.

#### Safe Harbor Statement

The nature of the Corporation's operations and the environment in which it operates subject it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Corporation notes the following factors which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. Many of the forward-looking statements contained in this document may be identified by the use of forward-looking words such as "believe," "expect," "anticipate," "should," "planned," "estimated" and "potential," among others. Factors which could cause results to differ include, but are not limited to: changes in the confectionery and grocery business environment, including actions of competitors and changes in consumer preferences; changes in governmental laws and regulations, including taxes; market demand for new and existing products; changes in raw material and other costs; and the Corporation's ability to implement improvements to and reduce costs associated with the Corporation's distribution operations; pension cost factors, such as actuarial assumptions and employee retirement decisions; and the Corporation's ability to sell certain assets at targeted values.

A-15

### HERSHEY FOODS CORPORATION CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31,	2001	2000	1999
<b>In thousands of dollars except per share amounts</b>			
<b>Net Sales</b>	<b>\$4,557,241</b>	<b>\$4,220,976</b>	<b>\$3,970,924</b>
<b>Costs and Expenses:</b>			
Cost of sales	2,665,566	2,471,151	2,354,724
Selling, marketing and administrative	1,269,964	1,127,175	1,057,840
Business realignment and asset impairments	228,314	-	-
Gain on sale of business	(19,237)	-	(243,785)
Total costs and expenses	4,144,607	3,598,326	3,168,779
<b>Income before Interest and Income Taxes</b>	<b>412,634</b>	<b>622,650</b>	<b>802,145</b>
Interest expense, net	69,093	76,011	74,271
<b>Income before Income Taxes</b>	<b>343,541</b>	<b>546,639</b>	<b>727,874</b>
Provision for income taxes	136,385	212,096	267,564
<b>Net Income</b>	<b>\$207,156</b>	<b>\$ 334,543</b>	<b>\$ 460,310</b>
<b>Net Income Per Share—Basic</b>	<b>\$1.52</b>	<b>\$ 2.44</b>	<b>\$ 3.29</b>
<b>Net Income Per Share—Diluted</b>	<b>\$1.50</b>	<b>\$ 2.42</b>	<b>\$ 3.26</b>
<b>Cash Dividends Paid Per Share:</b>			
Common Stock	\$1.165	\$ 1.08	\$ 1.00
Class B Common Stock	1.050	.975	.905
<b>The notes to consolidated financial statements are an integral part of these statements.</b>			

A-16

### HERSHEY FOODS CORPORATION CONSOLIDATED BALANCE SHEETS

December 31,	2001	2000
<b>In thousands of dollars</b>		
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$134,147	\$31,969
Accounts receivable—trade	361,726	379,680
Inventories	512,134	605,173

Deferred income taxes	96,939	76,136
Prepaid expenses and other	62,595	202,390
Total current assets	1,167,541	1,295,348
<b>Property, Plant and Equipment, Net</b>	<b>1,534,901</b>	<b>1,585,388</b>
<b>Intangibles Resulting from Business Acquisitions, Net</b>	<b>429,128</b>	<b>474,448</b>
<b>Other Assets</b>	<b>115,860</b>	<b>92,580</b>
Total assets	\$3,247,430	\$3,447,764
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$133,049	\$149,232
Accrued liabilities	462,901	358,067
Accrued income taxes	2,568	1,479
Short-term debt	7,005	257,594
Current portion of long-term debt	921	529
Total current liabilities	606,444	766,901
<b>Long-term Debt</b>	<b>876,972</b>	<b>877,654</b>
<b>Other Long-term Liabilities</b>	<b>361,041</b>	<b>327,674</b>
<b>Deferred Income Taxes</b>	<b>255,769</b>	<b>300,499</b>
Total liabilities	2,100,226	2,272,728
<b>Stockholders' Equity:</b>		
Preferred Stock, shares issued: none in 2001 and 2000	—	—
Common Stock, shares issued: 149,517,064 in 2001 and 149,509,014 in 2000	149,516	149,508
Class B Common Stock, shares issued: 30,433,808 in 2001 and 30,441,858 in 2000	30,434	30,442
Additional paid-in capital	3,263	13,124
Unearned ESOP compensation	(15,967)	(19,161)
Retained earnings	2,755,333	2,702,927
Treasury—Common Stock shares, at cost: 44,311,870 in 2001 and 43,669,284 in 2000	(1,689,243)	(1,645,088)
Accumulated other comprehensive loss	(86,132)	(56,716)
Total stockholders' equity	1,147,204	1,175,036
Total liabilities and stockholders' equity	\$3,247,430	\$3,447,764

The notes to consolidated financial statements are an integral part of these balance sheets.

A-17

### HERSHEY FOODS CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,	2001	2000	1999
<b>In thousands of dollars</b>			
<b>Cash Flows Provided from (Used by)</b>			
<b>Operating Activities</b>			
Net income	\$207,156	\$334,543	\$460,310
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	190,494	175,964	163,308
Deferred income taxes	(49,342)	(16,400)	(8,336)
Gain on sale of business, net of tax of \$18,134 and \$78,769 in 2001 and 1999, respectively	(1,103)	—	(165,016)
Business realignment initiatives	171,852	—	—
Asset impairment write-downs	53,100	—	—
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:			
Accounts receivable—trade	17,954	(26,930)	77,918
Inventories	94,405	28,029	(136,535)
Accounts payable	(16,183)	7,280	(8,742)
Other assets and liabilities	38,072	(90,277)	(64,704)
Net Cash Provided from Operating Activities	706,405	412,209	318,203
<b>Cash Flows Provided from (Used by)</b>			
<b>Investing Activities</b>			
Capital additions	(160,105)	(138,333)	(115,448)
Capitalized software additions	(9,845)	(4,686)	(25,394)
Business acquisitions	(17,079)	(135,000)	—

Proceeds from divestitures	59,900	—	450,000
Other, net	3,142	6,206	23,006
Net Cash (Used by) Provided from Investing Activities	(123,987)	(271,813)	332,164
<b>Cash Flows Provided from (Used by) Financing Activities</b>			
Net change in short-term borrowings	(250,589)	48,428	(136,742)
Long-term borrowings	379	187	1,696
Repayment of long-term debt	(826)	(2,815)	(393)
Cash dividends paid	(154,750)	(144,891)	(136,728)
Exercise of stock options	30,210	24,376	18,878
Incentive plan transactions	(64,342)	(51,859)	—
Repurchase of Common Stock	(40,322)	(99,931)	(318,024)
Net Cash (Used by) Financing Activities	(480,240)	(226,505)	(571,313)
Increase (Decrease) in Cash and Cash Equivalents	102,178	(86,109)	79,054
Cash and Cash Equivalents as of January 1	31,969	118,078	39,024
Cash and Cash Equivalents as of December 31	\$134,147	\$31,969	\$118,078
Interest Paid	\$72,043	\$81,465	\$77,049
Income Taxes Paid	171,362	299,104	218,665

The notes to consolidated financial statements are an integral part of these statements.

A-18

### HERSHEY FOODS CORPORATION CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Unearned ESOP Compensation	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
<b>In thousands of dollars</b>									
Balance as of January 1, 1999	\$—	\$ 149,503	\$ 30,447	\$ 29,995	\$ (25,548)	\$ 2,189,693	\$ (1,267,422)	\$ (64,367)	\$ 1,042,301
Net income						460,310			460,310
Other comprehensive income								14,752	14,752
Comprehensive income									475,062
Dividends:									
Common Stock, \$1.00 per share						(109,175)			(109,175)
Class B Common Stock, \$.905 per share						(27,553)			(27,553)
Conversion of Class B Common Stock into Common Stock		4	(4)						—
Incentive plan transactions				2					2
Exercise of stock options				(458)			32,738		32,280
Employee stock ownership trust/benefits transactions				540	3,194				3,734
Repurchase of Common Stock							(318,024)		(318,024)
Balance as of December 31, 1999	—	149,507	30,443	30,079	(22,354)	2,513,275	(1,552,708)	(49,615)	1,098,627
Net income						334,543			334,543
Other comprehensive (loss)								(7,101)	(7,101)
Comprehensive income									327,442
Dividends:									
Common Stock, \$1.08 per share						(115,209)			(115,209)
Class B Common Stock, \$.975 per share						(29,682)			(29,682)
Conversion of Class B Common Stock into Common Stock		1	(1)						—
Incentive plan transactions				(426)					(426)
Exercise of stock options				(16,728)			7,551		(9,177)
Employee stock ownership trust/benefits transactions				199	3,193				3,392
Repurchase of Common Stock							(99,931)		(99,931)
Balance as of December 31, 2000	—	149,508	30,442	13,124	(19,161)	2,702,927	(1,645,088)	(56,716)	1,175,036
Net income						207,156			207,156
Other comprehensive (loss)								(29,416)	(29,416)
Comprehensive income									177,740
Dividends:									
Common Stock, \$1.165 per share						(122,790)			(122,790)
Class B Common Stock, \$1.05 per share						(31,960)			(31,960)
Conversion of Class B Common Stock into Common Stock		8	(8)						—
Incentive plan transactions				1,062					1,062
Exercise of stock options				(11,863)			(3,833)		(15,696)
Employee stock ownership trust/benefits transactions				940	3,194				4,134
Repurchase of Common Stock							(40,322)		(40,322)
Balance as of December 31, 2001	\$ —	\$ 149,516	\$ 30,434	\$ 3,263	\$ (15,967)	\$ 2,755,333	\$ (1,689,243)	\$ (86,132)	\$ 1,147,204

The notes to consolidated financial statements are an integral part of these statements.

## HERSHEY FOODS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies employed by the Corporation are discussed below and in other notes to the consolidated financial statements.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Corporation and its subsidiaries after elimination of intercompany accounts and transactions.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, particularly for accounts receivable and certain current and long-term liabilities.

**Revenue Recognition**

The Corporation records sales when all of the following criteria have been met: a valid customer order with a fixed price has been received; a delivery appointment with the customer has been made; the product has been shipped in accordance with the delivery appointment and the required lead time; there is no further significant obligation to assist in the resale of the product; and collectibility is reasonably assured.

**Cash Equivalents**

Cash equivalents consist of highly liquid debt instruments, time deposits and money market funds with original maturities of three months or less. The fair value of cash and cash equivalents approximates the carrying amount.

**Commodities Futures Contracts**

In connection with the purchasing of cocoa, sugar, corn sweeteners, natural gas and certain dairy products for anticipated manufacturing requirements and to hedge transportation costs, the Corporation enters into commodities futures contracts as deemed appropriate to reduce the effect of price fluctuations. Prior to January 1, 2001, accounting for commodities futures contracts was in accordance with Statement of Financial Accounting Standards No. 80, "Accounting for Futures Contracts." Futures contracts met the hedge criteria and were accounted for as hedges. Accordingly, gains and losses were deferred and recognized in cost of sales as part of the product cost.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). Subsequently, the FASB issued Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133, an amendment of FASB Statement No. 133" and Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133." SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133, as amended, requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for

A-20

qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

The Corporation adopted SFAS No. 133, as amended, as of January 1, 2001. SFAS No. 133, as amended, provides that the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument be reported as a component of other comprehensive income and be reclassified into earnings in the same period or periods during which the transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, must be recognized currently in earnings. All derivative instruments currently utilized by the Corporation, including commodities futures contracts, are designated and accounted for as cash flow hedges. Additional information with regard to accounting policies associated with derivative instruments is contained in Note 5, Derivative Instruments and Hedging Activities.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows: 3 to 15 years for machinery and equipment; and 25 to 40 years for



buildings and related improvements. Maintenance and repair expenditures are charged to expense as incurred. Applicable interest charges incurred during the construction of new facilities and production lines are capitalized as one of the elements of cost and are amortized over the assets' estimated useful lives.

### **Intangibles Resulting from Business Acquisitions**

Intangible assets resulting from business acquisitions principally consist of the excess of the acquisition cost over the fair value of the net assets of businesses acquired (goodwill). Goodwill was \$388.7 million and \$431.8 million as of December 31, 2001 and 2000, respectively. The decrease in goodwill primarily reflected the disposition of the *Luden's* throat drops business in September 2001 and the impact of product line rationalization decisions, including the planned sale of certain businesses, as part of the Corporation's business realignment initiatives recorded in the fourth quarter of 2001. Goodwill is amortized on a straight-line basis over 40 years. Other intangible assets were \$40.4 million and \$42.6 million as of December 31, 2001 and 2000, respectively. Other intangible assets are amortized on a straight-line basis over the assets' estimated useful lives, up to 40 years. The Corporation periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of goodwill and other intangible assets may not be recoverable. When factors indicate that goodwill should be evaluated for possible impairment, the Corporation uses an estimate of the acquired business' undiscounted future cash flows compared to the related carrying amount of net assets, including goodwill, to determine if an impairment loss should be recognized. When factors indicate that other intangible assets should be evaluated for possible impairment, the Corporation uses an estimate of the associated undiscounted future cash flows compared to the related carrying amount of assets to determine if an impairment loss should be recognized.

Accumulated amortization of intangible assets resulting from business acquisitions was \$131.0 million and \$135.5 million as of December 31, 2001 and 2000, respectively.

### **Comprehensive Income**

Comprehensive income (loss) is reported on the Consolidated Statements of Stockholders' Equity and accumulated other comprehensive loss is reported on the Consolidated Balance Sheets. Additional information regarding comprehensive income is contained in Note 6, Comprehensive Income.

Results of operations for foreign entities are translated using the average exchange rates during the period. For foreign entities, assets and liabilities are translated to U.S. dollars using the

A-21

---

exchange rates in effect at the balance sheet date. Resulting translation adjustments are recorded as a component of other comprehensive income (loss), "Foreign Currency Translation Adjustments."

A minimum pension liability adjustment is required when the actuarial present value of accumulated pension plan benefits exceeds plan assets and accrued pension liabilities, less allowable intangible assets. Minimum pension liability adjustments, net of income taxes, are recorded as a component of other comprehensive income (loss), "Minimum Pension Liability Adjustments."

The Corporation adopted SFAS No. 133, as amended, as of January 1, 2001. Accordingly, gains and losses on cash flow hedging derivatives, to the extent effective, are included in other comprehensive income (loss) and reclassification adjustments are recorded as such gains and losses are ratably recorded in income in the same period as the hedged items affect earnings. Additional information with regard to accounting policies associated with derivative instruments is contained in Note 5, Derivative Instruments and Hedging Activities.

### **Foreign Exchange Contracts**

The Corporation enters into foreign exchange forward contracts to hedge transactions primarily related to firm commitments to purchase equipment, certain raw materials and finished goods denominated in foreign currencies, and to hedge payment of intercompany transactions with its subsidiaries outside the United States. These contracts reduce currency risk from exchange rate movements.

Foreign exchange forward contracts are intended to be and are effective as hedges of firm, identifiable, foreign currency commitments. Prior to January 1, 2001, the Corporation accounted for foreign exchange forward contracts in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation," and accordingly, gains and losses were deferred and accounted for as part of the underlying transactions. The Corporation adopted SFAS No. 133, as amended, as of January 1, 2001. Foreign exchange forward contracts are designated as cash flow hedging derivatives and the fair value of such contracts is recorded on the Consolidated Balance Sheets as either an asset or liability. Gains and losses on these contracts are recorded as a component of other comprehensive income and are reclassified into earnings in the same period during which the hedged transaction affects earnings. Additional information with regard to accounting policies for derivative instruments, including foreign exchange forward contracts, is contained in Note 5, Derivative Instruments and Hedging Activities.

### **License Agreements**

The Corporation has entered into license agreements under which it has access to certain trademarks and proprietary technology, and manufactures and/or markets and distributes certain products. The rights under these agreements are extendible on a long-term basis at the Corporation's option subject to certain conditions, including minimum sales levels, which the Corporation has met. License fees and royalties, payable under the terms of the agreements, are expensed as incurred and included in selling, marketing and administrative expenses.

### Research and Development

The Corporation expenses research and development costs as incurred. Research and development expense was \$26.5 million, \$25.4 million and \$26.7 million in 2001, 2000 and 1999, respectively.

### Advertising

The Corporation expenses advertising costs as incurred. Advertising expense was \$193.3 million, \$161.6 million and \$164.9 million in 2001, 2000 and 1999, respectively. Prepaid advertising as of December 31, 2001 and 2000, was \$4.0 million and \$7.0 million, respectively.

### Computer Software

The Corporation capitalizes certain costs of computer software developed or obtained for internal use. The unamortized amount of capitalized software as of December 31, 2001 and 2000, was

A-22

---

\$51.6 million and \$66.2 million, respectively. Software assets are classified as other non-current assets and are amortized over periods up to five years. Accumulated amortization of capitalized software was \$56.9 million and \$35.7 million as of December 31, 2001 and 2000, respectively.

### Recent Accounting Pronouncements

The Emerging Issues Task Force ("EITF") of the FASB addressed several issues related to the income statement classification of certain sales incentives and marketing promotion programs. Consensuses reached on EITF Issue No. 00-14, "*Accounting for Coupons, Rebates and Discounts*," and EITF Issue No. 00-25, "*Vendor Income Statement Characterization of Consideration from a Vendor to a Retailer*," require that certain consumer and trade promotion expenses, such as consumer coupon redemption expense, off-invoice allowances and various marketing performance funds currently reported in selling, marketing and administrative expense be recorded as a reduction of net sales. These reclassifications are effective for the quarter ending March 31, 2002 and were \$423.0 million, \$400.6 million and \$359.1 million in 2001, 2000 and 1999, respectively. These changes will not affect the Corporation's financial position or net income. Upon adoption, prior period amounts will be reclassified to conform with the new requirements.

In June 2001, the FASB issued Statements of Financial Accounting Standards No. 141, "*Business Combinations*" ("SFAS No. 141"), and No. 142, "*Goodwill and Other Intangible Assets*" ("SFAS No. 142"). SFAS No. 141 changes the accounting for business combinations, requiring that all business combinations be accounted for using the purchase method and that intangible assets be recognized as assets apart from goodwill if they arise from contractual or other legal rights, or if they are separable or capable of being separated from the acquired entity and sold, transferred, licensed, rented or exchanged. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001. SFAS No. 142 specifies the financial accounting and reporting for acquired goodwill and other intangible assets. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001.

SFAS No. 142 requires that the useful lives of intangible assets acquired on or before June 30, 2001 be reassessed and the remaining amortization periods adjusted accordingly. Previously recognized intangible assets deemed to have indefinite lives shall be tested for impairment. Goodwill recognized on or before June 30, 2001, shall be assigned to one or more reporting units and shall be tested for impairment as of the beginning of the fiscal year in which SFAS No. 142 is initially applied in its entirety.

The adoption of SFAS No. 142 is effective for the Corporation as of January 1, 2002. The reassessment of intangible assets must be completed during the first quarter of 2002 and the assignment of goodwill to reporting units, along with completion of the first step of the transitional goodwill impairment tests, must be completed during the first six months of 2002. The majority of the intangible assets and goodwill recognized prior to July 1, 2001 will no longer be amortized effective January 1, 2002. Total amortization of intangible assets and goodwill for the years ended December 31, 2001, 2000 and 1999 was \$15.3 million, \$14.7 million and \$15.0 million, respectively.

## 2. ACQUISITIONS AND DIVESTITURES

In July 2001, the Corporation's Brazilian subsidiary, Hershey do Brasil, acquired the chocolate and confectionery business of Visagis for \$17.1 million. This business had sales of approximately \$20 million in 2000. Included in the acquisition were the *IO-IO* brand of hazelnut creme items and the chocolate and confectionery products sold under the *Visconti* brand. Also included in the purchase were a manufacturing plant and confectionery equipment in Sao Roque, Brazil.

In December 2000, the Corporation completed the purchase of the intense and breath freshener mints and gum businesses of Nabisco, Inc. ("Nabisco"). The Corporation paid \$135.0 million to acquire the businesses, including *Ice Breakers* and *Breath Savers Cool Blasts* intense mints, *Breath Savers* mints, and *Ice Breakers*, *Carefree*, *Stick\*Free*, *Bubble Yum* and *Fruit Stripe* gums. Also

A-23

included in the purchase were manufacturing machinery and equipment and a gum-manufacturing plant in Las Piedras, Puerto Rico. These businesses had sales of approximately \$270 million in 1999.

In accordance with the purchase method of accounting, the purchase prices of the acquisitions were allocated to the underlying assets and liabilities at the dates of acquisition based on their estimated respective fair values. Total liabilities assumed were \$31.0 million. Results subsequent to the dates of acquisition were included in the consolidated financial statements. Had the results of the acquisitions been included in the consolidated results for 2000 and 1999, the effect would not have been material.

In September 2001, the Corporation completed the sale of the *Luden's* throat drops business to Pharmacia Consumer Healthcare, a unit of Pharmacia Corporation. Included in the sale were the trademarks and manufacturing equipment for the throat drops business. Under a supply agreement with Pharmacia, the Corporation agreed to manufacture *Luden's* throat drops for up to 19 months after the date of sale. Under a separate services agreement, the Corporation agreed to continue to sell, warehouse and distribute *Luden's* throat drops through March 2002. In the third quarter of 2001, the Corporation received cash proceeds of \$59.9 million and recorded a gain of \$19.2 million before tax, \$1.1 million or \$.01 per share-diluted after tax, as a result of the transaction. A higher gain for tax purposes reflected the low tax basis of the intangible assets included in the sale, resulting in taxes on the gain of \$18.1 million. Net sales for the *Luden's* throat drops business were \$10.2 million, \$24.8 million and \$29.7 million in 2001, 2000 and 1999, respectively.

In January 1999, the Corporation completed the sale of a 94% majority interest of its U.S. pasta business to New World Pasta, LLC. The transaction included the *American Beauty*, *Ideal by San Giorgio*, *Light 'n Fluffy*, *Mrs. Weiss*, *P&R*, *Ronzoni*, *San Giorgio* and *Skinner* pasta brands, along with six manufacturing plants. In the first quarter of 1999, the Corporation received cash proceeds of \$450.0 million, retained a 6% minority interest and recorded a gain of approximately \$243.8 million before tax, \$165.0 million or \$1.17 per share-diluted after tax, as a result of the transaction. Net sales for the pasta business were \$29.3 million and net income was \$1.5 million in 1999.

### **3. BUSINESS REALIGNMENT INITIATIVES**

In late October 2001, the Corporation's Board of Directors approved a plan to improve the efficiency and profitability of the Corporation's operations. The plan included asset management improvements, product line rationalization, supply chain efficiency improvements and a voluntary work force reduction program. The major components of the plan will be completed by the fourth quarter of 2002.

During the fourth quarter of 2001, a charge to cost of sales and a business realignment and asset impairment charge were recorded totaling \$278.4 million before tax (\$171.9 million after tax or \$1.25 per share-diluted). The total charges included a charge to cost of sales of \$50.1 million associated with raw material inventory reductions and a business realignment and asset impairment charge of \$228.3 million (collectively, "the business realignment initiatives"). Components of the \$228.3 million pre-tax charge included \$5.3 million relating to asset management improvements, \$28.3 million relating to product line rationalization, \$46.0 million relating to supply chain efficiency improvements and \$148.7 million relating to a voluntary work force reduction program. These initiatives are expected to generate \$75 million to \$80 million of annual savings when fully implemented, with less than half the estimated amount expected to be realized in 2002. Additional charges totaling approximately \$31.6 million before tax, or \$.14 per share-diluted, are expected to be recorded in 2002, as incurred, primarily related to pension settlement costs resulting from the voluntary work force reduction program and expenses associated with the relocation of manufacturing equipment.

#### **Asset Management Improvements**

The charge to cost of sales of \$50.1 million was a result of decisions to outsource the manufacture of certain ingredients and to significantly reduce the inventory levels of certain raw materials,

A-24

primarily cocoa beans and cocoa butter. Also included in the charge was the impact of a decision to reduce raw material inventory levels for almonds and peanuts. The Corporation sold raw material inventories and delayed raw material deliveries during the fourth quarter. A pre-tax charge of \$5.3 million was also recorded in the fourth quarter of 2001 as part of the pre-tax business realignment and asset impairments charge. This charge reflected the write-off of manufacturing machinery and equipment as a result of the ingredients manufacturing outsourcing.

#### **Product Line Rationalization**

Product line rationalization plans include the sale or exit of certain businesses, the discontinuance of certain non-chocolate confectionery

products and the realignment of the Corporation's domestic and international sales organizations. The estimated loss on the sale or exit of these businesses was \$26.4 million as of December 31, 2001, net of estimated sales proceeds. Net sales associated with these businesses were approximately \$38.0 million, \$43.1 million and \$45.3 million in 2001, 2000 and 1999, respectively. Costs associated with the realignment of the sales organizations totaled \$1.9 million, primarily related to sales office closings and terminating the use of certain sales brokers.

#### **Supply Chain Efficiency Improvements**

To improve supply chain efficiency and profitability, three manufacturing facilities, a distribution center and certain other facilities will be closed. A net pre-tax charge of \$46.0 million was recorded in the fourth quarter of 2001 relating to the closure of these facilities. A manufacturing facility in Denver, Colorado will be closed, with manufacturing equipment and machinery to be sold or relocated for production at a contract manufacturer. The Denver, Colorado plant principally manufactures *Jolly Rancher* hard candy. A manufacturing facility in Pennsburg, Pennsylvania will also be closed and the production of *POT OF GOLD* chocolates will be moved to another manufacturing plant. Finally, a small manufacturing and packaging facility located in Palmyra, Pennsylvania, as well as a distribution center and certain minor facilities located in Oakdale, California will be closed. The closure of these facilities is expected to result in the termination of approximately 750 employees, with total involuntary employee termination benefits of approximately \$5.0 million.

#### **Voluntary Work Force Reduction Program**

In October 2001, the Corporation offered a voluntary work force reduction program ("VWRP") to certain eligible employees in the United States, Canada and Puerto Rico in order to reduce staffing levels and improve profitability. The VWRP consisted of an early retirement program and an enhanced mutual separation program. The early retirement program was offered to approximately 1,200 eligible salaried employees who were born prior to January 1, 1954 and were employed by the Corporation prior to January 1, 1999. The early retirement program provided enhanced pension, post-retirement and certain supplemental benefits. The enhanced mutual separation program provided increased severance and temporary medical benefits. The Corporation expects that the VWRP will provide a reduction of approximately 600 employees. Most employees accepting the VWRP will end their employment with the Corporation during the first quarter of 2002. A total pre-tax charge of \$148.7 million was recorded in the fourth quarter of 2001 upon employee acceptance of the VWRP. The charge primarily reflected enhanced retirement and separation benefits.

#### **4. COMMITMENTS**

Rent expense was \$37.3 million, \$40.8 million and \$45.5 million for 2001, 2000 and 1999, respectively. Rent expense pertains to all operating leases, which were principally related to certain administrative buildings, warehouse and distribution facilities and transportation equipment.

The Corporation has entered into certain commitments for the purchase of raw materials. Purchase commitments primarily reflect forward contracts for the purchase of raw materials from third-party brokers and dealers.

A-25

---

The Corporation has entered into three off-balance sheet arrangements for the leasing of certain warehouse and distribution facilities. The operating lease arrangements are with special purpose trusts ("SPTs") whereby the Corporation leases warehouse and distribution facilities in Redlands, California; Atlanta, Georgia; and Hershey, Pennsylvania, as discussed below. The SPTs were formed to facilitate the acquisition and subsequent leasing of the facilities to the Corporation. The SPTs financed the acquisition of the facilities by issuing notes and equity certificates to independent third-party financial institutions. The independent third-party financial institutions who hold the equity certificates are owners of the SPTs. The Corporation's transactions with the SPTs are limited to the operating lease agreements and the associated rent expense is included in cost of sales in the Consolidated Statements of Income. The Corporation has not entered into any other arrangements involving special purpose entities.

The leases include substantial residual guarantees by the Corporation for the majority of the financing and options to purchase the facilities at original cost. If the Corporation were to exercise its options to purchase the three facilities at original cost at the end of the respective initial lease terms, the Corporation could purchase the facilities for a total of approximately \$120.0 million, \$79.9 million for the Pennsylvania and Georgia facilities in 2005, and \$40.1 million for the California facility in 2007.

In December 2000, the Corporation entered into an operating lease agreement with the owner of the warehouse and distribution facility in Redlands, California. The lease term was approximately ten years, with occupancy to begin upon completion of the facility. The lease agreement contained an option for the Corporation to purchase the facility. In January 2002, the Corporation assigned its right to purchase the facility to an SPT that in turn purchased the completed facility and leased it to the Corporation under a new operating lease agreement. The lease term is five years, with up to four renewal periods of five years each with the consent of the lessor. The cost incurred by the SPT to acquire the facility, including land, was \$40.1 million.

In October 2000, the Corporation entered into an operating lease agreement with an SPT for the leasing of a warehouse and distribution facility near Atlanta, Georgia. The lease term is five years, with up to four renewal

periods of five years each with the consent of the lessor. The cost incurred by the SPT to acquire the facility, including land, was \$18.2 million.

In July 1999, the Corporation entered into an operating lease agreement with an SPT for the construction and leasing of a warehouse and distribution facility located on land owned by the Corporation near Hershey, Pennsylvania. Under the agreement, the lessor paid construction costs totaling \$61.7 million. The lease term is six years, including the one-year construction period, with up to four renewal periods of five years each with the consent of the lessor.

Future minimum rental payments under non-cancelable operating leases with a remaining term in excess of one year as of December 31, 2001, totaled \$153.4 million (2002-\$21.6 million; 2003-\$21.3 million; 2004-\$21.1 million; 2005-\$21.0 million; 2006-\$18.8 million; 2007 and beyond \$49.6 million).

As of December 31, 2001, the Corporation had entered into purchase agreements with various suppliers. Subject to the Corporation's quality standards being met, the purchase commitments covered by these agreements aggregated approximately \$743.1 million in 2002, \$523.8 million in 2003, \$303.8 million in 2004, \$51.0 million in 2005, \$3.3 million in 2006 and \$8.8 million in 2007 and beyond.

## **5. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

The Corporation adopted SFAS No. 133, as amended, as of January 1, 2001. SFAS No. 133, as amended, provides that the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument be reported as a component of other comprehensive income and be reclassified into earnings in the same period or periods during which the transaction affects earnings. The remaining gain or loss on the derivative instrument, if any,

A-26

---

must be recognized currently in earnings. All derivative instruments currently utilized by the Corporation are designated as cash flow hedges.

### **Objectives, Strategies and Accounting Policies Associated with Derivative Instruments**

The Corporation utilizes certain derivative instruments, from time to time, including interest rate swaps, foreign currency forward exchange contracts and commodities futures contracts, to manage variability in cash flows associated with interest rate, currency exchange rate and commodity market price risk exposures. The interest rate swaps and foreign currency contracts are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. Commodities futures contracts are entered into for varying periods and are intended to be and are effective as hedges of market price risks associated with anticipated raw material purchases, energy requirements and transportation costs. If it is probable that hedged forecasted transactions will not occur either by the end of the originally specified time period or within an additional two-month period of time, derivative gains and losses reported in accumulated other comprehensive loss on the Consolidated Balance Sheets are immediately reclassified into earnings. Gains and losses on terminated derivatives designated as hedges are accounted for as part of the originally hedged transaction. Gains and losses on derivatives designated as hedges of items that mature or are sold or terminated, are recognized in income in the same period as the originally hedged transaction was anticipated to affect earnings. The Corporation utilizes derivative instruments as cash flow hedges and does not hold or issue derivative instruments for trading purposes. In entering into these contracts, the Corporation has assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. The Corporation does not expect any losses as a result of counterparty defaults.

### **Interest Rate Swaps**

In order to minimize its financing costs and to manage interest rate exposure, the Corporation, from time to time, enters into interest rate swap agreements. In February 2001, the Corporation entered into interest rate swap agreements that effectively convert interest-rate-contingent rental payments on certain operating leases from a variable to a fixed rate. Rental payments on operating leases associated with the financing of construction of a warehouse and distribution facility near Hershey, Pennsylvania for \$61.7 million and the financing of the purchase of a warehouse and distribution facility near Atlanta, Georgia for \$18.2 million are variable based on the London Interbank Offered Rate ("LIBOR"). Such contingent operating lease rental payments are forecasted transactions as defined by SFAS No. 133, as amended. The interest rate swap agreements effectively convert the interest-rate-contingent rental payments on the operating leases from LIBOR to a fixed rate of 6.1%. The interest rate swap agreements qualify as cash flow hedges and the notional amounts, interest rates and terms of the swap agreements are consistent with the underlying operating lease agreements they are intended to hedge and, therefore, there is no hedge ineffectiveness. Gains and losses on the interest rate swap agreements are included in other comprehensive income and are recognized in cost of sales as part of shipping and distribution expense in the same period as the hedged rental payments affect earnings.

The fair value of the interest rate swap agreements was determined based upon the quoted market price for the same or similar financial instruments and was included on the Consolidated Balance Sheets as other long-term liabilities, with the offset reflected in accumulated other comprehensive loss, net of income taxes. Cash flows from interest rate swap agreements are classified as net cash provided from operating activities on the

Consolidated Statements of Cash Flows. The Corporation's risk related to the interest rate swap agreements is limited to the cost of replacing the agreements at prevailing market rates.

### **Foreign Exchange Forward Contracts**

The Corporation enters into foreign exchange forward contracts to hedge transactions primarily related to firm commitments to purchase equipment, certain raw materials and finished goods

A-27

---

denominated in foreign currencies, and to hedge payment of intercompany transactions with its non-domestic subsidiaries. These contracts reduce currency risk from exchange rate movements. Foreign currency price risks are hedged generally for periods from 3 to 24 months.

Foreign exchange forward contracts are intended to be and are effective as hedges of firm, identifiable, foreign currency commitments. Since there is a direct relationship between the foreign currency derivatives and the foreign currency denomination of the transactions, foreign currency derivatives are highly effective in hedging cash flows related to transactions denominated in the corresponding foreign currencies. These contracts meet the criteria for cash flow hedge accounting treatment and, accordingly, gains and losses are included in other comprehensive income and are recognized in cost of sales or selling, marketing and administrative expense in the same period that the hedged items affect earnings. In entering into these contracts the Corporation has assumed the risk which might arise from the possible inability of counterparties to meet the terms of their contracts. The Corporation does not expect any losses as a result of counterparty defaults.

The fair value of foreign exchange forward contracts was estimated by obtaining quotes for future contracts with similar terms, adjusted where necessary for maturity differences, and was included on the Consolidated Balance Sheets as accrued liabilities with the offset reflected in accumulated other comprehensive loss, net of income taxes. Cash flows from foreign exchange forward contracts designated as hedges of foreign currency price risks associated with the purchase of equipment are classified as net cash flows (used by) provided from investing activities on the Consolidated Statements of Cash Flows. Cash flows from other foreign exchange forward contracts are classified as net cash provided from operating activities.

### **Commodities Futures Contracts**

In connection with the purchasing of cocoa, sugar, corn sweeteners, natural gas and certain dairy products for anticipated manufacturing requirements and to hedge transportation costs, the Corporation enters into commodities futures contracts as deemed appropriate to reduce the effect of price fluctuations. Commodity price risks are hedged generally for periods from 3 to 24 months. Commodities futures contracts meet the hedge criteria and are accounted for as cash flow hedges. Accordingly, gains and losses are included in other comprehensive income and are recognized ratably in cost of sales in the same period that the hedged raw material manufacturing requirements are recorded in cost of sales.

In order to qualify as a hedge of commodity price risk, it must be demonstrated that the changes in fair value of the commodities futures contracts are highly effective in hedging price risks associated with commodity purchases for manufacturing requirements and with transportation costs. The assessment of hedge effectiveness for commodities futures is performed on a quarterly basis by calculating the change in switch values relative to open commodities futures contracts being held and the number of futures contracts needed to price raw material purchases for anticipated manufacturing requirements and to hedge transportation costs. Effectiveness is also monitored by tracking changes in basis differentials as discussed below. The prices of commodities futures contracts reflect delivery to the same locations where the Corporation takes delivery of the physical commodities and, therefore, there is no ineffectiveness resulting from differences in location between the derivative and the hedged item. Commodities futures contracts have been deemed to be highly effective in hedging price risks associated with corresponding raw material purchases for manufacturing requirements and transportation costs.

Because of the rollover strategy used for commodities futures contracts, which is required by futures market conditions, some ineffectiveness may result in hedging forecasted manufacturing requirements as futures contracts are switched from nearby contract positions to contract positions which are required to fix the price of raw material purchases for manufacturing requirements. Hedge ineffectiveness may also result from variability in basis differentials associated with the purchase of raw materials for manufacturing requirements. Hedge ineffectiveness is measured on a quarterly

A-28

---

basis and the ineffective portion of gains or losses on commodities futures is recorded currently in cost of sales in accordance with SFAS No. 133, as amended.

Exchange traded futures contracts are used to fix the price of physical forward purchase contracts. Cash transfers reflecting changes in the value of futures contracts (unrealized gains and losses) are made on a daily basis and are included in accumulated other comprehensive loss, net of income taxes, on the Consolidated Balance Sheets. Such cash transfers will be offset by higher or lower cash requirements for payment of invoice prices of raw materials, energy requirements and transportation costs in the future. Cash flows from commodities futures contracts are classified as net cash provided from operating activities on the Consolidated Statements of Cash

Flows: Futures contracts being held in excess of the amount required to fix the price of unpriced physical forward contracts are effective as hedges of anticipated manufacturing requirements for each commodity. Physical commodity forward purchase contracts meet the SFAS No. 133 definition of "normal purchases and sales" and, therefore, are not considered derivative instruments.

## 6. COMPREHENSIVE INCOME

Comprehensive income consisted of the following:

For the years ended December 31,	2001	2000	1999
<b>In thousands of dollars</b>			
Net income	\$207,156	\$334,543	\$460,310
Other comprehensive income (loss):			
Foreign currency translation adjustments	(6,745)	(6,185)	10,701
Minimum pension liability adjustments, net of tax	(34,219)	(916)	4,051
Losses on cash flow hedging derivatives, net of tax	(7,764)	-	-
Add: Reclassification adjustments, net of tax	19,312	-	-
Other comprehensive (loss) income	(29,416)	(7,101)	14,752
Comprehensive income	\$177,740	\$327,442	\$475,062

Reclassification adjustments from accumulated other comprehensive income (loss) to income, for gains or losses on cash flow hedging derivatives, were reflected in cost of sales. Gains on cash flow hedging derivatives recognized in cost of sales as a result of hedge ineffectiveness were approximately \$1.7 million before tax for the year ended December 31, 2001. No gains or losses on cash flow hedging derivatives were reclassified from accumulated other comprehensive income (loss) into income as a result of the discontinuance of a hedge because it became probable that a hedged forecasted transaction would not occur. There were no components of gains or losses on cash flow hedging derivatives that were recognized in income because such components were excluded from the assessment of hedge effectiveness.

A-29

Comprehensive income is included on the Consolidated Statements of Stockholders' Equity. The components of accumulated other comprehensive income (loss) as shown on the Consolidated Balance Sheets are as follows:

	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustments	Gains (Losses) on Cash Flow Hedging Derivatives	Reclassification Adjustments	Accumulated Other Comprehensive Income (Loss)
<b>In thousands of dollars</b>					
Balance as of January 1, 1999	\$ (60,316)	\$ (4,051)	\$ -	\$ -	\$ (64,367)
Current period credit, gross	10,701	6,843	-	-	17,544
Income tax (expense)	-	(2,792)	-	-	(2,792)
Balance as of December 31, 1999	(49,615)	-	-	-	(49,615)
Current period charge, gross	(6,185)	(1,529)	-	-	(7,714)
Income tax benefit	-	613	-	-	613
Balance as of December 31, 2000	(55,800)	(916)	-	-	(56,716)
Transition adjustment (loss), net of a tax benefit of \$41,756	-	-	(70,191)	-	(70,191)
Current period (charge) credit, gross	(6,745)	(57,127)	99,565	30,800	66,493
Income tax benefit (expense)	-	22,908	(37,138)	(11,488)	(25,718)
Balance as of December 31, 2001	\$ (62,545)	\$ (35,135)	\$ (7,764)	\$ 19,312	\$ (86,132)

As of December 31, 2001, the amount of net gains on cash flow hedging derivatives, including foreign exchange forward contracts, interest rate swap agreements and commodities futures contracts, expected to be reclassified into earnings in the next twelve months was approximately \$6.2 million after tax.

## 7. FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximated fair value as of December 31, 2001 and 2000, because of the relatively short maturity of these instruments. The carrying value of long-term debt, including the current portion, was \$877.9 million as of December 31, 2001, compared to a fair value of \$957.8 million based on quoted market prices for the same or similar debt issues. The carrying value of long-term debt, including the current portion, was \$878.2 million as of December 31, 2000, compared to a fair value of \$920.4 million.

As of December 31, 2001, the Corporation had foreign exchange forward contracts maturing in 2002 and 2003 to purchase \$24.3 million in foreign currency, primarily British sterling and euros, and to sell \$12.2 million in foreign currency, primarily Japanese yen, at contracted forward rates.

As of December 31, 2000, the Corporation had foreign exchange forward contracts maturing in 2001 and 2002 to purchase \$36.3 million in foreign currency, primarily British sterling and euros, and to sell \$11.5 million in foreign currency, primarily Japanese yen, at contracted forward rates.

The fair value of foreign exchange forward contracts is estimated by obtaining quotes for future contracts with similar terms, adjusted where necessary for maturity differences. As of December 31, 2001 and 2000, the fair value of foreign exchange forward contracts approximated the contract value. The Corporation does not hold or issue financial instruments for trading purposes.

In order to minimize its financing costs and to manage interest rate exposure, the Corporation, from time to time, enters into interest rate swap agreements. In February 2001, the Corporation entered into interest rate swap agreements that effectively convert interest-rate-contingent rental payments on certain operating leases from a variable to a fixed rate of 6.1%. As of December 31, 2001, the fair value of interest rate swap agreements was a liability of \$2.7 million.

A-30

## 8. INTEREST EXPENSE

Interest expense, net consisted of the following:

For the years ended December 31,	2001	2000	1999
<b>In thousands of dollars</b>			
Long-term debt and lease obligations	\$65,500	\$64,681	\$66,323
Short-term debt	7,468	16,420	12,191
Capitalized interest	(1,498)	(145)	(1,214)
Interest expense, gross	71,470	80,956	77,300
Interest income	(2,377)	(4,945)	(3,029)
Interest expense, net	\$69,093	\$76,011	\$74,271

## 9. SHORT-TERM DEBT

Generally, the Corporation's short-term borrowings are in the form of commercial paper or bank loans with an original maturity of three months or less. As of December 31, 2001, the Corporation maintained short-term and long-term committed credit facilities with a syndicate of banks in the amount of \$400 million which could be borrowed directly or used to support the issuance of commercial paper. The Corporation may increase the credit facilities to \$1.0 billion with the concurrence of the banks. In November 2001, the short-term credit facility agreement was amended and restated with a credit limit of \$200 million expiring in November 2002, and the long-term committed credit facility agreement was amended and restated with a credit limit of \$200 million expiring in November 2006. The credit facilities may be used to fund general corporate requirements, to support commercial paper borrowings and, in certain instances, to finance future business acquisitions.

The Corporation also maintains lines of credit with domestic and international commercial banks, under which it could borrow in various currencies up to approximately \$21.7 million and \$27.5 million as of December 31, 2001 and 2000, respectively, at the lending banks' prime commercial interest rates or lower.

The Corporation had short-term foreign bank loans against its credit facilities and lines of credit of \$7.0 million as of December 31, 2001, and combined domestic commercial paper borrowings and short-term foreign bank loans of \$257.6 million as of December 31, 2000. The amount of the Corporation's short-term borrowings peaked in August 2001 at \$304.7 million. The weighted average interest rates on short-term borrowings outstanding as of December 31, 2001 and 2000, were 0.2% and 6.4%, respectively.

The credit facilities and lines of credit were supported by commitment fee arrangements. The average fee during 2001 was less than .2% per annum of the commitment. The Corporation's credit facility agreements contain a financial covenant which requires that a specified income to interest ratio be maintained. These agreements are also subject to other representations and covenants which do not materially restrict the Corporation's activities. The Corporation is in compliance with all covenants included in the credit facility agreements. There were no significant compensating balance agreements which legally restricted these funds.

As a result of maintaining a consolidated cash management system, the Corporation maintains overdraft positions at certain banks. Such overdrafts, which were reflected as a reduction to cash and cash equivalents, were \$26.5 million and \$22.5 million as of December 31, 2001 and 2000, respectively.

A-31

## 10. LONG-TERM DEBT

Long-term debt consisted of the following:

December 31,	2001	2000
<b>In thousands of dollars</b>		



6.7% Notes due 2005	<b>\$200,000</b>	\$200,000
6.95% Notes due 2007	<b>150,000</b>	150,000
6.95% Notes due 2012	<b>150,000</b>	150,000
8.8% Debentures due 2021	<b>100,000</b>	100,000
7.2% Debentures due 2027	<b>250,000</b>	250,000
Other obligations, net of unamortized debt discount	<b>27,893</b>	28,183
	<hr/>	<hr/>
Total long-term debt	<b>877,893</b>	878,183
Less-current portion	<b>921</b>	529
	<hr/>	<hr/>
Long-term portion	<b>\$876,972</b>	\$877,654

Aggregate annual maturities during the next five years are: 2002, \$.9 million; 2003, \$17.1 million; 2004, \$.1 million; 2005, \$202.1 million; and 2006, \$.1 million. The Corporation's debt is principally unsecured and of equal priority. None of the debt is convertible into stock of the Corporation. The Corporation is in compliance with all covenants included in the related debt agreements.

## 11. INCOME TAXES

Income before income taxes was as follows:

For the years ended December 31,	2001	2000	1999
<hr/>			
<b>In thousands of dollars</b>			
Domestic	<b>\$320,065</b>	\$536,002	\$720,409
Foreign	<b>23,476</b>	10,637	7,465
	<hr/>	<hr/>	<hr/>
Income before income taxes	<b>\$343,541</b>	\$546,639	\$727,874

The provision for income taxes was as follows:

For the years ended December 31,	2001	2000	1999
<hr/>			
<b>In thousands of dollars</b>			
Current:			
Federal	<b>\$160,182</b>	\$212,858	\$ 256,054
State	<b>22,155</b>	12,184	15,998
Foreign	<b>3,390</b>	3,454	3,848
	<hr/>	<hr/>	<hr/>
Current provision for income taxes	<b>185,727</b>	228,496	275,900
Deferred:			
Federal	<b>(41,293)</b>	(28,108)	(23,271)
State	<b>(7,120)</b>	11,986	16,280
Foreign	<b>(929)</b>	(278)	(1,345)
	<hr/>	<hr/>	<hr/>
Deferred income tax (benefit)	<b>(49,342)</b>	(16,400)	(8,336)
	<hr/>	<hr/>	<hr/>
Total provision for income taxes	<b>\$136,385</b>	\$212,096	\$ 267,564

A-32

Deferred taxes reflect temporary differences between tax reporting and financial statement reporting in the recognition of revenue and expense. The tax effects of the significant temporary differences which comprised the deferred tax assets and liabilities were as follows:

December 31,	2001	2000
<hr/>		
<b>In thousands of dollars</b>		
Deferred tax assets:		
Post-retirement benefit obligations	<b>\$99,882</b>	\$84,103
Accrued expenses and other reserves	<b>141,719</b>	109,116
Accrued trade promotion reserves	<b>22,134</b>	33,987
Other	<b>18,868</b>	16,159
	<hr/>	<hr/>
Total deferred tax assets	<b>282,603</b>	243,365
Deferred tax liabilities:		
Depreciation	<b>237,750</b>	256,769
Inventory	<b>31,091</b>	24,025
Other	<b>172,592</b>	186,934
	<hr/>	<hr/>
Total deferred tax liabilities	<b>441,433</b>	467,728
	<hr/>	<hr/>
Net deferred tax liabilities	<b>\$158,830</b>	\$224,363
Included in:		
Current deferred tax assets, net	<b>\$96,939</b>	\$76,136
Non-current deferred tax liabilities, net	<b>255,769</b>	300,499

Net deferred tax liabilities	<b>\$158,830</b>	\$224,363
------------------------------	------------------	-----------

The following table reconciles the Federal statutory income tax rate with the Corporation's effective income tax rate:

For the years ended December 31,	2001	2000	1999
Federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (reduction) resulting from:			
State income taxes, net of Federal income tax benefits	3.4	3.5	2.3
Gain on sale of <i>Luden's</i> throat drops business	1.6	-	-
Non-deductible acquisition costs	.7	.8	.6
Puerto Rico operations	(1.2)	-	-
Utilization of capital loss carryforwards	-	-	(.9)
Other, net	.2	(.5)	(.2)
Effective income tax rate	<b>39.7%</b>	38.8%	36.8%

Included with the purchase of the Nabisco gum and mint business in December 2000, was a U.S. Internal Revenue Code ("IRC") Section 936 company with a subsidiary operating in Las Piedras, Puerto Rico. The operating income of this subsidiary is subject to a lower income tax rate in both the United States and Puerto Rico. The U.S. IRC Section 936 incentive is scheduled to expire on December 31, 2005.

The gain on sale of *Luden's* throat drops business primarily reflected the lower tax basis of the intangible assets included in the sale, resulting in a higher effective income tax rate.

Effective October 1, 2001, the Corporation negotiated a settlement with the Internal Revenue Service ("IRS") of Notices of Proposed Deficiency associated with its Corporate Owned Life Insurance ("COLI") program. The resulting Closing Agreement with the IRS limited the COLI interest expense deductions for all applicable tax years and resulted in the surrender of all insurance policies, thereby ending the COLI program. The settlement reflected the complete resolution of all federal and state tax aspects of the program.

A-33

## 12. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

The Corporation's policy is to fund domestic pension liabilities in accordance with the minimum and maximum limits imposed by the Employee Retirement Income Security Act of 1974 and Federal income tax laws, respectively. Non-domestic pension liabilities are funded in accordance with applicable local laws and regulations. Plan assets are invested in a broadly diversified portfolio consisting primarily of domestic and international common stocks and fixed income securities. Other benefits include health care and life insurance provided by the Corporation under two post-retirement benefit plans.

A summary of the changes in benefit obligations and plan assets as of December 31, 2001 and 2000 is presented below:

December 31,	Pension Benefits		Other Benefits	
	2001	2000	2001	2000
<b>In thousands of dollars</b>				
<b>Change in benefits obligation</b>				
Benefits obligation at beginning of year	\$ 655,178	\$ 627,710	\$ 256,307	\$ 214,510
Service cost	30,093	27,961	3,434	3,184
Interest cost	48,239	45,710	17,829	14,056
Amendments	48	2,362	-	-
Actuarial loss	44,261	7,243	4,959	36,785
Acquisition	-	6,980	-	514
Special termination benefits	106,273	-	15,451	-
Curtailment loss	1,451	-	17,594	-
Other	(2,110)	(1,031)	(249)	(148)
Benefits paid	(45,893)	(61,757)	(13,919)	(12,594)
Benefits obligation at end of year	<b>837,540</b>	655,178	<b>301,406</b>	256,307
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	602,871	650,699	-	-
Actual return on plan assets	(40,437)	(1,155)	-	-
Acquisition	-	5,739	-	-
Employer contribution	172,327	10,323	13,919	12,594
Other	(1,717)	(978)	-	-
Benefits paid	(45,893)	(61,757)	(13,919)	(12,594)
Fair value of plan assets at end of year	<b>687,151</b>	602,871	-	-
<b>Funded status</b>	<b>(150,389)</b>	(52,307)	<b>(301,406)</b>	(256,307)
Unrecognized transition asset	52	(56)	-	-
Unrecognized prior service cost	43,092	48,201	(14,722)	(16,805)
Unrecognized net actuarial loss (gain)	108,298	(36,138)	65,468	63,032
Intangible asset	(44,397)	-	-	-
Accumulated other comprehensive loss	(57,127)	(1,528)	-	-
Prior service cost recognized due to curtailment	-	-	2,228	-
(Accrued) benefits cost	<b>\$(100,471)</b>	\$(41,828)	<b>\$(248,432)</b>	\$(210,080)

**Weighted-average assumptions**

Discount rate	7.0%	7.5%	7.0%	7.5%
Expected long-term rate of return on assets	9.5	9.5	N/A	N/A
Rate of increase in compensation levels	4.9	4.9	N/A	N/A

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002 and future years.

A-34

In February 2001, the Corporation made a \$75.0 million contribution to its domestic pension plans to improve the funded status. In December 2001, the Corporation made a \$95.0 million contribution to one of its domestic pension plans to fund anticipated payments related to the early retirement program.

The Corporation's acquisition of Nabisco's mint and gum businesses in December 2000, included its Hourly Pension Plan for employees at the Las Piedras, Puerto Rico manufacturing plant. Salaried employees at the plant were covered by the Hershey Foods Corporation Retirement Plan as of December 31, 2000, for services subsequent to the date of acquisition.

An unrecognized net actuarial loss for pension benefits in 2001, compared with the unrecognized net actuarial gain for pension benefits in 2000, was due primarily to the actual return on plan assets being less than the expected return and a lower discount rate in 2001.

As of December 31, 2001, for pension plans with accumulated benefit obligations in excess of plan assets, the related projected benefit obligation, accumulated benefit obligation and the fair value of plan assets were \$794.3 million, \$750.9 million and \$657.3 million, respectively. Included in the projected benefit obligation and accumulated benefit obligation amounts, were \$41.6 million and \$40.4 million, respectively, for an unfunded supplemental executive retirement program, which is a non-qualified plan that provides certain senior executive officers defined pension benefits based on their total compensation. As of December 31, 2000, for pension plans with accumulated benefit obligations in excess of plan assets, the related projected benefit obligation and accumulated benefit obligation were \$36.5 million and \$34.9 million, respectively, with no plan assets, primarily associated with the supplemental executive retirement program.

A minimum pension liability adjustment is required when the actuarial present value of accumulated plan benefits exceeds plan assets and accrued pension liabilities. In 2001, a minimum liability adjustment of \$57.1 million, net of a deferred tax benefit of \$22.9 million, was recorded as a component of other comprehensive income (loss) and reported in accumulated other comprehensive loss as a component of stockholders' equity. In 2000, a minimum liability adjustment of \$1.5 million, net of a deferred tax benefit of \$.6 million, was recorded as a component of other comprehensive income (loss) and reported in accumulated other comprehensive loss as a component of stockholders' equity.

A-35

A summary of the components of net periodic benefits cost for the years ended December 31, 2001, 2000 and 1999 is presented below:

For the years ended December 31,	Pension Benefits			Other Benefits		
	2001	2000	1999	2001	2000	1999
<b>In thousands of dollars</b>						
<b>Components of net periodic benefits cost</b>						
Service cost	\$ 30,093	\$ 27,961	\$31,050	\$ 3,434	\$3,184	\$ 3,803
Interest cost	48,239	45,710	41,781	17,829	14,056	13,813
Expected return on plan assets	(61,791)	(60,143)	(57,836)	-	-	-
Amortization of prior service cost	3,891	3,783	2,956	(2,168)	(2,165)	(2,293)
Recognized net actuarial (gain) loss	(27)	(286)	341	2,761	-	1,042
Amortization of unrecognized (gain)	-	(2,670)	-	-	-	-
Other	-	-	-	(80)	(41)	54
Corporate sponsored plans	20,405	14,355	18,292	21,776	15,034	16,419
Multi-employer plans	615	577	698	-	-	-
Administrative expenses	297	421	287	-	-	-
Net periodic benefits cost	21,317	15,353	19,277	21,776	15,034	16,419
Special termination benefits	106,273	-	-	15,451	-	-
Curtailment loss	2,802	-	-	15,366	-	-

Total amount reflected in earnings

	\$130,392	\$ 15,353	\$19,277	\$52,593	\$15,034	\$ 16,419
--	-----------	-----------	----------	----------	----------	-----------

The Corporation has two post-retirement benefit plans. The health care plan is contributory, with participants' contributions adjusted annually, and the life insurance plan is non-contributory.

In conjunction with the business realignment initiatives announced on October 24, 2001, the Corporation offered an early retirement program to approximately 10% of its work force in the fourth quarter of 2001. The early retirement program gave eligible salaried employees an opportunity to retire with enhanced benefits related to the Corporation's pension and other post-retirement benefit plans. In general, eligible employees were born before January 1, 1954 and were hired before January 1, 1999. Pension benefits were enhanced by adding five additional years of age and service to eligible employees' retirement accounts, along with certain supplemental benefits. Retiree medical benefits were enhanced by adding five additional years to age and service formulas used to determine retiree contributions.

The total pre-tax charge for the VWRP recorded in the fourth quarter was \$148.7 million and was accrued based on actual employee acceptances. Improved pension benefits under the early retirement program of \$109.1 million will be funded through payments from one of the Corporation's defined benefit pension plans. Enhanced retiree medical benefits of \$30.8 million will be funded from operating cash flows. Additional costs for outplacement services and enhanced severance benefits under a voluntary mutual separation program of \$8.8 million will also be funded from operating cash flows. In addition, the Corporation expects to record a non-cash pre-tax charge of approximately \$20.2 million in 2002, related to pension settlement costs associated with the early retirement program.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

	1 Percentage Point Increase	1 Percentage Point (Decrease)
<b>In thousands of dollars</b>		
Effect on total service and interest cost components	\$808	\$(658)
Effect on post-retirement benefit obligation	11,903	(9,338)

A-36

### 13. EMPLOYEE STOCK OWNERSHIP TRUST

The Corporation's employee stock ownership trust ("ESOP") serves as the primary vehicle for contributions to its existing Employee Savings Stock Investment and Ownership Plan for participating domestic salaried and hourly employees. The ESOP was funded by a 15-year 7.75% loan of \$47.9 million from the Corporation. During 2001 and 2000, the ESOP received a combination of dividends on unallocated shares and contributions from the Corporation equal to the amount required to meet its principal and interest payments under the loan. Simultaneously, the ESOP allocated to participants 159,176 shares of Common Stock each year. As of December 31, 2001, the ESOP held 1,139,966 allocated shares and 795,872 unallocated shares. All ESOP shares are considered outstanding for income per share computations.

The Corporation recognized net compensation expense equal to the shares allocated multiplied by the original cost of \$20.06 per share less dividends received by the ESOP on unallocated shares. Compensation expense related to the ESOP for 2001, 2000 and 1999 was \$1.6 million, \$3.2 million and \$1.6 million, respectively. Dividends paid on unallocated ESOP shares for 2001, 2000 and 1999 were \$1.0 million, \$1.1 million and \$1.2 million, respectively. Dividends paid on all ESOP shares are recorded as a reduction to retained earnings. The unearned ESOP compensation balance in stockholders' equity represented deferred compensation expense to be recognized by the Corporation in future years as additional shares are allocated to participants.

### 14. CAPITAL STOCK AND NET INCOME PER SHARE

As of December 31, 2001, the Corporation had 530,000,000 authorized shares of capital stock. Of this total, 450,000,000 shares were designated as Common Stock, 75,000,000 shares as Class B Common Stock ("Class B Stock"), and 5,000,000 shares as Preferred Stock, each class having a par value of one dollar per share. As of December 31, 2001, a combined total of 179,950,872 shares of both classes of common stock had been issued of which 135,639,002 shares were outstanding. No shares of the Preferred Stock were issued or outstanding during the three-year period ended December 31, 2001.

Holder of the Common Stock and the Class B Stock generally vote together without regard to class on matters submitted to stockholders, including the election of directors, with the Common Stock having one vote per share and the Class B Stock having ten votes per share. However, the Common Stock, voting separately as a class, is entitled to elect one-sixth of the Board of Directors. With respect to dividend rights, the Common Stock is entitled to cash dividends 10% higher than those declared and paid on the Class B Stock.

Class B Stock can be converted into Common Stock on a share-for-share basis at any time. During 2001, 2000 and 1999, a total of 8,050 shares, 2,050 shares and 4,000 shares, respectively, of Class B Stock were converted into Common Stock.

In December 2000, the Corporation's Board of Directors unanimously adopted a Stockholder Protection Rights Agreement ("Rights Agreement") and declared a dividend of one right ("Right") for each outstanding share of Common Stock and Class B Stock payable to stockholders of record at the close of business on December 26, 2000. The Rights will at no time have voting power or receive dividends. The issuance of the Rights has no dilutive effect, will not affect reported earnings per share, is not taxable and will not change the manner in which the Corporation's Common Stock is traded.

The Rights become exercisable only upon (i) resolution of the Board of Directors after any person has commenced a tender offer that would result in such person becoming the beneficial owner of 15% or more of the Common Stock, (ii) the Corporation's announcement that a person or group has acquired 15% or more of the outstanding shares of Common Stock, or (iii) a person or group becoming the beneficial owner of more than 35% of the voting power of all of the outstanding Common Stock and Class B Stock. When exercisable, each Right entitles its registered holder to purchase from the Corporation, at a pre-determined exercise price, one one-thousandth of a share

A-37

of Series A Participating Preferred Stock, par value \$1.00 per share (which would be convertible by holders of Class B Stock into Series B Participating Preferred Stock on the basis of one one-thousandths of a share of Series B Participating Preferred Stock for every share of Class B Common Stock held at that time). Each one one-thousandth of a share of Series A Participating Preferred Stock would have economic and voting terms similar to those of one share of Common Stock. Similarly, each one one-thousandth of a share of Series B Participating Preferred Stock would have economic and voting terms similar to those of one share of Class B Stock.

Upon the earlier of (a) a public announcement by the Corporation that a person or group has acquired 15% or more of the outstanding shares of Common Stock or (b) such person or group acquiring more than 35% of the voting power of the Common Stock and Class B Stock, each Right (except those owned by the acquiring person or group) will automatically become a right to buy, at the pre-determined exercise price, that number of one one-thousandths of a share of Series A Participating Preferred Stock having a market value of twice the exercise price. In addition, if the Corporation is acquired in a merger or other business combination, each Right will entitle a holder to purchase from the acquiring company, for the pre-determined exercise price, preferred stock of the acquiring company having an aggregate market value equal to twice the exercise price.

Further, at any time after a person or group acquires 15% or more (but less than 50%) of the Corporation's Common Stock or more than 35% of the voting power of all outstanding Common Stock and Class B Stock, the Corporation's Board of Directors may, at its option, exchange all (but not less than all) of the outstanding Preferred Stock (other than Rights held by the acquiring person or group) for shares of Common Stock or Class B Stock, as applicable, at an exchange ratio of one share of Common Stock or Class B Stock for each one one-thousandth of a share of Preferred Stock.

The Corporation, solely at its option, may amend the Rights or redeem the Rights for \$.01 per Right at any time before the acquisition by a person or group of beneficial ownership of 15% or more of its Common Stock or more than 35% of the voting power of all of the outstanding Common Stock and Class B Stock. Unless redeemed earlier or extended by the Corporation, the Rights will expire on December 14, 2010.

Hershey Trust Company, as Trustee for the benefit of Milton Hershey School ("Milton Hershey School Trust"), as institutional fiduciary for estates and trusts unrelated to Milton Hershey School, and as direct owner of investment shares, held a total of 12,749,458 shares of the Common Stock, and as Trustee for the benefit of Milton Hershey School, held 30,306,006 shares of the Class B Stock as of December 31, 2001, and was entitled to cast approximately 77% of the total votes of both classes of the Corporation's common stock. The Milton Hershey School Trust must approve the issuance of shares of Common Stock or any other action which would result in the Milton Hershey School Trust not continuing to have voting control of the Corporation.

Changes in outstanding Common Stock for the past three years were:

For the years ended December 31,	2001	2000	1999
Shares issued	179,950,872	179,950,872	179,950,872
Treasury shares at beginning of year	(43,669,284)	(41,491,253)	(36,804,157)
Stock repurchases:			
Repurchase programs	(676,600)	(2,284,539)	(5,478,379)
Stock options and benefits	(1,037,455)	(957,261)	-
Stock issuances:			
Stock options and benefits	1,071,469	1,063,769	791,283
Treasury shares at end of year	(44,311,870)	(43,669,284)	(41,491,253)
Net shares outstanding at end of year	135,639,002	136,281,588	138,459,619

A-38

Basic and Diluted Earnings per Share were computed based on the weighted-average number of shares of the Common Stock and the Class B Stock outstanding as follows:

For the years ended December 31, 2001 2000 1999

**In thousands except per share amounts**

	2001	2000	1999
Net income	\$207,156	\$334,543	\$460,310
Weighted-average shares—basic	136,245	137,326	140,031
Effect of dilutive securities:			
Employee stock options	1,379	1,016	1,260
Performance and restricted stock units	72	23	9
Weighted-average shares—diluted	137,696	138,365	141,300
Net income per share—basic	\$1.52	\$2.44	\$3.29
Net income per share—diluted	\$1.50	\$2.42	\$3.26

For the years ended December 31, 2001 and December 31, 2000, 2.0 million and 5.5 million stock options, respectively, were not included in the diluted earnings per share calculation because the exercise price was higher than the average market price of the Common Stock for the year and, therefore, the effect would have been antidilutive.

**15. STOCK COMPENSATION PLAN**

The long-term portion of the Key Employee Incentive Plan ("Incentive Plan"), provides for grants of stock-based compensation awards to senior executives and key employees of one or more of the following: non-qualified stock options ("fixed stock options"), performance stock units, stock appreciation rights and restricted stock units. The Incentive Plan also provides for the deferral of performance stock unit and restricted stock unit awards by participants. As of December 31, 2001, 13.0 million shares (inclusive of adjustments for stock splits) were authorized and approved by the Corporation's stockholders for grants under the long-term portion of the Incentive Plan. In 2002, the Corporation's Board of Directors amended the Incentive Plan to increase by 6.0 million the number of shares available for grants under the long-term portion of the Incentive Plan.

In 1996, the Corporation's Board of Directors approved a world-wide, broad-based employee stock option program, called HSY Growth. HSY Growth provides all eligible employees with a one-time grant of 100 non-qualified stock options. Under HSY Growth, over 1.2 million options were granted on January 7, 1997.

The Corporation applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, in accounting for the Incentive Plan and HSY Growth. Accordingly, no compensation cost has been recognized for its fixed stock option grants. Had compensation cost for the Corporation's stock-based compensation plans been determined based on the fair value at the grant dates for awards under the Incentive Plan and HSY Growth consistent with the method of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Corporation's net income and net income per share would have been reduced to the pro forma amounts indicated below:

For the years ended December 31, 2001 2000 1999

**In thousands of dollars except per share amounts**

		2001	2000	1999
Net income	As reported	\$207,156	\$334,543	\$460,310
	Pro forma	199,758	328,156	449,986
Net income per share—Basic	As reported	\$1.52	\$2.44	\$3.29
	Pro forma	1.47	2.39	3.21
Net income per share—Diluted	As reported	\$1.50	\$2.42	\$3.26
	Pro forma	1.45	2.37	3.18

A-39

The fair value of each option grant is estimated on the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2001, 2000 and 1999, respectively: dividend yields of 2.2%, 1.8% and 1.4%, expected volatility of 28%, 27% and 23%, risk-free interest rates of 5.0%, 6.7% and 4.9%, and expected lives of 6.4 years, 6.5 years and 6.5 years.

**Fixed Stock Options**

The exercise price of each option equals the market price of the Corporation's Common Stock on the date of grant. Each option has a maximum term of ten years. Options granted under the Incentive Plan prior to December 31, 1999, vest at the end of the second year after grant. In 2000, the terms and conditions of the grant were changed to provide for pro-rated vesting over four years for options granted subsequent to December 31, 1999. Options granted under the HSY Growth program have a term of ten years and vested on January 7, 2002.

A summary of the status of the Corporation's fixed stock options as of December 31, 2001, 2000 and 1999, and changes during the years ending on those dates is presented below:

Fixed Options	2001		2000		1999	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	8,298,665	\$43.10	6,905,924	\$40.23	7,665,270	\$38.91
Granted	781,900	\$62.43	2,403,400	\$44.99	197,450	\$59.24
Exercised	(921,043)	\$30.22	(933,219)	\$26.19	(701,596)	\$26.80
Forfeited	(152,961)	\$46.84	(77,440)	\$49.81	(255,200)	\$52.16
Outstanding at end of year	8,006,561	\$46.39	8,298,665	\$43.10	6,905,924	\$40.23
Options exercisable at year-end	4,544,590	\$44.73	4,655,855	\$41.24	4,015,624	\$29.78
Weighted-average fair value of options granted during the year (per share)	\$18.58		\$15.58		\$17.23	

The following table summarizes information about fixed stock options outstanding as of December 31, 2001:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding as of 12/31/01	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Exercisable as of 12/31/01	Weighted-Average Exercise Price
\$24.50-44.50	3,288,200	4.1	\$35.97	2,272,700	\$32.16
\$45.00-49.813	2,240,161	8.0	\$45.00	560,040	\$45.00
\$55.1875-66.32	2,478,200	7.1	\$61.49	1,711,850	\$61.32
\$24.50-66.32	8,006,561	6.1	\$46.39	4,544,590	\$44.73

#### Performance Stock Units and Restricted Stock Units

Under the long-term portion of the Incentive Plan, each January the Corporation grants selected executives and other key employees performance stock units whose vesting is contingent upon the achievement of certain performance objectives. If at the end of the applicable three-year performance cycle, targets for financial measures of earnings per share, economic value added and free cash flow are met, the full number of shares are awarded to the participants. The performance scores can range from 0% to 150% of the targeted amounts. The compensation amount charged against (credited to) income for the performance-based plan was \$6.6 million, \$1.8 million and \$(1.9)

A-40

million for 2001, 2000 and 1999, respectively. The compensation credit in 1999 resulted from a partial achievement of the 1999 cycle objectives, expectation of partially achieving the target objectives for the 2000 cycle and the lower stock price. The compensation cost associated with the long-term portion of the Incentive Plan is recognized ratably over the three-year term based on the year-end market value of the stock. Performance stock units and restricted stock units granted for potential future distribution were as follows:

For the years ended December 31,	2001	2000	1999
Shares granted	111,007	58,550	48,550
Weighted-average fair value at date of grant	\$62.66	\$49.65	\$59.48

Deferred performance stock units, deferred directors' fees and accumulated dividend amounts totaled 332,112 shares as of December 31, 2001.

No stock appreciation rights were outstanding as of December 31, 2001.

#### 16. SUPPLEMENTAL BALANCE SHEET INFORMATION

##### Accounts Receivable—Trade

In the normal course of business, the Corporation extends credit to customers that satisfy pre-defined credit criteria. The Corporation believes that it has little concentration of credit risk due to the diversity of its customer base. As of December 31, 2001, Wal-Mart Stores, Inc. and subsidiaries accounted for approximately 15% of the Corporation's total accounts receivable. As of December 31, 2001, no other customer accounted for more than 10% of the Corporation's total accounts receivable. Receivables, as shown on the Consolidated Balance Sheets, were net of

allowances and anticipated discounts of \$16.0 million as of December 31, 2001 and 2000.

### Inventories

The Corporation values the majority of its inventories under the last-in, first-out ("LIFO") method and the remaining inventories at the lower of first-in, first-out ("FIFO") cost or market. Inventories include material, labor and overhead. LIFO cost of inventories valued using the LIFO method was \$351.1 million and \$456.7 million as of December 31, 2001 and 2000, respectively, and inventories were stated at amounts that did not exceed realizable values. Raw materials, principally cocoa beans and cocoa butter, were reduced by \$130.5 million as a result of the Corporation's business realignment initiatives recorded in the fourth quarter. Total inventories were as follows:

December 31,	2001	2000
<b>In thousands of dollars</b>		
Raw materials	\$160,343	\$263,658
Goods in process	51,184	47,866
Finished goods	354,100	338,749
Inventories at FIFO	565,627	650,273
Adjustment to LIFO	(53,493)	(45,100)
Total inventories	\$512,134	\$605,173

### Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets were as follows:

December 31,	2001	2000
<b>In thousands of dollars</b>		
Hedging transactions	\$14,378	\$141,572
Other	48,217	60,818
Total prepaid expenses and other	\$62,595	\$202,390

A-41

Hedging transactions were associated with exchange traded futures contracts entered into to manage price risks related to the purchase of raw materials and energy for manufacturing requirements and to hedge transportation costs. Upon adoption of SFAS No. 133, as amended, as of January 1, 2001, the impact of hedging transactions was reclassified to accumulated other comprehensive loss.

### Property, Plant and Equipment

Property, plant and equipment balances included construction in progress of \$101.8 million and \$125.0 million as of December 31, 2001 and 2000, respectively. Net write-downs of property, plant and equipment of \$45.3 million were recorded to accumulated depreciation as a result of asset impairments associated with the Corporation's business realignment initiatives recorded in the fourth quarter of 2001. These initiatives included plans to close several manufacturing facilities and to sell certain businesses as part of product line rationalization programs. Major classes of property, plant and equipment were as follows:

December 31,	2001	2000
<b>In thousands of dollars</b>		
Land	\$ 54,432	\$ 53,725
Buildings	533,662	502,419
Machinery and equipment	2,312,662	2,208,701
Property, plant and equipment, gross	2,900,756	2,764,845
Accumulated depreciation	(1,365,855)	(1,179,457)
Property, plant and equipment, net	\$ 1,534,901	\$ 1,585,388

### Accrued Liabilities

Accrued liabilities were as follows:

December 31,	2001	2000
<b>In thousands of dollars</b>		
Payroll, compensation and benefits	\$188,452	\$107,914
Advertising and promotion	142,768	135,123
Business realignment initiatives	35,389	-
Other	96,292	115,030
Total accrued liabilities	\$462,901	\$358,067

The increase in accrued liabilities for payroll, compensation and benefits was primarily associated with the enhanced benefits of the VWRP which was



part of the business realignment initiatives recorded in the fourth quarter of 2001.

### Other Long-term Liabilities

Other long-term liabilities were as follows:

December 31,	2001	2000
<b>In thousands of dollars</b>		
Accrued post-retirement benefits	<b>\$232,675</b>	\$194,354
Other	<b>128,366</b>	133,320
Total other long-term liabilities	<b>\$361,041</b>	\$327,674

The increase in accrued post-retirement benefits was primarily associated with the enhanced benefits of the VWRP which was part of the business realignment initiatives recorded in the fourth quarter of 2001.

A-42

## 17. SEGMENT INFORMATION

The Corporation operates in a single consumer foods line of business, encompassing the manufacture, distribution and sale of confectionery and grocery products. Consolidated net sales represented primarily sales of confectionery products. The Corporation's principal operations and markets are located in the United States. The Corporation also manufactures, markets, sells and distributes confectionery and grocery products in Canada and Mexico, imports and/or markets selected confectionery products in Argentina, the Philippines, Japan, Brazil, and South Korea and markets confectionery products in over 90 countries worldwide.

Net sales and long-lived assets of businesses outside of the United States were not significant. Sales to Wal-Mart Stores, Inc. and subsidiaries exceeded 10% of total net sales and amounted to approximately \$819.8 million, \$710.9 million and \$605.3 million in 2001, 2000 and 1999, respectively.

## 18. QUARTERLY DATA (Unaudited)

Summary quarterly results were as follows:

Year 2001	First	Second	Third	Fourth
<b>In thousands of dollars except per share amounts</b>				
Net sales	<b>\$1,080,281</b>	<b>\$898,859</b>	<b>\$1,304,184</b>	<b>\$1,273,917</b>
Gross profit	<b>442,775</b>	<b>382,221</b>	<b>551,609</b>	<b>515,070</b>
Net income (loss)	<b>78,906</b>	<b>52,439</b>	<b>120,762</b>	<b>(44,951) (a)</b>
Net income (loss) per share—Basic	<b>.58</b>	<b>.38</b>	<b>.89</b>	<b>(.33)</b>
Net income (loss) per share—Diluted	<b>.57</b>	<b>.38</b>	<b>.88</b>	<b>(.33)</b>
Year 2000	First	Second	Third	Fourth
<b>In thousands of dollars except per share amounts</b>				
Net sales	\$993,115	\$836,204	\$1,196,755	\$1,194,902
Gross profit	388,018	334,134	500,324	527,349
Net income	71,180	39,996	107,405	115,962
Net income per share—Basic <sup>(b)</sup>	.51	.29	.78	.85
Net income per share—Diluted	.51	.29	.78	.84

(a) Net (loss) income for the fourth quarter and year 2001 included a total after-tax charge for the business realignment initiatives of \$171.9 million. Net income (loss) per share was similarly impacted.

(b) Quarterly income per share amounts do not total to the annual amounts due to changes in weighted-average shares outstanding during the year.

A-43

## RESPONSIBILITY FOR FINANCIAL STATEMENTS

Hershey Foods Corporation is responsible for the financial statements and other financial information contained in this report. The Corporation believes that the financial statements have been prepared in conformity with accounting principles generally accepted in the United States appropriate under the circumstances to reflect in all material respects the substance of applicable events and transactions. In preparing the financial statements, it is necessary that management make informed estimates and judgments. The other financial information in this annual report is consistent with the financial statements.

The Corporation maintains a system of internal accounting controls designed to provide reasonable assurance that financial records are reliable for purposes of preparing financial statements and that assets are properly accounted for and safeguarded. The concept of reasonable assurance is based on the recognition that the cost of the system must be related to the benefits to be derived. The Corporation believes its system provides an appropriate balance in this regard. The Corporation maintains an Internal

Audit Department which reviews the adequacy and tests the application of internal accounting controls.

The financial statements have been audited by Arthur Andersen LLP, independent public accountants, whose appointment was ratified by stockholder vote at the stockholders' meeting held on April 24, 2001. Their report expresses an opinion that the Corporation's financial statements are fairly stated in conformity with accounting principles generally accepted in the United States, and they have indicated to us that their audit was performed in accordance with auditing standards generally accepted in the United States which are designed to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The Audit Committee of the Board of Directors of the Corporation, consisting solely of non-management directors, meets regularly with the independent public accountants, internal auditors and management to discuss, among other things, the audit scopes and results. Arthur Andersen LLP and the internal auditors both have full and free access to the Audit Committee, with and without the presence of management.

A-44

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors  
of Hershey Foods Corporation:

We have audited the accompanying consolidated balance sheets of Hershey Foods Corporation (a Delaware Corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2001, appearing on pages A-16 through A-43. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hershey Foods Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

New York, New York  
January 22, 2002

A-45

## HERSHEY FOODS CORPORATION SIX-YEAR CONSOLIDATED FINANCIAL SUMMARY All dollar and share amounts in thousands except market price and per share statistics

	5-Year Compound Growth Rate	2001	2000	1999	1998	1997	1996
<b>Summary of Operations</b>							
Net Sales	2.7%	\$4,557,241	4,220,976	3,970,924	4,435,615	4,302,236	3,989,308
Cost of Sales	3.0%	\$2,665,566	2,471,151	2,354,724	2,625,057	2,488,896	2,302,089
Selling, Marketing and Administrative	2.5%	\$1,269,964	1,127,175	1,057,840	1,167,895	1,183,130	1,124,087
Business Realignment and Asset Impairments Charge		\$228,314	—	—	—	—	—
Gain (Loss) on Sale of Businesses <sup>(h)</sup>		\$19,237	—	243,785	—	—	(35,352)
Interest Expense, Net	7.5%	\$69,093	76,011	74,271	85,657	76,255	48,043
Provision for Income Taxes	(8.0)%	\$136,385	212,096	267,564	216,118	217,704	206,551
Net Income	(5.4)%	\$207,156	334,543	460,310	340,888	336,251	273,186
<b>Earnings Per Share:</b>							
—Basic	(3.0)%	\$1.52	2.44	3.29	2.38	2.25	1.77
—Diluted	(3.0)%	\$1.50 <sup>(e)</sup>	2.42	3.26 <sup>(f)</sup>	2.34	2.23	1.75 <sup>(g)</sup>
<b>Weighted Average Shares Outstanding:</b>							
—Basic		136,245	137,326	140,031	143,446	149,174	154,334
—Diluted		137,696	138,365	141,300	145,563	151,016	155,690
Dividends Paid on Common Stock	5.5%	\$122,790	115,209	109,175	103,616	98,390	93,884
Per Share	8.9%	\$1.165	1.08	1.00	.92	.84	.76
Dividends Paid on Class B Common Stock	8.9%	\$31,960	29,682	27,553	25,428	23,156	20,879
Per Share	8.9%	\$1.05	.975	.905	.835	.76	.685
Net Income as a Percent of Net Sales		8.3% <sup>(b)</sup>	7.9%	7.4% <sup>(c)</sup>	7.7%	7.8%	7.7% <sup>(d)</sup>
Depreciation	5.1%	\$153,493	140,168	135,574	138,489	135,016	119,443
Advertising	2.1%	\$193,328	161,580	164,894	187,505	202,408	174,199
Promotion	1.8%	\$470,354	441,914	395,849	469,709	451,500	429,208
Payroll	4.6%	\$614,197	557,342	534,854	563,045	524,827	491,677
<b>Year-end Position and Statistics</b>							
Capital Additions	0.1%	\$160,105	138,333	115,448	161,328	172,939	159,433
Capitalized Software Additions	N/A	\$9,845	4,686	25,394	42,859	29,100	—

Total Assets	0.4%	\$3,247,430	3,447,764	3,346,652	3,404,098	3,291,236	3,184,796
Long-term Portion of Debt	6.0%	\$876,972	877,654	878,213	879,103	1,029,136	655,289
Stockholders' Equity	(0.2)%	\$1,147,204	1,175,036	1,098,627	1,042,301	852,806	1,161,021
Operating Return on Average Stockholders' Equity <sup>(a)</sup>		32.5%	29.4%	27.6%	36.0%	33.4%	27.5%
Operating Return on Average Invested Capital <sup>(a)</sup>		18.1%	16.1%	14.8%	17.4%	17.5%	17.8%
Full-time Employees		14,400	14,300	13,900	14,700	14,900	14,000
<b>Stockholders' Data</b>							
Outstanding Shares of Common Stock and Class B Common Stock at Year-end		135,639	136,282	138,460	143,147	142,932	152,942
Market Price of Common Stock at Year-end	9.1%	\$67.70	64.38	47.44	62.19	61.94	43.75
Range During Year		\$70.15-55.13	66.44-37.75	64.88-45.75	76.38-59.69	63.88-42.13	51.75-31.94

- (a) Operating Return on Average Stockholders' Equity and Operating Return on Average Invested Capital have been computed using Net Income, excluding the after-tax impacts of the 1996 Loss on Sale of Businesses, the 1999 and 2001 Gain on Sale of Business, and the charges for the 2001 Business Realignment Initiatives.
- (b) Calculated percent excludes the charges for the 2001 Business Realignment Initiatives and the gain on the sale of the *Luden's* throat drops business. Including the charges for the Business Realignment Initiatives and the Gain, Net Income as a Percent of Net Sales was 4.5%.
- (c) Calculated percent excludes the 1999 Gain on Sale of Business. Including the gain, Net Income as a Percent of Net Sales was 11.6%.
- (d) Calculated percent excludes the 1996 Loss on Sale of Businesses. Including the loss, Net Income as a Percent of Net Sales was 6.8%.
- (e) Earnings Per Share-Diluted for 2001 included a \$1.25 per share total charge for the Business Realignment Initiatives and a \$.01 per share gain on the sale of the *Luden's* throat drops business. Excluding the impact of the total charge for the Business Realignment Initiatives and the gain, Earnings Per Share-Diluted would have been \$2.74.
- (f) Earnings Per Share-Diluted for 1999 included a \$1.17 per share gain on the sale of the pasta business. Excluding the impact of this gain, Earnings Per Share-Diluted would have been \$2.09.
- (g) Earnings Per Share-Diluted for 1996 included a \$.23 per share loss on the sale of the Gubor and Spertari businesses. Excluding the impact of this loss, Earnings Per Share-Diluted would have been \$1.98.
- (h) Includes the gain on the sale of the *Luden's* throat drops business in 2001, the gain on the sale of the Corporation's pasta business in 1999 and the loss on the sale of the Corporation's European businesses in 1996.

HERSHEY FOODS CORPORATION  
DEFERRED COMPENSATION PLAN

(AMENDED AND RESTATED AS OF OCTOBER 31, 2001)

This Deferred Compensation Plan (the "Plan") allows participants in the following programs of Hershey Foods Corporation's Key Employee Incentive Plan to defer receipt of all or part of their awards: (1) cash awards under the Annual Incentive Program (the "AIP"); (2) the cash equivalent or Common Stock of Hershey Foods Corporation (the "Company") representing performance stock unit ("PSU") awards under the Long Term Incentive Program ("LTIP"); and (3) awards of Common Stock of the Company pursuant to Restricted Stock Unit ("RSU") awards under the LTIP granted on or after January 1, 2001. The Plan is intended to benefit those key executives of Hershey Foods Corporation and subsidiaries as specified in the AIP and LTIP who participate in the AIP or LTIP, to secure their goodwill, loyalty and achievement, and to help attract and retain highly qualified executives.

The Compensation and Executive Organization Committee of the Company's Board of Directors has established certain minimum stockholding requirements for employees who are eligible to receive awards under the LTIP. The Committee may, in its discretion, allow credit towards such requirement for Company Common Stock constructively invested by such employee pursuant to a vested PSU or vested RSU deferred under this Plan. Dividends previously earned, as well as future dividends earned on deferred PSU awards and deferred RSU awards, are eligible for deferral under the Plan.

ARTICLE I  
DEFINITIONS

The following definitions apply to this Plan:

- 1.1 Account. "Account" means the Account maintained by the Company  
-----  
pursuant to Article II with respect to each Participant and each Deferral Election by such Participant.
- 1.2 AIP. "AIP" means the Annual Incentive Program, and any similar  
---  
or successor plan or program, of the Company's Key Employee Incentive Plan.
- 1.3 Board. "Board" or "Board of Directors" means the Board of  
-----  
Directors of the Company.
- 1.4 Committee or Compensation Committee. "Committee" or  
-----  
"Compensation Committee" means the Compensation and Executive Organization Committee of the Board or any successor committee having similar authority.
- 1.5 Company. "Company" means Hershey Foods Corporation, a Delaware  
-----  
corporation.
- 1.6 Company Common Stock or Common Stock. "Company Common Stock" or  
-----  
"Common Stock" means the common stock of the Company.
- 1.7 Deferral Election. "Deferral Election" means a Participant's  
-----  
election to defer all or part of the Participant's AIP, PSU or RSU award as described in Article II.
- 1.8 Determination Date. "Determination Date" means the last day of  
-----  
each calendar quarter.
- 1.9 Disability. "Disability" means a condition or circumstance  
-----  
entitling a Participant to be classified as "disabled" pursuant to the Long Term Disability program of the Company's Flexible Benefits Plan.
- 1.10 Investment Options. "Investment Options" means the following  
-----  
investment options which are to be used as earnings indices as described in Section 2.3:
1. Hershey Fixed Income Fund
  2. American Express Cash Management Fund
  3. American Express Trust Equity Index Fund I
  4. Company Common Stock

Except as hereafter provided with respect to a Participant's constructive investment in Company Common Stock: (a) the Investment Options are chosen by the Plan Administrator and are subject to change from time to time as the Plan Administrator, in its sole discretion, deems necessary or appropriate, and (b) no provision of this Plan shall be construed as giving any Participant an interest in any of these Investment Options nor shall any provision require that the Company make any investment in any such funds. Investment Options, other than the Company Common Stock Investment Option, may be added, modified or deleted from time to time in the discretion of the Plan Administrator.

1.11 LTIP. "LTIP" means the Long Term Incentive Program of the  
-----  
Company's Key Employee Incentive Plan and any similar or successor plan or  
program.

1.12 Participant. "Participant" means an employee of the Company who  
-----  
is eligible to participate in the AIP or LTIP, who meets the eligibility  
criteria for participation in this Plan established by the Plan Administrator  
from time to time, and who elects to participate in this Plan by filing a  
Deferral Election as provided in Article II.

1.13 Plan. "Plan" means this Hershey Foods Corporation Deferred  
-----  
Compensation Plan as set forth herein and as amended from time to time.

1.14 Plan Administrator. "Plan Administrator" means the Employee  
-----  
Benefits Committee of the Company , or any successor committee having similar  
authority, or such other individual or committee as may be determined by the  
Committee from time to time.

1.15 Plan Year. "Plan Year" means the calendar year.  
-----

1.16 PSU. "PSU" means performance stock units granted under the LTIP.  
---

1.17 RSU. "RSU" means restricted stock units granted under the LTIP.  
---

1.18 Retirement. "Retirement" means termination of employment  
-----  
with the Company after becoming eligible for retirement under the Company's  
Retirement Plan.

ARTICLE II  
DEFERRAL ELECTIONS: ACCOUNTS

2.1 Election to Defer.  
-----

a. AIP Awards. A Participant may elect under the Plan to  
-----  
defer receipt of all or a portion of his or her anticipated bonus under the AIP.  
A Participant's election must be made no later than November 1st of the Plan  
Year in which the Participant renders the services which may result in the AIP  
bonus award.

b. PSU Awards. A Participant may elect under the Plan to defer  
-----  
receipt of all or a portion of the cash or Company Common Stock amount earned as  
a PSU award under the LTIP, provided that, unless the Committee has determined  
otherwise, an election to defer a cash PSU award under this Plan can only be  
made if the Participant has satisfied the minimum stockholding requirements  
established by the Board of Directors. A Participant's election to defer a PSU  
award, whether in cash or Company Common Stock, must be made at least sixty (60)  
days prior to the date the PSU award will be paid or, if earlier, by the  
December 31 preceding the date such PSU award will be paid.

c. RSU Awards. A Participant may elect under the Plan to defer  
-----  
receipt of all or a portion of the amount earned as an RSU award under the LTIP.  
A Participant's election must be made at least sixty (60) days prior to the date  
the RSU award will be paid or, if earlier, by the December 31 immediately  
preceding the date such RSU award will be paid.

d. Any deferral election under this Section 2.1 shall be made on  
a form supplied by the Plan Administrator. The election to defer an AIP bonus, a  
PSU award or an RSU award is irrevocable except as specifically provided  
otherwise in this Plan.

2.2 Accounts.  
-----

a. Establishment of Accounts. Any amounts deferred by a  
-----  
Participant will not be funded or set aside for future payment by the Company.  
Instead, an Account will be noted for the Participant on the Company's books. A  
Participant's Account will be credited with amounts deferred and with investment  
credits as provided in paragraph c. below. A separate Account will be  
established for each Deferral Election.

b. Participants as Unsecured Creditors. A Participant's  
-----  
entitlement to receive the amount reflected by his or her Accounts will be based  
solely on an unfunded unsecured unconditional promise to pay by the Company that  
is not assignable; however, except as provided in Section 7.5 below or under the  
terms of a Participant's RSU award, the Participant at all times will be fully  
vested in the Accounts.

c. Investment Credits to Accounts. Subject to such limitations  
-----  
as may from time to time be required by law, imposed by the Plan Administrator  
or as set forth in paragraph (6) below, and subject to such operating rules and  
procedures as may be imposed from

time to time by the Plan Administrator, each Participant may express to the Plan Administrator a preference as to how the Participant's Accounts should be constructively invested among the Investment Options. Such preference shall designate the percentage of the Participant's Accounts which is requested to be constructively invested in each Investment Option.

(1) Any initial or subsequent expression of investment preference shall be in writing, on a form supplied by and filed with the Plan Administrator. Participants may change their investment preferences effective as of the beginning of each Plan Year, or more frequently if permitted in the discretion of the Plan Administrator.

(2) All investment preferences shall be advisory only and shall not bind the Company or the Plan Administrator. The Company shall not be obligated to invest any funds in connection with this Plan. If, however, the Company chooses to invest any amount to provide for its liabilities under this Plan, the Plan Administrator shall have complete discretion as to investments, and no Participant shall have any claim on such investments as a fund to provide benefits hereunder.

(3) From time to time, but not less frequently than each Determination Date, the Plan Administrator shall allocate the net earnings or losses of the Plan since the preceding Determination Date among the Accounts of Participants, and to the extent a Participant's Investment Option preferences are honored by the Plan Administrator, such net earnings or losses shall be allocated as though the Accounts had been invested in the Investment Option in accordance with the Participant's indicated preference. The "net earnings or losses" of the Plan shall be equal to the net increase or net decrease (taking into account any constructive dividends or interest thereon), as the case may be, in the value of a Participant's Accounts since the last Determination Date in accordance with the Participant's investment preferences or other such allocation of such net increase or net decrease in the value of funds constructively invested by the Plan Administrator and allocated to the Accounts of Participants hereunder.

(4) If the Plan Administrator receives an initial or revised investment preference which it deems to be incomplete, unclear or improper, the Participant's investment preference then in effect shall remain in effect (or, in the case of a deficiency in an initial investment preference, the Participant shall be deemed to have filed no investment preference) until the beginning of the next Plan Year, unless the Plan Administrator provides for, and permits the application of, corrective action prior thereto. If a Participant fails to file an effective investment preference, the Participant's Accounts will be constructively invested in the American Express Cash Management Fund (or such Investment Option designated by the Plan Administrator from time to time as a substitute for such Fund).

(5) If the Plan Administrator determines that the constructive value of an Account as of any date on which distributions are to be made differs materially from the constructive value of the Account on the prior Determination Date upon which the distribution is to be based, the Plan Administrator, in its discretion, shall have the right to designate any date in the interim as a Determination Date for the purpose of constructively revaluing the Account so that the Account from which the distribution is being made will, prior to the distribution, reflect its share of such material difference in value. Similarly, the Plan Administrator may adopt a

policy of providing for regular interim valuations without regard to the materiality of changes in the value of the Accounts.

(6) The foregoing provisions of this paragraph 2.2c to the contrary notwithstanding: (i) that portion of all deferred PSUs that is payable in Company Common Stock under the LTIP and all deferred RSUs shall be constructively invested in Company Common Stock; (ii) the Participant's Accounts shall be credited from time to time with the amount of any dividends declared and paid on such Company Common Stock, and shall be adjusted in connection with any stock dividend, split, reorganization, liquidation or other event which affects the number of shares of Common Stock represented by such PSUs and RSUs; and (iii) no other amounts deferred under this Plan shall be constructively invested in Company Common Stock.

d. Statement of Accounts. Within a reasonable time after the end -----  
of each Plan Year, the Plan Administrator shall submit to each Participant a statement of the balance in his Accounts.

2.3 Credit of Pre-1995 AIP Deferrals to Accounts. Participants who -----  
previously deferred AIP awards under the deferral arrangements in effect for awards prior to 1995 may elect as of any beginning of any Plan Year to credit any portion of their deferral accounts under the prior arrangement to their Accounts under this Plan. Credits shall be made to this Plan pursuant to this Section on January 1 of the Plan Year subsequent to any such election being made. Amounts so credited shall become part of a Participant's Accounts and shall be subject to the terms and conditions of this Plan, except that prior elections as to payment of deferred amounts shall remain in effect. Once amounts are credited to a Participant's Accounts pursuant to this Section 2.3, they may not thereafter be returned to the Participant's deferral accounts under the prior deferral arrangement.

2.4 Credit of Pre-1995 Dividends Paid on PSU Deferrals to Accounts. -----  
Participants who previously received dividends on deferred PSU awards under the deferral arrangements in effect for awards prior to 1995 may elect as of the beginning of any Plan Year to credit any portion of their previously deferred dividends under the prior arrangement to their Accounts under this Plan. Notwithstanding the above, previously deferred PSU dividends are not eligible to be deferred pursuant to the terms of the Plan unless the Participant has satisfied the employee minimum stockholding requirements established by the Committee. Credits shall be made to this Plan pursuant to this Section on the January 1 of the Plan Year subsequent to any such election being made. Amounts so credited shall become part of a Participant's Accounts and shall be subject to the terms and conditions of this Plan, except that prior elections as to payment of deferred amounts shall remain in effect. Once amounts are credited to a Participant's Accounts pursuant to this Section 2.4, they may not thereafter be returned to the Participant's deferral accounts under the prior deferral arrangement.



ARTICLE III  
DISTRIBUTION OF DEFERRALS

3.1 Initial Election of Distribution Options in Deferral Election.  
-----

a. A Participant must specify in each of his or her Deferral Elections when such Account will be distributed. Distribution may be made or begin in any future Plan Year or Years, but distributions must begin not later than the Plan Year following the calendar year in which the Participant attains age 70. The Participant may elect to receive amounts deferred in a lump sum or in up to ten substantially equal annual installments. A Participant may specify different distribution dates and forms of payment under each of his or her Deferral Elections. All amounts of a Participant's Accounts constructively invested in Company Common Stock shall be distributed in the form of Company Common Stock. All other amounts shall be distributed in cash.

b. Any provision of this Plan to the contrary notwithstanding, all distributions hereunder shall be deferred until such time, in the discretion of the Committee, as such distribution would not be disallowed as a deduction under Section 162(m) of the Internal Revenue Code.

3.2 Changes in Distribution Options.  
-----

a. A Participant is entitled to one future opportunity to further lengthen (not shorten) the deferral period provided in a Deferral Election and to make one future change with regard to lengthening (not shortening) the payment schedule provided in that Deferral Election up to a maximum payment schedule of ten years.

b. Any change in the deferral period or the payment schedule must be submitted to the Plan Administrator in writing, on a form provided by the Plan Administrator, at least twelve months, or such shorter period as the Plan Administrator may accept, but in no event later than the December 31, before the date payments were originally scheduled to begin. No change in the deferral period shall be permitted if such change would cause payments to begin after the Plan Year following the calendar year in which the Participant attains age 70.

3.3 Payment of Deferred Amounts.  
-----

a. Upon the date elected by the Participant, the Company shall begin to pay to the Participant an amount equal to the total amount then credited to the Participant's Accounts. Such amount is to be paid either in one lump sum or in substantially equal annual installments over a period of years as previously elected by the Participant, which period shall be not more than ten years. Each annual installment shall include investment credits on the remaining balance during the previous Plan Year until the Accounts shall have been paid in full. A Participant may continue to express investment preferences as provided in paragraph c of Section 2.2 during the period that an Account is being distributed.

b. If the Participant dies before payment in full of the amount standing to the Participant's credit in the Accounts, the unpaid balance may be paid in one lump sum or in substantially equal installments to the Participant's beneficiary over the remaining distribution

period elected by the Participant. If the Participant dies before the beginning date of the deferred payment and did not indicate a specific method of distribution, then the Participant's designated beneficiary may petition the Plan Administrator regarding the method of distribution. In the absence of a designated beneficiary, the balance of the Accounts will be paid in a lump sum to the estate of the Participant as soon as possible.

c. If the Participant's employment is terminated for any reason other than Retirement, death or Disability before the elected payment date, then the Company, acting through the Plan Administrator, at its discretion, but subject to any limitations set forth in the Company's Executive Benefits Protection Plan (or any similar or successor plan or program) or any employment agreement to which the Participant is a party or is covered, at any time thereafter may:

(1) Immediately pay over any amounts credited to the Participant's Accounts to the Participant.

(2) Deposit any amounts credited to the Participant's Accounts in a grantor trust for the Company's benefit who will manage and pay over such amounts to the Participant in accordance with the terms of this Plan, with administrative costs in such event being charged to the Participant's Accounts.

(3) Continue to itself maintain and pay over amounts deferred to the Participant in accordance with the terms of this Plan and the Participant's election pursuant thereto.

d. If both the Participant and his beneficiary die after payments to the Participant begin and before all payments are made from the Participant's Accounts, the remaining value of the Accounts shall be determined as of the date of death of the beneficiary or Participant, whichever is later, and shall be paid as promptly as possible in one lump sum to the estate of the survivor of the Participant and such beneficiary.

e. A Participant may designate or change his or her beneficiary (without the consent of any prior beneficiary) on a form provided by the Plan Administrator and delivered to the Plan Administrator before the Participant's death.

f. Subject to Section 3.1: (1) if a Participant elects to receive amounts deferred in a lump sum or in annual installments on a date prior to Retirement, such payments will commence or payment will be made in the month of January of the Plan Year selected by the Participant; (2) if the Participant elects to receive amounts deferred in a lump sum (other than amounts deferred as Common Stock for payment in a lump sum) or in annual installments after Retirement, such payments shall commence or payment shall be made in the month of January of the Plan Year following the calendar year in which the Participant retires; and (3) if a Participant elects to receive amounts deferred as Common Stock in a lump-sum after Retirement, such payment will be made in the month of January of the Plan Year following the calendar year in which the Participant retires, unless an earlier date is approved by the Plan Administrator upon application by the Participant.

3.4 Hardship Distributions. The Compensation Committee may, in its

-----  
discretion, accelerate payments to a Participant in an amount up to the AIP bonus or the cash portion of a PSU award previously deferred, together with investment credits to date, in the event of demonstrated severe financial hardship. Any such payments made will be limited to the amount needed to meet the demonstrated financial need. A Participant seeking a financial hardship withdrawal from his or her Accounts must request a hearing with the Plan Administrator, who will gather facts and render a report to the Compensation Committee for a decision.

3.5 Other Withdrawals:Forfeiture Penalty. A Participant may, by

-----  
written request on a form provided by the Plan Administrator, withdraw all or any portion of any of his Accounts as of any Determination Date, provided that the Participant shall forfeit 10% of the amount withdrawn as a penalty.

3.6 Withholding. Any payments made pursuant to this Article III shall

-----  
be subject to appropriate federal, state or local income tax withholdings. Any withholdings required in respect of a distribution of Company Common Stock shall be deducted from other cash amounts then distributed hereunder or, if none, from other cash compensation payable to Participant. If no other cash compensation is then payable to the Participant then, in the discretion of the Committee, such distribution of Company Common Stock shall be deferred until such time as (a) such cash distribution or other compensation is payable to the Participant that can be withheld hereunder, or (b) the Participant deposits with the Company such amount of cash and/or directs the Company to withhold from such distribution such number of shares of Company Common Stock having a fair market value (as defined in the LTIP) equal to the amount required to satisfy such withholding tax obligation.

ARTICLE IV  
CLAIMS PROCEDURE

4.1 The following provisions are incorporated in the Plan in accordance with the requirements of the Employee Retirement Income Security Act of 1974:

a. The following claims procedure is hereby established:

(1) A Participant or beneficiary shall make a claim for the benefits provided hereunder by delivering a written request to the Plan Administrator. Upon receipt of a claim, the Plan Administrator shall determine whether to grant the claim, deny it, or grant it in part.

(2) If a claim is wholly or partially denied, notice of the decision, meeting the requirements of paragraph (3) following shall be furnished to the claimant within a reasonable period of time after receipt of a claim by the Plan Administrator.

(3) The Plan Administrator shall provide to every claimant who is denied a claim for benefits, written notice setting forth in a manner calculated to be understood by the claimant, the specific reason or reasons for the denial; specific reference to pertinent Plan provisions on which denial is based; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or

information is necessary; and an explanation of the Plan's claim review procedure as set forth herein.

(4) The purpose of the review procedures set forth herein is to provide a procedure by which a claimant under the Plan may have a reasonable opportunity to appeal a denial of a claim to the named fiduciary for a full and fair review. To accomplish that purpose, the claimant or his duly authorized representative may request a review upon written application to the Committee; may review pertinent Plan documents; and may submit issues and comments in writing. A claimant (or his duly authorized representative) shall request a review by filing a written application for review with the Plan Administrator at any time within sixty (60) days after receipt by the claimant of written notice of denial of this claim.

(5) The decision on review of a denied claim shall be made as follows. The decision on review shall be made by the Plan Administrator, which may in its discretion hold a hearing on the denied claim. The Plan Administrator shall make a decision promptly, and not later than sixty (60) days after receipt of the request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time, in which case a decision shall be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of the request for review. The decision on review shall be in writing and shall include specific reasons for the decisions, written in the manner calculated to be understood by the claimant, and specific references to the pertinent Plan revisions on which the decision is based. The Plan Administrator shall have full discretion to decide the claim and its decision on review shall be final and binding on all parties.

b. For the sole purpose of implementing the claims procedure (and not for any other purposes), the Plan Administrator is hereby designated as a named fiduciary of this Plan.

#### ARTICLE V PLAN ADMINISTRATOR

5.1 Plan Administrator Duties. The Plan Administrator shall administer  
-----  
this Plan. All members of the committee comprising the Plan Administrator may be Participants. A member of the committee comprising the Plan Administrator who is a Participant may not vote on matters affecting his or her personal benefit under this Plan, but any such individual shall otherwise be fully entitled to act in matters arising out of or affecting this Plan notwithstanding his or her participation herein. The Plan Administrator shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with the Plan.

5.2 Agents. In the administration of this Plan, the Plan Administrator  
-----  
may, from time to time, employ agents and delegate to them or to others (including employees of the Company) such administrative duties as it sees fit. The Plan Administrator may from time to time consult with counsel, who may be counsel to the Company.

5.3 Binding Effect of Decisions. In carrying out its duties herein,  
-----  
the Plan Administrator (or its designee) shall have full discretion to exercise all powers and to make all determinations, consistent with the terms of the Plan, in all matters entrusted to it, and its determinations shall be final and binding on all parties.

5.4 Indemnity. The Company shall indemnify and hold harmless the Plan  
-----  
Administrator and any employees to whom administrative duties under this Plan are delegated, against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct.

ARTICLE VI  
AMENDMENT AND TERMINATION

6.1 Amendment. The Committee may at any time amend the Plan in whole  
-----  
or in part. However, no amendment shall be effective to decrease or restrict any then existing Account or to change the Company's obligations under any then existing Deferral Election or as otherwise may be provided in an agreement entered into between the Company and the Participant prior to the date of such Deferral Election or the Company's Executive Benefits Protection Plan (or any similar or successor plan or program).

6.2 Board's Right to Terminate. The Board may at any time terminate  
-----  
the Plan in its entirety, in which event no new Deferral Elections shall be made, but the obligations of the Company under existing Deferral Elections shall continue.

ARTICLE VII  
MISCELLANEOUS

7.1 Unfunded Plan. This Plan is intended to be an "unfunded" plan  
-----  
maintained primarily to provide deferred compensation for a "select group of management or highly compensated employees" within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and shall be so construed.

7.2 Unsecured General Creditor. This Plan is unfunded. Benefits shall  
-----  
be paid from the Company's general assets. Participants and their beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest or claims in any property or assets owned or which may be acquired by the Company. Such assets of the Company shall not be held under any trust for the benefit of Participants, their beneficiaries, heirs, successors or assigns, or held in any way as collateral security against the obligations of the Company under this Plan. The Company's obligation under the Plan shall be that of an unfunded and unsecured promise of the Company to pay money in the future. The Company in its sole discretion, may, however, elect to provide for its liabilities under this Plan through a trust or funding vehicle, provided, however, that the terms of any such trust or funding vehicle shall not alter the status of Participants and beneficiaries as mere general unsecured creditors of the Company or otherwise cause the Plan to be funded or benefits taxable to Participants except upon actual receipt.

7.3 Nonassignability. Neither a Participant nor any other person shall  
-----  
have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable hereunder, or

any part thereof. The rights to all such amounts are expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by Participants or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency, except as required by law.

7.4 Not a Contract of Employment. The terms and conditions of this

-----  
Plan shall not be deemed to constitute a contract of employment between the Company and a Participant, and a Participant shall have no rights against the Company except as may otherwise be specifically provided herein. Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge an employee at any time. This foregoing provisions of this Section 7.4 to the contrary notwithstanding, this Plan shall not diminish any rights or increase any obligations of a Participant or the Company under any employment agreement entered into by the Participant and the Company prior to such Participant's Deferral Election, or after such Deferral Election to the extent that such employment agreement specifically provides that it shall supersede any inconsistency with the terms of this Plan.

7.5 Forfeiture of Benefits. If a Participant's employment is

-----  
terminated because of willful misfeasance or gross negligence in the performance of his or her duties, his or her right to benefits under this Plan shall, in the discretion of the Committee, be forfeited, and the Company shall have no further obligation hereunder to such Participant or his or her beneficiary(ies).

7.6 Terms. Use of the masculine, feminine and neuter pronouns in this

-----  
Plan are intended to be interchangeable and use of the singular will include the plural, unless the context clearly indicates otherwise.

7.7 Captions. The captions of the articles, sections and paragraphs of

-----  
this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

7.8 Governing Law. This Plan shall be governed by the laws of the

-----  
United States and, to the extent not preempted thereby, the laws of Pennsylvania.

7.9 Validity. The illegality or invalidity of any provision of this

-----  
Plan shall not affect its remaining parts, but this Plan shall be construed and enforced without such illegal or invalid provisions.

7.10 Notice. Any notice or filing required or permitted to be given to

-----  
the Plan Administrator under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to:

Employee Benefits Committee  
Hershey Foods Corporation  
100 Crystal A Drive  
Hershey, Pennsylvania 17033

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

7.11 Successors. The provisions of this Plan shall bind and inure to -----  
the benefit of the Company and its successors and assigns. The term successors as used herein shall include any corporation or other business entity which shall, whether by merger, consolidation, purchase of assets, or otherwise, acquire all or substantially all of the business or assets of the Company, and successors of any such corporation or other business entity.

7.12 Incapacity. If the Plan Administrator finds that any Participant -----  
or beneficiary to whom a benefit is payable under this Plan is unable to care for his affairs, any payment due (unless prior claim therefore shall have been made by a duly authorized guardian or other legal representative) may be paid, upon appropriate indemnification of the Plan Administrator, to any person who is charged with the support of the Participant or beneficiary. Any such payment shall be payment for the account of the Participant and shall be a complete discharge of any liability of the Company under the Plan to the Participant or beneficiary.

IN WITNESS WHEREOF, the Company has caused this Deferred Compensation Plan to be amended and restated as of the 31st day of October, 2001.

HERSHEY FOODS CORPORATION

By: /s/ Marcella K. Arline

-----  
Marcella K. Arline  
Vice President, Human Resources

HERSHEY FOODS CORPORATION  
DIRECTORS' COMPENSATION PLAN

(Amended and Restated as of October 2, 2001)

1

PURPOSE

The purposes of the Directors' Compensation Plan ("Plan") are to provide Directors of Hershey Foods Corporation ("Corporation") with payment alternatives for the retainer and fees payable for services as members of the Board of Directors ("Board") of the Corporation or as a chair of any committee thereof (together, "Director Fees"), to provide Directors the opportunity to elect to receive all or a portion of the retainer in Deferred Stock Units ("DSUs"), each representing an obligation of the Corporation to issue one share of Common Stock of the Corporation, \$1.00 par value per share ("Common Stock"), and to promote the identification of interests between such Directors and the stockholders of the Corporation by paying a portion of each Director's compensation in Restricted Stock Units ("RSUs"), each RSU representing an obligation of the Corporation to issue one share of Common Stock.

2

ELIGIBILITY

Any Director of the Corporation who is not an employee of the Corporation or any of its subsidiaries shall be eligible to participate in the Plan. Except as the context may otherwise require, references in this Plan to a "Director" shall mean only those directors of the Company who are participants in the Plan.

3

PAYMENT

(a) DIRECTOR FEES. A Director shall be entitled to Director Fees, in such amounts as shall be determined by the Board, for services on the Board and as a chair of any committee of the Board. Directors may elect to have all or any portion of the cash retainer paid in shares of Common Stock. Fees payable for services as a chair of any committee of the Board shall be payable currently only in cash. Any shares of Common Stock payable under this Section 3(a) shall be paid by the issuance to the Director of a number of shares of Common Stock equal to the cash amount of the retainer so payable divided by the Fair Market Value of one share of the Common Stock, as defined in Section 12 hereof. Any fractional share of Common Stock resulting from such payment shall be rounded to the nearest whole share. The Corporation shall issue share certificates to the Director for the shares of Common Stock acquired or, if requested

in writing by the Director and permitted under such plan, the shares acquired shall be added to the Director's account under the Corporation's Automatic Dividend Reinvestment Plan. As of the date on which the part or whole of the retainer is payable in shares of Common Stock, the Director shall be a stockholder of the Corporation with respect to such shares. Unless otherwise elected in Section 4, any remaining Director Fees shall be payable in cash.

(b) RESTRICTED STOCK UNITS. A Director shall also be entitled to receive RSUs, in such amounts as shall be determined by the Board, for services on the Board. Beginning October 1, 2001 and thereafter, unless otherwise directed by the Board, RSUs having a value of \$10,000 (or such other amount as the Board shall from time to time determine) shall be awarded to each Director on the first day of October, January, April, and July. The number of full and fractional RSUs so awarded shall be determined by dividing \$10,000 (or such other amount) by the average of the per share closing price of the Common Stock on the New York Stock Exchange as published in THE WALL STREET JOURNAL (or such other reliable publication as the Board or its delegates may determine) for the last three trading days of the month preceding the date of the award. Directors whose membership on the Board commences after October 1, 2001 on a day which is not the first day of any January, April, July or October, shall be awarded a pro rata number of RSU's with respect to the quarter during which the Director joined the Board equal to the number of RSUs awarded to each Director who was a member of the Board on the first day of the applicable quarter, multiplied by a fraction, the numerator of which equals the number of days remaining in the quarter after the first day on which such Director became a member of the Board, and the denominator being the total number of days in the quarter. A Restricted Stock Unit Account shall be established on the books of the Corporation in the name of each Director. During the period of the Director's membership on the Board, the Director's Restricted Stock Unit Account shall be subject to credits, adjustment and substitution to reflect any dividend or other distribution on the outstanding Common Stock or any split or consolidation or other change affecting the Common Stock. Any such credit, adjustment or substitution shall be made in a manner similar to that set forth in Section 6(a) and 6(b) with respect to Deferred Stock Compensation Accounts. RSUs awarded pursuant to the Plan shall vest upon termination of the Director's membership on the Board by reason of retirement, death or disability, or such other circumstances as the Board, in its sole discretion shall at any time determine. RSUs not vested upon or in connection with the Director's termination of membership on the Board, as



aforesaid, shall be forfeited as of the date of such termination. The balance of the Director's Restricted Stock Unit Account which becomes vested shall be paid in a lump sum in accordance with Section 7. If payment hereunder would result in the issuance of a fractional share of Common Stock, such fractional share shall not be issued and cash in lieu of such fractional share shall be paid to the Director based upon the average of the per share closing price of the Common Stock in the New York Stock Exchange as published in THE WALL STREET JOURNAL (or such other reliable publication as the Board or its delegates may determine) for the three trading days immediately preceding the date of payment. The Corporation shall issue share certificates to the Director, or the Director's designated beneficiary, for the shares of Common Stock represented by the Director's vested RSUs, or if requested in writing by the Director and permitted under such plan, the shares to be distributed shall be added to the Director's account under the Corporation's Automatic Dividend Reinvestment Plan. As of the date on which the Director is entitled to receive payment of shares of Common Stock, a Director shall be a stockholder of the Corporation with respect to such shares.

## ELECTIONS

(a) DIRECTOR FEE PAYMENT ALTERNATIVES. A Director may elect any one of the following alternatives with respect to payment of Director Fees:

- (1) to receive currently full payment in cash and/or Common Stock, as set forth in Section 3(a) above, on the date or dates on which the Director Fees are payable;
- (2) to defer payment of all or a portion of the Director Fees for subsequent payment in cash (a "Cash Deferral Election");
- (3) to defer payment of all or a portion of the Director Fees for subsequent payment in shares of Common Stock (a "Stock Deferral Election"); or
- (4) a combination of (2) and (3).

(b) FILING AND EFFECTIVENESS OF ELECTIONS. The election by a Director to receive payment of Director Fees other than as set forth in Section 4(a)(1) on the date on which the Director Fees are otherwise payable is made by filing with the Secretary of the Corporation a Notice of Election in the form prescribed by the Corporation (an "Election"). In order to be effective for any calendar year, an Election must be received by the Secretary of the Corporation on or before December 31 of the preceding calendar year, except that if a Director files a Notice of Election on or before 30 days subsequent to the Director's initial election to the office of Director, the Election shall be effective on the date of filing with respect to Director Fees payable for any portion of the calendar year which remains at the date of such filing. An Election may not be modified or terminated after the beginning of a calendar year for which it is effective. Unless modified or terminated by filing a new Notice of Election on or before December 31 immediately preceding the calendar year for which such modification or termination is effective, an Election shall be effective for and apply to Director Fees payable for each subsequent calendar year. Director Fees earned at any time for which an Election is not effective shall be paid as set forth in Section 4(a)(1) on the date when the Director Fees are otherwise payable. Any Election shall terminate on the date a Director ceases to be a member of the Board.

(c) CASH DEFERRAL ELECTIONS. Director Fees deferred pursuant to a Cash Deferral Election shall be deferred and paid as provided in Sections 5 and 7.

(d) STOCK DEFERRAL ELECTIONS. Director Fees deferred pursuant to a Stock Deferral Election shall be deferred and paid as provided in Sections 6 and 7.

## DEFERRED CASH COMPENSATION ACCOUNT

(a) GENERAL. The amount of any Director Fees deferred in accordance with a Cash Deferral Election shall be credited on the date on which such Director Fees are otherwise payable to a deferred cash compensation account maintained by the Corporation in the name of the Director (a "Deferred Cash Compensation Account"). A separate Deferred Cash Compensation Account shall be maintained for each calendar year for which a Director has elected a different number of payment installments or as otherwise may be agreed between the Director and the Corporation.

(b) ADJUSTMENT FOR EARNINGS OR LOSSES. The amount in the Director's Deferred Cash Compensation Account shall be adjusted to reflect net earnings, gains or losses in accordance with the provisions of the Hershey Foods Corporation Deferred Compensation Plan relating to Investment Credits and Investment Options. The adjustment for earnings, gains or losses shall be equal to the amount determined under (1) below as follows:

(1) DEEMED INVESTMENT OPTIONS. The total amount determined by multiplying the rate earned (positive or negative) by each fund available (taking into account earnings distributed and share appreciation (gains) or depreciation (losses) on the value of shares of the fund) for the applicable period by the portion of the balance in the Director's Deferred Cash Compensation Account as of the end of each such period, respectively, which is deemed to be invested in such fund pursuant to paragraph (2) below. Subject to elimination, modification or addition by the Board, the funds available for the Director's election of deemed investments pursuant to paragraph (2) below shall be the funds available (excluding Common Stock) under the Investment Options of the Hershey Foods Corporation Deferred Compensation Plan.

## (2) DEEMED INVESTMENT ELECTIONS.

(A) The Director shall designate, on a form prescribed by the Corporation, the percentage of the deferred Director Fees that are to be deemed to be invested in the available funds under paragraph (1) above. Said designation shall be effective on a date specified by the Board and remain in effect and apply to all subsequent deferred Director Fees until changed as provided below.

(B) A Director may elect to change, on a calendar year basis (or on such other basis as permitted from time to time by the Board), the deemed investment election under paragraph (A) above with respect to future deferred Director Fees among one or more of the options then available by written notice to the Secretary of the Corporation, on a form prescribed by the Corporation (or by voice or other form of notice permitted by the Corporation), at least 10 days before the first day of the calendar year for which the change is to be effective, with such change to be effective for Director Fees credited to the Deferred Cash Compensation Account on and after the effective date of the change.

(C) A Director may elect to reallocate the balance of his Deferred Cash Compensation Account, subject to limitations imposed by the Board, on a calendar year basis, among the deemed investment options then available. A Director may make such an election by written notice to the Secretary of the Corporation, on a form prescribed by the Corporation (or by voice or other form of notice permitted by the Corporation), at least 10 days before the first day of the calendar year for which the transfer election is to be effective, with such transfer to be based on the value of the Deferred Cash Compensation Account on the last day of the calendar year preceding the effective date of the transfer election.

(D) The election of deemed investments among the options provided above shall be the sole responsibility of each Director. The Corporation and Board members are not authorized to make any recommendation to any Director with respect to such election. Each Director assumes all risk connected with any adjustment to the value of his Deferred Cash Compensation Account. Neither the Board nor the Corporation in any way guarantees against loss or depreciation.

(E) All payments from the Plan shall be made pro-rata from the portion of the Director's Deferred Cash Compensation Account which is deemed to be invested in such funds as may be available from time to time for deemed investment elections under the Plan.

(F) The Corporation shall not be required or obligated to invest any amounts in the funds provided as deemed investment options, and such funds shall be used solely to measure investment performance. Further, the Corporation shall not be precluded from providing for its liabilities hereunder by investing in such funds or in any other investments deemed to be appropriate by the Board.

(c) MANNER OF PAYMENT. The balance of a Director's Deferred Cash Compensation Account will be paid to the Director or, in the event of the Director's death, to the Director's designated beneficiary, in accordance with the Cash Deferral Election. A Director may elect at the time of filing the Notice of Election for a Cash Deferral Election to receive payment of the Director Fees in annual installments rather than a lump sum, provided that the payment period for installment payments shall not exceed ten years following the Payment Commencement Date, as described in Section 7 hereof. The amount of any installment shall be determined by multiplying (i) the balance in the Director's Deferred Cash Compensation Account on the date of such installment by (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining unpaid installments (including the installment payment then being determined). The balance of the Deferred Cash Compensation Account shall be appropriately reduced on the date of payment to the Director or the Director's designated beneficiary to reflect the installment payment made hereunder. Amounts held pending distribution pursuant to this Section 5(c) shall continue to be credited with the earnings, gains or losses as described in Section 5(b) hereof.

## DEFERRED STOCK COMPENSATION ACCOUNT

(a) GENERAL. The amount of any Director Fees deferred in accordance with a Stock Deferral Election shall be credited to a deferred stock compensation account maintained by the Corporation in the name of the Director (a "Deferred Stock Compensation Account"). A separate Deferred Stock Compensation Account shall be maintained for each calendar year for which a Director has elected a different number of payment installments or as otherwise determined by the Board. On each date on which Director Fees are otherwise payable and a Stock Deferral Election is effective for a Director, the Director's Deferred Stock Compensation Account for that calendar year shall be credited with a number of full and fractional Deferred Stock Units ("DSUs") equal to the cash amount of the Director Fees payable divided by the Fair Market Value of one share of the Common Stock, as defined in Section 12 hereof, on the date on which such Director Fees are payable. If a dividend or distribution is paid on the Common Stock in cash or property other than Common Stock, on the date of payment of the dividend or distribution to holders of the Common Stock each Deferred Stock Compensation Account shall be credited with a number of full and fractional DSUs equal to the number of full and fractional DSUs credited to such Account on the date fixed for determining the stockholders entitled to receive such dividend or distribution times the amount of the dividend or distribution paid per share of Common Stock divided by the Fair Market Value of one share of Common Stock, as defined in Section 12 hereof, on the date on which the dividend or distribution is paid. If the dividend or distribution is paid in property, the amount of the dividend or distribution shall equal the fair market value of the property on the date on which the dividend or distribution is paid. The Deferred Stock Compensation Account of a Director shall be charged on the date of distribution with any distribution of shares of Common Stock made to the Director from such Account pursuant to Section 6(c) hereof.

(b) ADJUSTMENT AND SUBSTITUTION. The number of DSUs credited to each Deferred Stock Compensation Account shall be proportionately adjusted to reflect any dividend or other distribution on the outstanding Common Stock payable in shares of Common Stock or any split or consolidation of the outstanding shares of Common Stock. If the outstanding Common Stock shall, in whole or in part, be changed into or exchangeable for a different class or classes of securities of the Corporation or securities of another corporation or cash or property other than Common Stock, whether through reorganization, reclassification, recapitalization, merger, consolidation or otherwise, the Board shall adopt such amendments to the Plan as it deems necessary to carry out the purposes of the Plan, including the continuing deferral of any amount of any Deferred Stock Compensation Account.

(c) MANNER OF PAYMENT. The balance of a Director's Deferred Stock Compensation Account will be paid in shares of Common Stock to the Director or, in the event of the Director's death, to the Director's designated beneficiary, in accordance with the Stock Deferral Election. A Director may elect at the time of filing of the Notice of Election for a Stock Deferral Election to receive payment of the shares of Common Stock credited to the Director's Deferred Stock Compensation Account in annual installments rather than a lump sum, provided that the payment period for installment payments shall not exceed ten years following the Payment Commencement Date as described in Section 7 hereof. The number of shares of Common Stock distributed in

each installment shall be determined by multiplying (i) the number of DSUs credited to such Director's Deferred Stock Compensation Account on the date of payment of such installment, by (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining unpaid installments (including the installment payment then being determined) and by rounding such result down to the nearest whole number of shares. The balance of the number of DSUs credited to such Director's Deferred Stock Compensation Account shall be appropriately reduced in accordance with this Section 6(c) to reflect the installment payments made hereunder. DSUs remaining in a Deferred Stock Compensation Account pending distribution of shares of Common Stock pursuant to this Section 6(c) shall continue to be credited with respect to dividends or distributions paid on the Common Stock pursuant to Section 6(a) hereof and shall be subject to adjustment pursuant to Section 6(b) hereof. If a lump sum payment or the final installment payment hereunder would result in the issuance of a fractional share of Common Stock, such fractional share shall not be issued and cash in lieu of such fractional share shall be paid to the Director based on the Fair Market Value of a share of Common Stock, as defined in Section 12 hereof, on the date immediately preceding the date of such payment. The Corporation shall issue share certificates to the Director, or the Director's designated beneficiary, for the shares of Common Stock distributed hereunder, or if requested in writing by the Director and permitted under such plan, the shares to be distributed shall be added to the Director's account under the Corporation's Automatic Dividend Reinvestment Plan. As of the date on which the Director is entitled to receive payment of shares of Common Stock, a Director shall be a stockholder of the Corporation with respect to such shares.

7

#### PAYMENT COMMENCEMENT DATE

Payment of amounts in a Restricted Stock Unit Account (if vested), Deferred Cash Compensation Account or a Deferred Stock Compensation Account shall commence on the first business day next succeeding the 89th day following the day on which the Director ceases to be a member of the Board for any reason, including death or disability.

8

#### BENEFICIARY DESIGNATION

A Director may designate, in the Beneficiary Designation form prescribed by the Corporation, any person to whom payments of cash or shares of Common Stock are to be made if the Director dies before receiving payment of all amounts due hereunder. A beneficiary designation will be effective only after the signed beneficiary designation form is filed with the Secretary of the Corporation while the Director is alive and will cancel all beneficiary designations signed and filed earlier. If the Director fails to designate a beneficiary, or if all designated beneficiaries of the Director die before the Director or before complete payment of all amounts due hereunder, any remaining unpaid amounts shall be paid in one lump sum to the estate of the last to die of the Director or the Director's designated beneficiaries, if any.

7

## NON-ALIENABILITY OF BENEFITS

Neither the Director nor any beneficiary designated by the Director shall have the right to, directly or indirectly, alienate, assign, transfer, pledge, anticipate or encumber (except by reason of death) any amount that is or may be payable hereunder, nor shall any such amount be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Director or the Director's designated beneficiary or to the debts, contracts, liabilities, engagements, or torts of any Director or designated beneficiary, or transfer by operation of law in the event of bankruptcy or insolvency of the Director or any beneficiary, or any legal process.

## NATURE OF ACCOUNTS

Any Restricted Stock Unit Account, Deferred Cash Compensation Account or Deferred Stock Compensation Account shall be established and maintained only on the books and records of the Corporation, and no assets or funds of the Corporation or the Plan or shares of Common Stock of the Corporation shall be removed from the claims of the Corporation's general or judgment creditors or otherwise made available until such amounts are actually payable to Directors or their designated beneficiaries as provided herein. The Plan constitutes a mere promise by the Corporation to make payments in the future. The Directors and their designated beneficiaries shall have the status of, and their rights to receive a payment of cash or shares of Common Stock under the Plan shall be no greater than the rights of, general unsecured creditors of the Corporation. No person shall be entitled to any voting rights with respect to shares credited to any RSU or Deferred Stock Compensation Account which is not yet payable to a Director or the Director's designated beneficiary. The Corporation shall not be obligated under any circumstance to fund its financial obligations under the Plan, and the Plan is intended to constitute an unfunded plan for tax purposes. However, the Corporation may, in its discretion, set aside funds in a trust or other vehicle, subject to the claims of its creditors, in order to assist it in meeting its obligations under the Plan, if such arrangement will not cause the Plan to be considered a funded deferred compensation plan under the Internal Revenue Code of 1986, as amended.

## ADMINISTRATION OF PLAN; HARDSHIP WITHDRAWAL

Full power and authority to construe, interpret, and administer the Plan shall be vested in the Board. Decisions of the Board shall be final, conclusive, and binding upon all parties. Notwithstanding the terms of a Cash Deferral Election or a Stock Deferral Election made by a Director hereunder, the Board may, in its sole discretion, permit the withdrawal of amounts credited to a Deferred Cash Compensation Account or shares credited to a Deferred Stock

Compensation Account with respect to Director Fees previously payable, or permit the early vesting and payment of RSUs previously awarded, upon the request of a Director or the Director's representative, or following the death of a Director upon the request of a Director's beneficiary or such beneficiary's representative, if the Board determines that the Director or the Director's beneficiary, as the case may be, is confronted with an unforeseeable emergency. For this purpose, an unforeseeable emergency is an unanticipated emergency caused by an event that is beyond the control of the Director or the Director's beneficiary and that would result in severe financial hardship to the Director or the Director's beneficiary if an early hardship withdrawal were not permitted. The Director or the Director's beneficiary shall provide to the Board such evidence as the Board, in its discretion, may require to demonstrate that such emergency exists and financial hardship would occur if the withdrawal were not permitted. The withdrawal shall be limited to the amount or to the number of shares, as the case may be, necessary to meet the emergency. For purposes of the Plan, a hardship shall be considered to constitute an immediate and unforeseen financial hardship if the Director has an unexpected need for cash to pay for expenses incurred by the Director or a member of the Director's immediate family (spouse and/or natural or adopted children) such as those arising from illness, casualty loss, or death. Cash needs arising from foreseeable events, such as the purchase or building of a house or education expenses, will not be considered to be the result of an unforeseeable financial emergency. Payment shall be made as soon as practicable after the Board approves the payment and determines the amount of the payment or number of shares which shall be withdrawn. In the case of a hardship withdrawal from the Deferred Cash Compensation Account or Deferred Stock Compensation Account, payment shall be made in a single lump sum from the portion of the Deferred Cash Compensation Account or Deferred Stock Compensation Account, as applicable, with the largest number and in reverse order of installment payments, in each case in accordance with Section 5(b)(2)(E) if the distribution is from the Deferred Cash Compensation Account. No Director shall participate in any decision of the Board regarding such Director's request for a withdrawal under this Section 11.

12

#### FAIR MARKET VALUE

Fair Market Value of the Common Stock ("Fair Market Value") shall be the average of the closing price for all trading dates for the applicable period covered by a payment. The applicable period for a quarterly payment or credit shall be the three calendar months immediately preceding the calendar month during which the day on which the payment or credit is being made. The applicable period for a payment relating to a period other than a quarter shall be determined under similar principles. The closing price of the Common Stock for each day within the applicable period shall be as quoted in THE WALL STREET JOURNAL (or in such other reliable publication as the Board or its delegate, in its discretion, may determine to rely upon).

9



## SECURITIES LAWS; ISSUANCE OF SHARES

The obligation of the Corporation to issue RSUs or issue or credit shares of Common Stock under the Plan shall be subject to (i) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to such shares, if deemed necessary or appropriate by counsel for the Corporation, (ii) the condition that the shares shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange, if any, on which the Common Stock shares may then be listed and (iii) all other applicable laws, regulations, rules and orders which may then be in effect. If, on the date on which any shares of Common Stock would be issued or DSUs credited to a Deferred Stock Compensation Account, sufficient shares of Common Stock are not available under the Plan or the Corporation is not obligated to issue shares pursuant to this Section 13, then no shares of Common Stock shall be issued or DSUs credited but rather, in the case of Common Stock to be issued currently, cash shall be paid in payment of the Director Fees payable, and in the case of a Deferred Stock Compensation Account, Director Fees and dividends which would otherwise have been credited in DSUs shall be credited in cash to a Deferred Cash Compensation Account in the name of the Director. The Board shall adopt appropriate rules and regulations to carry out the intent of the immediately preceding sentence if the need for such rules and regulations arises.

## GOVERNING LAW

The provisions of this Plan shall be interpreted and construed in accordance with the laws of the State of Delaware.

## EFFECTIVE DATE; AMENDMENT AND TERMINATION

The Plan was adopted by the Board on December 4, 1996, and became effective as of January 1, 1997. The Plan was amended and restated effective October 2, 2001. The Board may amend or terminate the Plan at any time, provided that no such amendment or termination shall adversely affect rights with respect to amounts or shares then credited to any Deferred Cash Compensation Account or Deferred Stock Compensation Account.

## HERSHEY FOODS CORPORATION

By: /S/ Marcella K. Arline

-----  
 Marcella K. Arline  
 Vice President, Human Resource

HERSHEY FOODS CORPORATION  
EXECUTIVE BENEFITS PROTECTION PLAN  
(GROUP 3A)

The Hershey Foods Corporation Executive Benefits Protection Plan (Group 3A), as set forth herein, is intended to help attract and retain qualified management employees and maintain a stable work environment by making provision for the protection of covered employees in connection with a Change in Control or Termination Without Cause as set forth herein.

ARTICLE 1  
DEFINITIONS

As hereinafter used, the following words shall have the meanings set forth below.

1.1 AIP means the Annual Incentive Program under the KEIP.

---

1.2 Annual Base Salary means with respect to an Executive the  
-----  
higher of:

1.2.1 his highest annual base salary in effect during the one (1) year period preceding a Change in Control; or

1.2.2 his highest annual base salary in effect during the one year period preceding his Date of Termination.

For purposes of the foregoing, salary reduction elections pursuant to Sections 125 and 401(k) of the Code shall not be taken into account.

1.3 Annual Bonus means with respect to an Executive the highest of:  
-----

1.3.1 the average of the three highest bonuses paid or payable, including any bonus or portion thereof which has been earned but deferred, to him by the Company in respect of the five fiscal years (or such shorter period during which he has been employed by the Company or eligible to receive any bonus payment) immediately preceding the fiscal year in which a Change in Control occurs (annualized for any fiscal year during such period consisting of less than twelve full months or with respect to which he has been employed by the Company or eligible to receive a bonus for less than twelve full months);

1.3.2 the bonus paid or payable (annualized as described above), including any bonus or portion thereof which has been earned but deferred, to him by the Company in respect of the most recently completed fiscal year prior to the Change in Control;

1

1.3.3 the bonus paid or payable (annualized as described above), including any bonus or portion thereof which has been earned or deferred, for the most recently completed fiscal year preceding his Date of Termination; and

1.3.4 his 100% target bonus award amount for the year including his Date of Termination.

For purposes herein, only payments under the AIP, as well as payments under any successor or replacement substitute plan, shall be treated as bonus payments.

1.4 Base Amount shall have the meaning ascribed to such term in  
-----  
Section 280G(b)(3) of the Code.

1.5 Board means the Board of Directors of the Company.

-----

1.6 Cause means with respect to an Executive:  
-----

1.6.1 his willful and continued failure to substantially perform his duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to him by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed his duties; or

1.6.2 his willfully engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this Section 1.6, no act or failure to act, on the part of an Executive, shall be considered willful unless it is done, or omitted to be done, by him in bad faith and without reasonable belief that his action or

omission was in the best interests of the Company. Any act, or failure to act, based upon prior approval given by the Board or upon the instruction or with the approval of the Chief Executive Officer or an Executive's superior or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of an Executive shall not be deemed to be for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to him and he is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, he is guilty of the conduct described in Subsection 1.6.1 or 1.6.2 above, and specifying the particulars thereof in detail.

1.7 CLRP means the Hershey Foods Corporation Compensation Limit  
----  
Replacement Plan and any successor or replacement plan thereof.

1.8 Change in Control means:

-----  
1.8.1 individuals who, on June 8, 1999, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to June 8, 1999, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by specific vote or by approval of the proxy statement of the Company in which such person is named as nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no

-----  
individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest (as described in Rule 14a-11 under the Securities Exchange Act of 1934 (the "Exchange Act")) ("Election Contest") or other actual or threatened solicitation of proxies or consents by or on behalf of any person (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Section 13(d)(3) and 14(d)(2) of the Exchange Act) ("Person") other than the Board ("Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; and provided further, however, that a

-----  
director who has been approved by the Hershey Trust while it beneficially owns more than 50% of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Power") shall be deemed to be an Incumbent Director;

1.8.2 the acquisition or holding by any Person of beneficial ownership (within the meaning of Section 13(d) under the Exchange Act and the rules and regulations promulgated thereunder) of shares of the Common Stock and/or the Class B Common Stock of the Company representing 25% or more of either (i) the total number of then outstanding shares of both Common Stock and Class B Common Stock of the Company (the "Outstanding Company Stock") or (ii) the Outstanding Company Voting Power; provided that, at the time of such acquisition or holding of beneficial ownership of any such shares, the Hershey Trust does not beneficially own more than 50% of the Outstanding Company Voting Power; and provided, further, that any such acquisition or holding of beneficial ownership of shares of either Common Stock or Class B Common Stock of the Company by any of the following entities shall not by itself constitute such a Change in Control hereunder: (i) the Hershey Trust; (ii) any trust established by the Company or by any Subsidiary for the benefit of the Company and/or its employees or those of a Subsidiary; (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary; (iv) the Company or any Subsidiary or (v) any underwriter temporarily holding securities pursuant to an offering of such securities;

1.8.3 the approval by the stockholders of the Company of any merger, reorganization, recapitalization, consolidation or other form of business combination (a "Business Combination") if, following consummation of such Business Combination, the Hershey Trust does not beneficially own more than 50% of the total voting power of all outstanding voting securities eligible to elect directors of (x) the surviving entity or entities (the "Surviving Corporation") or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of more than 50% of the combined voting power of the then outstanding voting securities eligible to elect directors of the Surviving Corporation; or

1.8.4 the approval by the stockholders of the Company of (i) any sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation (the "Acquiring Corporation") if, following consummation of such sale or other disposition, the Hershey Trust beneficially owns more than 50% of the total voting power of all outstanding voting securities eligible to elect directors (x) of the Acquiring Corporation or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of more than 50% of the combined voting power of the then outstanding voting securities eligible to elect directors of the Acquiring Corporation, or (ii) a liquidation or dissolution of the Company.

1.9 Code means the Internal Revenue Code of 1986, as amended from  
-----  
time to time.

1.10 Company means Hershey Foods Corporation, a Delaware  
-----  
corporation.

1.11 Coverage Period means the period commencing on the date on  
-----  
which a Change in Control occurs and ending on the date which is the second anniversary thereof.

1.12 Date of Termination has the meaning assigned to such term in  
-----  
Section 4.2 hereof.

1.13 Deferral Election means with respect to an Executive each of  
-----  
his elections to defer all or any part of any of his AIP or PSU awards as permitted under the Deferred Compensation Plan or any deferral arrangements in effect prior to the effective date thereof.

1.14 Deferred Compensation Plan means the Hershey Foods Corporation  
-----  
Deferred Compensation Plan and any successor or replacement plan thereof.

1.15 Disability means with respect to an Executive his absence from  
-----  
his duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or his legal representative (such agreement as to acceptability not to be withheld unreasonably), provided that such absence shall constitute Disability only if the Executive is entitled to long-term disability benefits for the period of his disability after such 180 day period at least equal to 70% of the greater of his base salary as of the first day of such 180 day period or his Annual Base Salary.

1.16 Effective Date means June 8, 1999.  
-----

1.17 Executive means each person who is listed on Schedule I hereto,  
-----  
as it may be amended from time to time pursuant to Article 7 hereof.

1.18 Excise Tax means any excise tax imposed under Section 4999 of  
-----  
the Code.

1.19 Good Reason means with respect to an Executive:  
-----

1.19.1 the assignment to him of any duties inconsistent in any respect with his position (including status, offices, titles and reporting relationships), authority, duties or responsibilities immediately prior to either the Potential Change in Control which precedes the Change in Control or the Change in Control or any other action by the Company which results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

1.19.2 a reduction by the Company in his annual base salary as in effect, as applicable, on the Effective Date or as the same may be increased from time to time, or on the date he first becomes an Executive if he was not an Executive on the Effective Date or as the same may be increased from time to time;

1.19.3 the Company's requiring him to be based at any office or location that is more than 35 miles from his office or location immediately prior to either the Potential Change in Control which precedes the Change in Control or the Change in Control;

1.19.4 the Company's requiring him to travel on Company business to a substantially greater extent than required immediately prior to either the Potential Change in Control which precedes the Change in Control or the Change in Control;

1.19.5 the failure by the Company, without his consent, to pay to him any portion of his current compensation, or to pay to him any portion of an installment of deferred compensation under any deferred compensation program of the Company within seven (7) days of the date such compensation is due;

1.19.6 the failure by the Company to continue in effect any compensation plan in which he participates immediately prior to either the Potential Change in Control preceding the Change in Control or the Change in Control which is material to his total compensation, including but not limited to the KEIP, the CLRP, and the SERP, as applicable, or any substitute or alternative plans adopted prior to either such Potential Change in Control or Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of his participation relative to other participants, as existed at the time of such Potential Change in Control or Change in Control;

1.19.7 the failure by the Company to continue to provide him with benefits substantially similar to those enjoyed by him under any of the Company's pension, life insurance, medical, health and accident, disability or other welfare plans in which he was participating at the time of either the Potential Change in Control preceding the Change in Control or the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive him of any material fringe benefit enjoyed by him at the time of such Potential Change in Control or Change in Control, or the

failure by the Company to provide him with the number of paid vacation days to which he is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of such Potential Change in Control or Change in Control;

1.19.8 any purported termination by the Company of his employment after a Change in Control otherwise than in accordance with the termination procedures of Sections 4.1 through 4.4 hereof;

1.19.9 any material failure by the Company to comply with and satisfy any of its obligations under this Plan after a Potential Change in Control that is followed within one (1) year by a Change in Control; or

1.19.10 any material failure by the Company to comply with and satisfy any of its obligations under any grantor trust established by the Company to provide itself with a source of funds to assist itself in satisfying its liabilities under this Plan after (i) a Change in Control described in Subsection 1.8.1, clause (ii) of Subsection 1.8.4, or clause (i) of Subsection 1.8.4 other than a sale or other disposition to a corporation; (ii) a Change in Control described in Subsection 1.8.2 if during the Coverage Period, Incumbent Directors, as described in Subsection 1.8.1, cease for any reason to constitute at least a majority of the Board; (iii) a Change in Control described in Subsection 1.8.3 if, at any time during the Coverage Period, Incumbent Directors, as described in Subsection 1.8.1, do not constitute at least a majority of the board of directors of the Surviving Corporation; or (iv) a Change in Control described in clause (i) of Subsection 1.8.4 involving a sale or other disposition to a corporation if, at any time during the Coverage Period, Incumbent Directors, as described in Subsection 1.8.1, do not constitute at least a majority of the board of directors of such corporation.

For purposes of this Plan, any good faith determination of Good Reason made by the Executive shall be conclusive.

1.20 Hershey Pension Plan means the Hershey Foods Corporation  
-----  
Retirement Plan and any successor or replacement plan thereof.

1.21 Hershey Trust means either or both of (a) the Hershey Trust  
-----  
Company, a Pennsylvania corporation, as Trustee for the Milton Hershey School, or any successor to the Hershey Trust Company as such trustee, and (b) the Milton Hershey School, a Pennsylvania not-for-profit corporation.

1.22 Highest PSU Amount means with respect to an Executive the  
-----  
highest of:

1.22.1 the average of the cash values of the three highest PSU awards paid or payable, including any PSU award or portion thereof which has been earned but deferred, to him by the Company in respect of the five fiscal years (or such shorter period during which he has been employed by the Company or eligible to receive a PSU award) immediately preceding the fiscal year in which the Change in Control occurs;

1.22.2 the cash value of the PSU award paid or payable, including any PSU award or portion thereof which has been earned but deferred, to him by the Company in respect of the most recently completed fiscal year prior to the Change in Control;

1.22.3 the cash value of the PSU award paid or payable, including any PSU award or portion thereof which has been earned but deferred, to him by the Company for the most recently completed fiscal year preceding his Date of Termination; and

1.22.4 the cash value of his 100% target PSU award for the year including his Date of Termination (each such PSU award being valued at the higher of (i) the highest closing price of the Company's Common Stock on the New York Stock Exchange during the period running from sixty (60) days prior to the Change in Control until the Executive's Date of Termination, and (ii) if the Change in Control involves a transaction in which an offer is made to purchase shares of Common Stock from the Company's stockholders, the price at which such offer is made).

1.23 KEIP means the Hershey Foods Corporation Key Employee Incentive Plan and any successor or replacement plan thereof.

1.24 Notice of Intent to Terminate shall have the meaning assigned to such term in Section 4.1 hereof.

1.25 Mandatory Retirement Age means age sixty-five (65) in the case of an Executive who has served for a minimum of two (2) years at a high level executive or high policy-making position and who is entitled to a nonforfeitable, immediate, annual employer-provided retirement benefit from any source, which is at least equal to a benefit, computed as a life annuity, of at least \$44,000 per year (or such other amount as may be provided by future legislation). In the case of all other Executives, there shall be no Mandatory Retirement Age.

1.26 Plan means the Hershey Foods Corporation Executive Benefits Protection Plan (Group 3A), as set forth herein, as amended from time to time.

1.27 Plan Administrator means the person appointed by the Company's Chief Executive Officer from time to time to administer the Plan.

1.28 Potential Change in Control means the occurrence of any of the following:

1.28.1 the Hershey Trust by action of any of the Board of Directors of Hershey Trust Company; the Board of Managers of Milton Hershey School; the Investment Committee of the Hershey Trust; and/or any of the officers of Hershey Trust Company or Milton Hershey School (acting with authority) undertakes consideration of any action the taking of which would lead to a Change in Control as defined herein, including, but not limited to consideration of (1) an offer made to the Hershey Trust to purchase any number of its shares in the Company such that if the Hershey Trust accepted such offer and sold such number of shares in the Company the



Hershey Trust might no longer have more than 50% of the Outstanding Company Voting Power, (2) an offering by the Hershey Trust of any number of its shares in the Company for sale such that if such sale were consummated the Hershey Trust might no longer have more than 50% of the Outstanding Company Voting Power or (3) entering into any agreement or understanding with a person or entity that would lead to a Change in Control; or

1.28.2 the Board approves a transaction described in Subsection 1.8.2, 1.8.3 or 1.8.4 of the definition of a Change in Control contained herein.

1.29 SERP means the Hershey Foods Corporation Supplemental Executive Retirement Plan and any successor or replacement plan thereof.

1.30 Severance Benefits has the meaning assigned to such term in Section 3.2 hereof.

1.31 Subsidiary means any corporation controlled by the Company, directly or indirectly.

1.32 Vested Current Bonus Amount shall have the meaning assigned to such term in Section 2.1 hereof.

1.33 Vested Current PSU Amount shall have the meaning assigned to such term in Section 2.2 hereof.

1.34 Vested Deferred Bonus Amount shall have the meaning assigned to such term in Section 2.1 hereof.

1.35 Vested Deferred PSU Amount shall have the meaning assigned to such term in Section 2.2 hereof.

1.36 Vested Pension Benefit shall have the meaning assigned to such term in Section 2.3 hereof.

1.37 Vested Pension Amount shall have the meaning assigned to such term in Section 2.3 hereof.

1.38 Welfare Benefits shall have the meaning assigned to such term in Subsection 3.2.2 hereof.

1.39 Section 1.39 Termination of Employment means:

1.39.1 with respect to an Executive who is the Chief Executive Officer of the Company on the date on which a Change in Control occurs, the termination of his employment with the Company by him in his sole and complete discretion for any reason other than his death or Disability or by the Company for any reason (a) on or after the later of (i) the first day of the ninth (9th) calendar month following the date on which the Potential Change in Control (if any)

preceding the Change in Control occurs and (ii) the first day of the sixth (6th) calendar month of the Coverage Period; and (b) on or before the earlier of (x) the date the Executive attains his Mandatory Retirement Age, if applicable, and (y) the last day of the thirteenth (13th) calendar month of the Coverage Period; and

1.39.2 with respect to an Executive who is either the Senior Vice President and Chief Financial Officer or the Senior Vice President, General Counsel and Secretary of the Company on the date on which a Change in Control occurs, the termination of his employment with the Company by him in his sole and complete discretion for any reason other than his death or Disability or by the Company for any reason at any time during the thirteenth (13th) calendar month of the Coverage Period and prior to the date he attains his Mandatory Retirement Age, if applicable.

For purposes of this Section 1.39, a partial month shall be treated as a "calendar month."

ARTICLE 2  
VESTING OR PAYMENT OF CERTAIN BENEFITS  
IN THE EVENT OF A CHANGE IN CONTROL

2.1 Vesting of AIP Benefits; Payment of Benefits. Upon the  
-----  
occurrence of a Change in Control:

2.1.1 each Executive shall have a vested and nonforfeitable right hereunder to receive in cash an amount equal to the sum of:

2.1.1.1 the greater of (x) the 100% target award amount of all then outstanding contingent target AIP grants made to him under the KEIP, and (y) the amount that would have been payable to him under such contingent target AIP grants as of the end of the applicable award period calculated using as the applicable performance factors, his and the Company's actual performance on an annualized basis as of the date of the Change in Control (the greater of (x) and (y) is herein referred to as the "Vested Current Bonus Amount"); and

2.1.1.2 the value of all AIP Awards, as defined in the KEIP ("AIP Awards") previously earned by him for which payment has been deferred ("Deferred AIP Awards") (this value, calculated as of the date of payment to the Executive and taking into account his selection of Investment Options as defined in the Deferred Compensation Plan and his Deferral Elections applicable thereto is herein referred to as the "Vested Deferred Bonus Amount");

2.1.2 the Company shall, within five (5) business days following the Change in Control, pay to each Executive a lump sum cash payment equal to his Vested Current Bonus Amount; and

2.1.3 the Company shall, on the later of (i) the first day of January of the year first following the year during which the Change in Control occurs and (ii) the one hundred twentieth (120th) day following the Change in Control, pay to each Executive a lump sum cash

payment equal to his Vested  
Deferred Bonus Amount attributable to his Deferred AIP Awards not previously  
paid to him in accordance with any of his applicable Deferral Elections if prior  
to the Change in Control, he elects, in his sole discretion, to receive such  
lump sum cash payment at such time.

2.2 Vesting of PSU Benefits; Payment of Benefits. Upon the  
-----  
occurrence of a Change in Control:

2.2.1 each Executive shall have a vested and nonforfeitable  
right hereunder to receive in cash an amount equal to the sum of:

2.2.1.1 the 100% target award amount of the  
contingent target Performance Stock Unit ("PSU") grants, if any, made to him  
under the KEIP for the cycle ending in the year of the Change in Control valued  
at the higher of (i) the highest closing price of the Company's Common Stock on  
the New York Stock Exchange during the sixty (60) day period preceding and  
including the date of the Change in Control, and (ii) if the Change in Control  
involves a transaction in which an offer is made to purchase shares of Common  
Stock from the Company's stockholders, the price at which such offer is made  
("Vested Current PSU Amount"); and

2.2.1.2 the value of all PSU Awards, as  
defined in the KEIP ("PSU Awards"), previously earned by the Executive for which  
payment has been deferred ("Deferred PSU Awards"), where, for purposes of  
calculating the value of the Executive's Deferred PSU Awards ("Vested Deferred  
PSU Amount") as of the date of payment to him (whether in accordance with his  
election as described in Subsection 2.2.3, his election as described in  
Subsection 3.4.3, or in the absence of any such election in accordance with his  
applicable Deferral Elections), all components of his Deferred PSU Awards that  
are denominated in shares of the Company's Common Stock shall be valued at the  
higher of (i) the highest closing price of the Company's Common Stock on the New  
York Stock Exchange during the sixty (60) day period preceding and including the  
date of the Change in Control, and (ii) if the Change in Control involves a  
transaction in which an offer is made to purchase shares of Common Stock from  
the Company's stockholders, the price at which such offer is made and investment  
credits shall be applied thereto and to all components of such Deferred PSU  
Awards that are not denominated in shares of the Company's Common Stock in  
accordance with the provisions of the Deferred Compensation Plan from the date  
of the Change in Control to the date of payment to the Executive in accordance  
with his selection of Investment Options as defined in the Deferred Compensation  
Plan.;

2.2.2 the Company shall, within five (5) business days  
following the Change in Control, pay to each Executive a lump sum cash payment  
equal to his Vested Current PSU Amount; and

2.2.3 the Company shall, on the later of (i) the first day of  
January of the year first following the year during which the Change in Control  
occurs and (ii) the one hundred

twentieth (120th) day following the Change in Control, pay to each Executive a lump sum cash payment equal to his Vested Deferred PSU Amount attributable to his Deferred PSU Awards not previously paid to him in accordance with any of his applicable Deferral Elections if prior to the Change in Control, he elects, in his sole discretion, to receive such lump sum cash payment at such time.

2.3 Vested Pension Amount. Upon the occurrence of a Change in

-----  
Control:

2.3.1 each Executive who either is a participant in the SERP on the date of the Change in Control or was a participant in the SERP on the date of the Potential Change in Control preceding the Change in Control shall have a vested and nonforfeitable right hereunder to receive in cash an amount equal to the actuarial present value (as determined in accordance with Subsection 2.3.1.3 hereof) of the monthly retirement benefit (including the spousal survivor benefit) to which he and his spouse would be entitled under Section 4 of the SERP if he retired as of the date of the Change in Control, taking into account Subsections 2.3.1.1 and 2.3.1.2 hereof (the amount of such monthly retirement benefits for him and his spouse being herein referred to as such Executive's "SERP Benefit", the actuarial present value of such SERP Benefit being herein referred to as such Executive's "Vested Pension Benefit" and the Vested Pension Benefit plus all investment credits applied thereto in accordance with the provisions of Section 2.5 hereof being herein referred to as "Vested Pension Amount"), where:

2.3.1.1 for purposes of determining such Executive's SERP Benefit as of the date of a Change in Control, he shall: (i) be credited for all purposes under the SERP with additional Years of Service (as defined in the SERP) equal to the lesser of three (3) or the number of years (including fractions thereof) from the date of the Change in Control until he would attain Mandatory Retirement Age if applicable to him; (ii) be credited for purposes of only Section 3 of the SERP (and not for the purposes of any other provision of the SERP, including but not limited to Section 4(a)(1) and Section 4(b)(1)) with additional Years of Service (as defined in the SERP) equal to the excess, if any, of ten (10) over his actual number of Years of Service (including fractions thereof) completed as of the date of the Change in Control; (iii) be deemed for the purposes of Section 3 of the SERP (and not for the purposes of any other provision of the SERP) to have five (5) years of participation in the performance share unit portion of the KEIP during his last ten (10) years of employment with the Company regardless of his actual years of participation in the performance share unit portion of the KEIP at the time of the Change in Control; (iv) be deemed for all purposes under the SERP (including but not limited to clause (4) of Section 4.b of the SERP) to have his age increased by three (3) years (or such lesser number of years (including fractions) until he would attain Mandatory Retirement Age if applicable to him); and (v) be deemed to have been paid his Annual Base Salary and Annual Bonus for three (3) additional years (or such lesser number of years (including fractions) until he would attain Mandatory Retirement Age if applicable to him) for purposes of calculating "Final Average Compensation" in Section 2.f. of the SERP;

2.3.1.2 if such Executive has not yet attained age fifty-five (55) (after increasing his age by three (3) years as provided in the preceding Subsection 2.3.1.1), he shall upon the occurrence of the Change in Control be deemed nevertheless to have attained age fifty-

five (55), with the adjustments provided for in Subsection 2.3.1.1 hereof being made on this basis, provided the age reduction factor provided for in calculating the SERP benefit shall still apply;

2.3.1.3 the actuarial present value of such Executive's SERP Benefit, as determined in accordance with the foregoing provisions of this Section 2.3 shall be determined using: (i) the 83 GAM mortality tables; and (ii) an interest rate equal to 100% of the interest rate that would be used (as of the date of the Change in Control) by the Pension Benefit Guaranty Corporation for purposes of determining the present value of a lump sum distribution on plan termination; and (iii) the date of the Change in Control as the date on which payment of the Executive's SERP Benefit is to commence and as the date as of which the actuarial present value of such SERP Benefit is calculated; and

2.3.2 each Executive who neither is a participant in the SERP on the date of the Change in Control nor was a participant in the SERP on the date of the Potential Change in Control preceding the Change in Control shall have a vested and nonforfeitable right hereunder to receive in cash an amount equal to the sum of:

2.3.2.1 a lump sum cash amount equal to the actuarial equivalent of the excess of (x) the retirement pension (determined as a straight life annuity commencing at Normal Retirement Age, as defined in the Hershey Pension Plan) which he would have accrued under the terms of the Hershey Pension Plan (as in effect immediately prior to the Change in Control), determined as if he were fully vested thereunder and had accumulated thirty-six (36) additional months of service credit thereunder during each of which he will be deemed to have been paid one-twelfth (1/12th) of the sum of his highest annual rate of compensation as an employee of the Company and his Annual Bonus (but in no event shall he be deemed to have accumulated additional months of service credit after he would have attained Mandatory Retirement Age, if applicable) over (y) the retirement pension (determined as a straight life annuity commencing at Normal Retirement Age) which he has accrued pursuant to the terms of the Hershey Pension Plan as of the date of the Change in Control; and

2.3.2.2 if he is a participant in the CLRP, a lump sum cash amount ("CLRP Benefit") equal to his Excess Account, as defined in the CLRP (as in effect immediately prior to the Change in Control) determined as if he were fully vested thereunder and had accumulated thirty-six (36) additional months of service credit thereunder during each of which he will be deemed to have been paid one-twelfth (1/12th) of the sum of his highest annual rate of compensation as an employee of the Company and his Annual Bonus, but in no event shall he be deemed to have accumulated additional months of service credit after he would have attained Mandatory Retirement Age, if applicable (the sum of the amounts described in Subsections 2.3.2.1 and 2.3.2.2 is herein referred to as such Executive's "Vested Pension Benefit" and the Vested Pension Benefit plus all, if any, investment credit applied thereto in accordance with the provisions of Section 2.5 hereof is herein referred to as such Executive's "Vested Pension Amount").

For purposes of this Subsection 2.3.2, "actuarial equivalent" amounts shall be determined using the same methods and assumptions prescribed under the Hershey Pension Plan immediately prior to the Change in Control.

2.4 Payment of Vested Pension Amount Upon Timely Election.

The Company shall, on the later of (i) the first day of January of the year first following the year during which the Change in Control occurs and (ii) the one-hundred twentieth (120th) day following the Change in Control, pay to each Executive a lump sum cash payment equal to his Vested Pension Amount plus interest thereon at the rate provided in Section 1274(b)(2)(B) of the Code from the date of the Change in Control to the date of payment if, prior to the Change in Control, he elects, in his sole discretion, to receive such lump sum cash payment at such time.

2.5 Conversion of Vested Pension Benefit to Deferred Compensation  
Plan Account in Absence of Section 2.4 Election.

In the event the Executive makes no election under Section 2.4 hereof, an amount equal to his Vested Pension Benefit shall be credited to him under the Deferred Compensation Plan and subject to the provisions of this Subsection 2.5, the provisions of the Deferred Compensation Plan shall apply thereto as if such amount were a Deferred AIP Award. Within ten (10) days of the Change in Control the Executive shall select one or more Investment Options as defined in the Deferred Compensation Plan to be effective with respect to such amount and thereafter may change his selection of such Investment Options in accordance with the provisions of the Deferred Compensation Plan. Investment credits shall be applied to the amount of his Vested Pension Benefit in accordance with the provisions of the Deferred Compensation Plan from the date of the Change in Control to the date of payment to the Executive in accordance with his selection of such Investment Options. If the Executive makes no election under Section 2.4 hereof and does not select one or more Investment Options as defined in the Deferred Compensation Plan within ten (10) days of the Change in Control in accordance with the provisions of the second sentence of this Section 2.5, investment credits shall be applied to the amount of his Vested Pension Benefit from the date of the Change in Control to the earlier of the date he makes a selection of Investment Options with respect thereto in accordance with the provisions of the Deferred Compensation Plan and the date of payment in accordance with the latest of his pre-Change in Control selections of Investment Options relating to his Deferred AIP Awards or Deferred PSU Awards, if any. If there are no such pre-Change in Control selections of Investment Options, then investment credits shall be applied in accordance with the provisions of the immediately preceding sentence by treating the Hershey Fixed Income Fund Investment Option under the Deferred Compensation Plan as his latest pre-Change in Control selection of Investment Options. Within ten (10) days of the Change in Control the Executive shall make a Deferral Election with respect to his Vested Pension Amount. If the Executive makes no election under Section 2.4 hereof and makes no Deferral Election within ten (10) days of the Change in Control in accordance with the immediately preceding sentence, then for purposes hereof he will be considered to have made a Deferral Election under the Deferred Compensation Plan to have his Vested Pension Amount paid to him, his designated beneficiaries or his estate, as applicable, in accordance with the latest of his pre-Change in Control Deferral Elections relating to his Deferred AIP Awards or Deferred PSU Awards, if any. If there are no such pre-Change in Control Deferral Elections, then for purposes hereof he will be considered to have made a Deferral Election under the Deferred Compensation Plan to have his Vested Pension Amount paid to him, his designated beneficiaries or his estate, as applicable, on the first day of the month following his termination of employment by the Company. His Vested Pension

Amount shall be paid to him in accordance with the Deferral Election described in the preceding three sentences, as applicable, or any subsequent Deferral Election with respect thereto permitted in accordance with the provisions of the Deferred Compensation Plan.

2.6 SERP or CLRP Amendments. Notwithstanding any provision of

-----  
the SERP, CLRP, or Deferred Compensation Plan, none of the SERP, CLRP, or Deferred Compensation Plan may be terminated or amended in any manner that is adverse to the interests of any Executive without his consent either: (i) after a Potential Change in Control occurs and for one (1) year following the cessation of the Potential Change in Control, or (ii) after a Change in Control. Any termination or amendment of the SERP, CLRP, or Deferred Compensation Plan in a manner adverse to the interests of an Executive within one (1) year prior to a Potential Change in Control shall not be given effect for purposes of Section 2.3 or Section 2.5 hereof.

ARTICLE 3  
EXECUTIVE BENEFITS AND RIGHTS  
UPON TERMINATION OF EMPLOYMENT

3.1 General Termination Rights and Benefits. If an Executive's

-----  
employment by the Company is terminated at any time after a Change in Control for any reason (whether by him or the Company), the Company shall pay to him the payments described in Subsections 3.1.1 through 3.1.7 below.

3.1.1 Previously Earned Salary. The Company shall pay his full

-----  
salary to him through his Date of Termination at the highest rate in effect during the period between the Potential Change in Control preceding the Change in Control and the date the Notice of Intent to Terminate is given, together with all compensation and benefits payable to him through the Date of Termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period.

3.1.2 Previously Earned Benefits. The Company shall pay his

-----  
normal post-termination compensation and benefits to him as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with the Company's retirement, insurance, pension, welfare and other compensation or benefit plans, programs and arrangements.

3.1.3 Payment of Vested Current Bonus Amount. Except to the

-----  
extent that the Company has previously paid or concurrently pays to him all or a portion of his Vested Current Bonus Amount pursuant to Section 2.1, Subsection 3.1.1 or Subsection 3.1.2 hereof, the Company shall pay to him a lump sum cash payment equal to his Vested Current Bonus Amount.

3.1.4 Payment of Vested Deferred Bonus Amount. Except to the

-----  
extent that the Company has previously paid or concurrently pays to him all or a portion of his Vested Deferred

Bonus Amount pursuant to Section 2.1, Subsection 3.1.1 or Subsection 3.1.2 hereof, the Company shall pay to him a lump sum cash payment equal to his Vested Deferred Bonus Amount.

3.1.5 Payment of Vested Current PSU Amounts. Except to the extent that the Company has previously paid or concurrently pays to him all or a portion of his Vested Current PSU Amount pursuant to Section 2.2, Subsection 3.1.1 or Subsection 3.1.2 hereof, the Company shall pay to him a lump sum cash payment equal to his Vested Current PSU Amount.

3.1.6 Payment of Vested Deferred PSU Amounts. Except to the extent that the Company has previously paid or concurrently pays to him all or a portion of his Vested Deferred PSU Amount pursuant to Section 2.2, Subsection 3.1.1 or Subsection 3.1.2 hereof, the Company shall pay to him a lump sum cash payment equal to his Vested Deferred PSU Amount.

3.1.7 Payment of Vested Pension Amount. Except to the extent that the Company has previously paid or concurrently pays to him his Vested Pension Amount, the Company shall pay to him a lump-sum cash payment equal to his Vested Pension Amount.

3.2 Severance Benefits. In addition to the payments provided for by Section 3.1 hereof, the Company shall pay to an Executive the payments described in Subsections 3.2.1 through 3.2.4 below (the "Severance Benefits") in accordance with such Subsections upon termination of his employment with the Company during the Coverage Period, if his termination of employment either (i) is a Section 1.39 Termination of Employment, or (ii) is (a) not by the Company for Cause, (b) not by reason of his death or Disability or after his Mandatory Retirement Age, if applicable, and (c) not by him without Good Reason.

3.2.1 Lump-Sum Severance Payment. In lieu of any further salary payments to him for periods subsequent to the Date of Termination, the Company shall pay to him a lump sum severance payment, in cash, equal to three (3) (or, if less, the number of years, including fractions, from the Date of Termination until he would have reached Mandatory Retirement Age, if applicable) times the sum of (a), (b) and (c) where (a) equals his Annual Base Salary, (b) equals his Annual Bonus and (c) equals his Highest PSU Amount.

3.2.2 Continued Benefits. For a thirty-six (36) month period (or, if less, the number of months from the Date of Termination until he would have reached Mandatory Retirement Age, if applicable) after the Date of Termination, the Company shall provide him with life insurance, health, disability and other welfare benefits ("Welfare Benefits") substantially similar in all respects to those which he was receiving immediately prior to the Notice of Termination on substantially the same terms and conditions, including contributions required from him for such benefits (without giving effect to any reduction in such benefits subsequent to the Potential Change in Control preceding the Change in Control or the Change in Control, which reduction constitutes or may constitute Good Reason); provided that if he cannot continue to participate in the Company plans providing Welfare Benefits, the Company shall otherwise provide such benefits on the same after-tax basis as if continued participation had been permitted. The Executive shall be entitled to elect to change his level of coverage and/or his



choice of coverage options (such as Executive only or family medical coverage) with respect to the Welfare Benefits to be provided by the Company to him to the same extent that actively employed executives of the Company are permitted to make such changes; provided, however, that in the event of any such changes he shall pay the amount of any cost increase that would actually be paid by an actively employed executive of the Company by reason of such actively employed executive making the same change in level of coverage or coverage options. Notwithstanding the foregoing, in the event that the Executive becomes reemployed with another employer and becomes eligible to receive welfare benefits from such employer, the Welfare Benefits described herein shall be secondary to such benefits, but only to the extent that the Company reimburses him for any increased cost and provides any additional benefits necessary to give him the Welfare Benefits provided hereunder.

### 3.2.3 Outstanding Awards. If an Executive's Date of

-----  
Termination occurs within the Coverage Period and during any calendar year following the calendar year during which a Change in Control occurs, he shall be entitled to a lump sum cash payment with respect to each outstanding contingent target AIP and PSU grant under the KEIP or any similar types of grants under any replacement plans or programs equal to the sum of :

3.2.3.1 the sum of the product of (x) and (y) for each then outstanding contingent target PSU grant under the KEIP (or similar types of grants under any replacement plan or program) for the applicable award period that includes his Date of Termination, where (x) is an amount equal to the 100% target award amount of such outstanding contingent target PSU grant and (y) is a fraction the numerator of which is the number of days from and including the first day of the award period applicable to such outstanding contingent target PSU grant that includes the Executive's Date of Termination until (and including) his Date of Termination and the denominator of which is the number of days in the award period applicable to such outstanding contingent target PSU grant; and

3.2.3.2 the sum of the product of (x) and (y) for each then outstanding contingent target AIP grant made to him under the KEIP (or similar types of grants under any replacement plans or programs) for the applicable award period that includes his Date of Termination, where (x) is an amount equal to the greater of (A) the 100% target award amount of such outstanding contingent target AIP grant, and (B) the amount that would have been payable to him under such contingent target AIP grant as of the end of the applicable award period, calculated utilizing as the applicable performance factors his and the Company's actual performance on an annualized basis as of his Date of Termination, and (y) is a fraction the numerator of which is the number of days from and including the first day of the award period applicable to such outstanding contingent AIP grant that includes his Date of Termination until (and including) his Date of Termination and the denominator of which is the number of days in such applicable award period.

Contingent target PSU grants under the KEIP or a similar type of grant under a replacement plan or program shall be valued at the highest closing price of the Company's Common Stock on the New York Stock Exchange during the period running from sixty (60) days prior to the Change in Control until the Executive's Date of Termination.

3.2.4 Relocation Allowance. In the event that an Executive

-----  
relocates following his Date of Termination and during the Coverage Period at the request of a successor employer, the Company shall pay to him a relocation allowance of \$75,000; provided, however, that any such payment shall be reduced by any payments received by him from such successor employer for the purpose of reimbursing him for costs of relocation. The Company shall pay him such relocation allowance within five (5) business days after delivery of his written request and may condition the payment of the relocation allowance upon his agreeing in writing to report to the Company any such payments from any successor employer and agreeing in writing to reimburse to the Company any amounts received from the Company pursuant to this Subsection 3.2.4 that should have been so reduced.

3.3 Gross-Up Payment. In the event that an Executive becomes entitled

-----  
to the Severance Benefits or any other benefits or payments under this Plan (other than pursuant to this Section 3.3), or the KEIP by reason of the accelerated vesting of stock options thereunder (together, the "Total Benefits"), and in the event that any of the Total Benefits will be subject to the Excise Tax, the Company shall pay to him an additional amount (the "Gross-Up Payment") such that the net amount retained by him, after deduction of any Excise Tax on the Total Benefits and any federal, state and local income tax, Excise Tax and FICA and Medicare withholding taxes upon the payment provided for by this Section 3.3, shall be equal to the Total Benefits.

For purposes of determining whether any of the Total Benefits will be subject to the Excise Tax and the amount of such Excise Tax, (i) any other payments or benefits received or to be received by an Executive in connection with a Change in Control or his termination of employment (whether pursuant to the terms of this Plan or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) shall be treated as parachute payments within the meaning of Section 280G(b)(2) of the Code, and all excess parachute payments within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel ("Tax Counsel") selected by the Company's independent auditors and acceptable to the Executive, such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the Base Amount, or are otherwise not subject to the Excise Tax, (ii) the amount of the Total Benefits which shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Total Benefits reduced by the amount of such Total Benefits that in the opinion of Tax Counsel are not parachute payments, or (B) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i), above), and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, an Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of his residence on the Date of Termination, net of the reduction in federal income taxes which

could be obtained from deduction of such state and local taxes (calculated by assuming that any reduction under Section 68 of the Code in the amount of itemized deductions allowable to him applies first to reduce the amount of such state and local income taxes that would otherwise be deductible by him).

In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of termination of an Executive's employment, he shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax, federal, state and local income taxes and FICA and Medicare withholding taxes imposed on the portion of the Gross-Up Payment being repaid by him to the extent that such repayment results in a reduction in Excise Tax, FICA and Medicare withholding taxes and/or federal, state or local income taxes) plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. The Company may require an Executive to agree in writing to the repayment obligation imposed by the preceding sentence as a condition to receiving the Gross-Up Payment. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of an Executive's employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment, determined as previously described, to him in respect of such excess (plus any interest, penalties or additions payable by him with respect to such excess) at the time that the amount of such excess is finally determined.

3.4 Timing of Payments. The payments provided for:  
-----

3.4.1 in Subsections 3.1.1, 3.1.3, 3.1.5, 3.2.1 and 3.2.3, and in Section 3.3 hereof shall be made to an Executive not later than the fifth (5th) day following his Date of Termination; provided, however, that if the amounts of such payments cannot be finally determined on or before such day the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code from the fifth (5th) day following the Date of Termination to the payment of such remainder) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth (5th) business day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code from the fifth (5th) day following the Date of Termination to the payment of such remainder);

3.4.2 in Subsection 3.1.4 hereof shall be made to an Executive on the later of (i) the first day of January of the year first following the year during which his Date of Termination occurs and (ii) the one hundred twentieth (120th) day following his Date of Termination if prior to his Date of Termination he elects, in his sole discretion, to receive his previously unpaid Deferred AIP Awards at such time. In the event the Executive makes such election and the

amount of the payment described in Subsection 3.1.4 cannot be finally determined on or before the later of such one hundred twentieth (120th) day or January 1, as applicable, the Company shall pay to the Executive on such one hundred twentieth (120th) day or January 1, as applicable, an estimate, as determined in good faith by the Company, of the minimum amount of such payment and shall pay the remainder of such payment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code from such one hundred twentieth (120th) day or January 1, as applicable, to the payment of such remainder) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after such one hundred twentieth (120th) day or January 1, as applicable. In the event that the amount of the estimated payment exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth (5th) business day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code from the one hundred twentieth (120th) day following the Date of Termination or January 1, as applicable, to the payment of such remainder). In the event the Executive makes no such election, his previously unpaid Deferred AIP Awards shall be paid in accordance with each of his applicable Deferral Elections;

3.4.3 in Subsection 3.1.6 shall be made to an Executive on the later of (i) the first day of January of the year first following the year during which his Date of Termination occurs and (ii) the one hundred twentieth (120th) day following his Date of Termination if prior to his Date of Termination he elects, in his sole discretion, to receive his previously unpaid Deferred PSU Awards at such time. In the event the Executive makes such election and the amount of the payment provided for in Subsection 3.1.6 cannot be finally determined on or before the later of such one hundred twentieth (120th) day or January 1, as applicable, the Company shall pay to the Executive on such one hundred twentieth (120th) day or January 1, as applicable, an estimate, as determined in good faith by the Company, of the minimum amount of such payment and shall pay the remainder of such payment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code from such one hundred twentieth (120th) day or January 1, as applicable, to the payment of such remainder) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after such one hundred twentieth (120th) day or January 1, as applicable. In the event that the amount of the estimated payment exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth (5th) business day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code from the one hundred twentieth (120th) day following the Date of Termination or January 1, as applicable, to the payment of such remainder). In the event the Executive makes no such election, his previously unpaid Deferred PSU Awards shall be paid in accordance with each of his applicable Deferral Elections; and

3.4.4 in Subsection 3.1.7 shall be made to him on the later of (i) the first day of January following his Date of Termination and (ii) the one hundred twentieth (120th) day following his Date of Termination if, prior to his Date of Termination, he elects, in his sole discretion, to receive such payment at such time. In the event the Executive makes no such election, then his Vested Pension Amount shall be paid in accordance with the provisions of Section 2.5.

3.5 Reimbursement of Legal Costs. The Company shall pay to an  
-----  
Executive all legal fees and expenses incurred by him as a result of a termination of his employment which entitles him to any payments under this Plan (including all such fees and expenses, if any, incurred in contesting or disputing any Notice of Intent to Terminate under Section 4.3 hereof or in seeking to obtain or enforce any right or benefit provided by this Plan or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder). Such payments shall be made within five (5) business days after delivery of his respective written requests for payment accompanied by such evidence of fees and expenses incurred as the Company reasonably may require.

3.6 Executives' Covenant. The Company may condition the payment of  
-----  
the amounts and provision of the benefits described in Article 3 of the Plan to an Executive upon his providing to the Company a written agreement that, subject to the terms and conditions of this Plan, in the event of a Potential Change in Control, he will remain in the employ of the Company until the earliest of (a) a date which is nine months after the date of such Potential Change in Control, (b) the date of a Change in Control, (c) the date of his termination of his employment for Good Reason (determined by treating the Potential Change in Control for this purpose as a Change in Control in applying the definition of Good Reason) or by reason of death or Disability, (d) the termination by the Company of his employment for any reason or (e) his attaining age sixty-five (65).

ARTICLE 4  
TERMINATION PROCEDURES AND  
COMPENSATION DURING DISPUTE

4.1 Notice of Intent to Terminate. After a Change in Control, any  
-----  
purported termination of an Executive's employment (other than by reason of death) must be preceded by a written Notice of Intent to Terminate from him to the Company or the Company to him, as applicable, in accordance with Section 8.17 hereof. For purposes of this Plan, a Notice of Intent to Terminate shall mean a notice which shall indicate the notifying party's opinion regarding the specific provisions of this Plan that will apply upon such termination and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for the application of the provisions so indicated. Further, a Notice of Intent to Terminate for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for him, together with his counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, he was guilty of conduct set forth in Subsection 1.6.1 or 1.6.2 herein, and specifying the particulars thereof in detail.

4.2 Date of Termination. Date of Termination, with respect to any  
-----  
purported termination of an Executive's employment after a Change in Control, shall mean (except as provided in Section 4.3 hereof) (a) if his employment is terminated by reason of his death, his

date of death (b) if his employment is terminated for Disability, thirty (30) days after Notice of Intent to Terminate is given (provided that he shall not have returned to the full-time performance of his duties during such thirty (30) day period), and (c) if his employment is terminated for any other reason, the date specified in the Notice of Intent to Terminate (which (i) in the case of a termination by the Company, shall not be less than thirty (30) days, except in the case of a termination for Cause in which case it shall not be less than ten (10) days, provided that the Company may require him to not report to work during such ten (10) day period and (ii) in the case of a termination by an Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Intent to Terminate is given).

4.3 Dispute Concerning Termination. If within fifteen (15) days after -----  
any Notice of Intent to Terminate is given (within eight (8) days in the case of a termination for Cause by the Company), or, if later, prior to the Date of Termination (as determined without regard to this Section 4.3), the person receiving such Notice of Intent to Terminate notifies the person giving such notice that a dispute exists concerning the termination or the provisions of this Plan that apply to such termination, the Date of Termination shall be the date on which the dispute is finally resolved, either by mutual written agreement of the parties to such dispute or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the person giving such notice pursues the resolution of such dispute with reasonable diligence.

4.4 Compensation During Dispute. If a purported termination of an -----  
Executive's employment occurs following a Change in Control and such termination or the provisions of this Plan that apply upon such termination is disputed in accordance with Section 4.3 hereof (including a dispute as to the existence of good faith and/or reasonable diligence thereunder), the Company shall continue to pay the Executive the full compensation (including, but not limited to, salary) at his Annual Base Salary and continue his participation in all compensation plans required to be maintained hereunder and continue to provide to him the Welfare Benefits provided for in Subsection 3.2.2 hereof until the dispute is finally resolved in accordance with Section 4.3 hereof. Amounts paid under this Section 4.4 are in addition to all other amounts due under this Plan (other than those due under Subsection 3.1.1 hereof) and shall not be offset against or reduce any other amounts due under this Plan.

ARTICLE 5  
PLAN ADMINISTRATION

5.1 Authority to Plan Administrator. The Plan shall be -----  
interpreted, administered and operated by the Plan Administrator, subject to the express provisions of the Plan.

5.2 Delegation of Duties. The Plan Administrator may delegate -----  
any of his duties hereunder to such person or persons from time to time as he may designate.

5.3 Engagement of Third Parties. The Plan Administrator is empowered,

-----  
on behalf of the Plan, to engage accountants, legal counsel and such other personnel as he deems necessary or advisable to assist him in the performance of his duties under the Plan. The functions of any such persons engaged by the Plan Administrator shall be limited to the specified services and duties for which they are engaged, and such persons shall have no other duties, obligations or responsibilities under the Plan. Such persons shall exercise no discretionary authority or discretionary control respecting the management of the Plan. All reasonable expenses thereof shall be borne by the Company.

ARTICLE 6  
CLAIMS

6.1 Claims Procedure. Claims for benefits under the Plan shall be

-----  
filed with the Plan Administrator. If any Executive or other payee claims to be entitled to a benefit under the Plan and the Plan Administrator determines that such claim should be denied in whole or in part, the Plan Administrator shall notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain (a) specific reasons for the denial, (b) specific reference to pertinent Plan provisions, (c) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (d) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within 90 days after the claim is received by the Plan Administrator. If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his claim.

6.2 Review Procedure. Within 60 days after the date on which a person

-----  
receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred) such person (or his duly authorized representative) may (a) file a written request with the Plan Administrator for a review of his denied claim and of pertinent documents and (b) submit written issues and comments to the Plan Administrator. The Plan Administrator will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within 60 days after the request for review is received by the Plan Administrator. If the decision on review is not made within such period, the claim will be considered denied.

6.3 Claims and Review Procedures Not Mandatory. The claims procedure

-----  
and review procedure provided for in this Article 6 are provided for the use and benefit of Executives who may choose to use such procedures, but compliance with the provisions of this Article 6 is not mandatory for any Executive claiming benefits under the Plan. It shall not be necessary for any Executive to file a claim with the Plan Administrator or to exhaust the procedures and remedies provided for by this Article 6 prior to bringing any legal claim or action, or asserting any other demand, for payments or other benefits to which he claims entitlement hereunder.

ARTICLE 7  
PLAN MODIFICATION OR TERMINATION

The Plan may be amended or terminated by resolution of the Board at any time; provided, however, that: (a) Schedule I hereto may be amended at any time and in any manner by resolution of the Compensation Committee of the Board upon recommendation of the Company's Chief Executive Officer; and (b) Schedule I hereto may be amended at any time by the Company's Chief Executive Officer to delete any one or more persons therefrom. Notwithstanding the foregoing: (a) the Plan may not be terminated or amended in a manner adverse to the interests of any Executive, without his consent (including the amendment of Schedule I hereto to delete him therefrom) (i) after a Potential Change in Control occurs and for one (1) year following the cessation of a Potential Change in Control, or (ii) for the two-year period following consummation of the transaction(s) resulting from or in the Change in Control; and (b) no termination of this Plan or amendment hereof in a manner adverse to the interests of any Executive, without his consent (including the amendment of Schedule I hereto to delete him therefrom), shall be effective if such termination or amendment occurs (i) at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) in connection with or in anticipation of a Change in Control or Potential Change in Control. For this purpose, the cessation of a Potential Change in Control occurs if a Change in Control has not occurred within one year following the Potential Change in Control. In the event that the termination of this Plan by the Company or an amendment hereof in a manner adverse to the interests of any Executive (without his consent) occurs within six (6) months prior to a Potential Change in Control or a Change in Control, there shall be a presumption that the conditions of subclauses (i) and (ii) of clause (b) of the next preceding sentence shall have been met. Upon the expiration of the Coverage Period, the Plan may not be amended in any manner which would adversely affect the rights which any Executive has at that time to receive any and all payments or benefits pursuant to Articles 2, 3, and 4 by reason of a Change in Control which has theretofore occurred or by reason of a termination of his employment during the Coverage Period, and the Company's obligations to make such payments and provide such benefits shall survive any termination of the Plan.

ARTICLE 8  
MISCELLANEOUS

8.1 Terminations in Anticipation of Change in Control. An Executive's  
-----  
employment shall be deemed to have been terminated by the Company without Cause during the Coverage Period if his employment is terminated by the Company without Cause prior to a Change in Control or Potential Change in Control and such termination of employment (a) was at the request of a third party who had indicated an intention to take or had taken steps reasonably calculated to effect a Change in Control, or (b) otherwise arose in connection with or in anticipation of a Change in Control and (c) in either case, a Change in Control does occur which



may involve such third party (or a party competing with such third party to effectuate a Change in Control). An Executive shall be deemed to have terminated his employment for Good Reason during the Coverage Period if he terminates his employment with Good Reason prior to a Change in Control or Potential Change in Control if the circumstance or event which constitutes Good Reason (a) occurred at the request of a third party who had indicated an intention to take or had taken steps reasonably calculated to effect a Change in Control, or (b) otherwise arose in connection with or in anticipation of a Change in Control, and (c) in either case, a Change in Control does occur which may involve such third party (or a party competing with such third party to effectuate a Change in Control). In the event of a termination of employment described in this Section 8.1, the Executive shall be entitled to all payments and other benefits to which he would have been entitled had such termination occurred during the Coverage Period (other than salary pursuant to Subsection 3.1.1 hereof for any period after the actual date of termination) and he shall be entitled to an additional payment in an amount which shall compensate him to the extent that he was deprived by such termination of the opportunity prior to termination of employment to exercise any stock options granted to him under the KEIP (including any such stock options that were not exercisable at the time of his termination of employment) at the highest market price of the Company's Common Stock reached in connection with the Change in Control or Potential Change in Control if a Potential Change in Control shall occur and not be followed by a Change in Control within twelve (12) months of the Potential Change in Control. In the event that the termination of employment of an Executive as described in this Section 8.1 occurs following a Potential Change in Control or within six (6) months prior to a Change in Control, there shall be a presumption that clauses (a) and (b) of the first two sentences of this Section 8.1 shall have been met.

8.2 Burden. In any proceeding (regardless of who initiates such proceeding) in which the payment of Severance Benefits or other compensation or benefits under this Plan is at issue, (i) the burden of proof as to whether Cause exists for purposes of this Plan shall be upon the Company and (ii) in the event that the last sentence of Section 8.1 applies, the Company shall have the burden to prove, by clear and convincing evidence, that a termination of employment has not been made in anticipation of a Change in Control as contemplated by Section 8.1.

8.3 No Right to Continued Employment. Nothing in the Plan shall be deemed to give any Executive the right to be retained in the employ of the Company, or to interfere with the right of the Company to discharge him at any time and for any lawful reason, with or without notice, subject in all cases to the terms of this Plan.

8.4 No Assignment of Benefits. Except as otherwise provided herein or by law, no right or interest of any Executive under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of any Executive under the Plan shall be liable for, or subject to, any obligation or liability of such Executive.

8.5 Death. This Plan shall inure to the benefit of and be enforceable by an Executive's personal or legal representatives, executors, administrators, successors, heirs,

distributees, devisees and legatees. If an Executive shall die while any amount would still be payable to him hereunder (other than amounts which, by their terms, terminate upon his death) if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to the executors, personal representatives or administrators of his estate.

8.6 Incompetency. Any benefit payable to or for the benefit of an Executive, if legally incompetent or incapable of giving a receipt therefor, shall be deemed paid when paid to his guardian or to the party providing or reasonably appearing to provide for his care, and such payment shall fully discharge the Company, the Plan Administrator and all other parties with respect thereto.

8.7 Reduction of Benefits By Legally Required Benefits. Notwithstanding any other provision of this Plan to the contrary, if the Company is obligated by law or by contract (other than under this Plan) to pay severance pay, a termination indemnity, notice pay, or the like, to an Executive or if the Company is obligated by law or by contract to provide advance notice of separation ("Notice Period") to an Executive, then any Severance Benefits payable to him hereunder shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any pay received during any Notice Period; provided however, that the period following a Notice of Intent to Terminate shall not be considered a Notice Period.

8.8 Enforceability. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

8.9 Effective Date. The Plan shall be effective as of the Effective Date and shall remain in effect unless and until terminated by the Board, subject to the requirements of Article 7 hereof.

8.10 No Mitigation. The Company agrees that, if an Executive's employment by the Company is terminated during the Coverage Period, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to him by the Company pursuant to this Plan. Further, the amount of any payment or benefit provided for under this Plan (other than to the extent provided in Subsections 3.2.2 and 3.2.4) shall not be reduced by any compensation earned by him as a result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by him to the Company, or otherwise.

8.11 Successors. In addition to any obligations imposed by law upon any successor to the Company, the Company shall be obligated to require any successor (whether direct or indirect, by purchase, merger, consolidation, operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform the Company's obligations under this Plan in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of

any such succession shall entitle each Executive to compensation and benefits from the Company in the same amount and on the same terms as he would be entitled to hereunder if he were to terminate his employment for Good Reason during the Coverage Period.

8.12 Consent to Cancellation of Awards and Reduction of SERP Benefit.  
-----

The Company may condition the payment to an Executive of his Vested Current Bonus Amount, Vested Current PSU Amount, Vested Deferred Bonus Amount and/or Vested Deferred PSU Amount upon his providing a written consent to the cancellation of the applicable contingent target AIP and PSU grants and AIP and PSU Awards for which payment has been deferred on which his Vested Current Bonus Amount, Vested Current PSU Amount, Vested Deferred Bonus Amount and/or Vested Deferred PSU Amount is based and in lieu of which such amounts are paid. The Company may condition the payment to an Executive of his Vested Pension Amount or the providing of any benefit or payment under Section 2.5 or Subsection 3.4.4 hereof upon his providing a written consent to, as applicable, (i) the reduction of the benefit to be paid under the SERP (whether in the form of a monthly payment to him and his surviving spouse or as a lump sum) such reduction to be in the amount of the SERP Benefit which was used in the calculation of his Vested Pension Benefit or the amount of any payments or benefits provided under Subsection 3.4.4, or (ii) the reduction of his Excess Account under the CLRP, such reduction to be in the amount of the CLRP Benefit which was used in the calculation of his Vested Pension Benefit.

8.13 Employment by Subsidiary. For purposes of this Plan, an Executive  
-----

who is employed by a Subsidiary shall be treated as if employed by the Company and his entitlement to benefits hereunder shall be determined as if he were employed by the Company. For such purpose, the Subsidiary shall be treated as if it were an unincorporated division of the Company.

8.14 Waiver. No waiver by an Executive at any time of any breach of  
-----

the terms of this Plan, or compliance with, any condition or provision of this Plan to be performed by the Company shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

8.15 Withholding Taxes. Any payments to an Executive provided for  
-----

hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which he has agreed.

8.16 Construction. The headings and captions herein are provided for  
-----

reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan. Neither the gender nor the number (singular or plural) of any word shall be construed to exclude another gender or number when a different gender or number would be appropriate.

8.17 Notices. Any notice or other communication required or permitted  
-----

pursuant to the terms hereof shall be deemed to have been duly given when delivered or mailed by United States Mail, first class, postage prepaid, addressed to the intended recipient at his last known address

(which in the case of an Executive shall be the address specified by him in any written notice provided to the Company in accordance with this Section 8.17).

8.18 Statutory Changes. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections.

8.19 Governing Law. This Plan shall be construed and enforced according to the laws of the State of Delaware to the extent not preempted by Federal law, which shall otherwise control.

ARTICLE 9  
TERMINATION WITHOUT CAUSE  
UNRELATED TO A POTENTIAL CHANGE IN  
CONTROL OR CHANGE IN CONTROL

9.1 Subject to the terms and conditions noted below, in the event Executive's employment with the Company is, or is deemed to be, terminated without cause (as defined below), regardless of whether a Potential Change in Control or Change in Control has occurred or is pending (such termination hereinafter is referred to as "Change in Status Event"):

From and after the date of the Change in Status Event for a period of two years thereafter, the Company will continue Executive as an active employee on a paid leave of absence with benefit coverage, excluding disability coverage. Executive's base compensation during the paid leave of absence will equal his or her Annual Base Salary as defined in Section 1.2 (substituting "Change in Status Event" for "Change in Control") of Article 1 of this Group 3A Plan. Executive shall also remain a participant in the AIP during the paid leave of absence period and Executive's target percentage for AIP payment purposes will be that in effect just prior to the Change in Status Event, and Executive will be scored on the basis of the actual achievement of the Company's performance targets for AIP, but up to a maximum of 100%. Executive will additionally be entitled to payments for AIP and PSU grants for any previously deferred awards or any awards covering periods ending prior to the date of the Change in Status Event that have been earned but not yet paid prior to the date of the Change in Status Event.

9.1.1 During the above leave of absence: (a) Executive's stock options granted prior to the Change in Status Event will continue to vest in accordance with the vesting schedule(s) applicable under the terms of the grant(s), but (b) Executive will not be eligible to participate in or receive new grants or benefits under the LTIP and will not be eligible for participation in or the payment of benefits under the Executive Benefits Protection Plan (except for under this Article 9), the Employee Benefits Protection Plan, or the Severance Benefits Plan. If Executive meets the eligibility requirements of paragraph 3 of the Corporation's Supplemental Executive Retirement Plan (SERP) and elects to retire from employment with the Corporation during the leave of absence, Executive's paid leave of absence will cease and the

Executive will be treated for all purposes as a retiree in accordance with the terms of the SERP and the Corporation's other benefit plans.

9.2 Executive's voluntary resignation from the Company shall not constitute a Change in Status Event, and therefore will not entitle Executive to the benefits provided for in Section 9.1 above. In such event, Executive would be entitled to the benefits provided under the benefit plans of the Company to which Executive is entitled in accordance with the terms of those plans.

9.3 Termination of Executive's employment "without cause" for purposes of this Article 9 shall mean termination of employment by the Company not based on "cause" as defined in paragraph 2(a) of the SERP.

9.4 The severance arrangements of this Article 9 shall not be considered to constitute an employment contract. The terms and conditions of the Long-Term Incentive Program Participation Agreement and Mutual Agreement to Arbitrate Claims by and between Executive and the Company ("Participation and Arbitration Agreement"), are incorporated herein by reference and made a part hereof as if fully set forth herein. Notwithstanding any provisions to the contrary in the Participation and Arbitration Agreement, the terms and conditions thereof shall remain in effect for three years after Executive's Change in Status Event regardless of whether Executive is eligible or not to receive benefits under the SERP.

IN WITNESS WHEREOF, the Company has caused the Plan to be amended and restated as of the 2nd day of October, 2001.

HERSHEY FOODS CORPORATION

By: /S/ R. M. Reese

-----  
Senior Vice President

Executive Benefits Protection Plan  
Participants  
-----

GROUP 3A

Chairman of the Board of Directors

President and Chief Executive Officer  
Vice President, Human Resources  
Executive Vice President and Chief Operations Officer  
Senior Vice President, Chief Financial Officer  
Vice President, Chief Information Officer  
Vice President, Chief Customer Officer  
Senior Vice President, General Counsel and Secretary  
Senior Vice President, Chief Marketing Officer  
Vice President, Business Planning and Development

K. L. Wolfe [retiring 12/31/01]

R. H. Lenny  
M. K. Arline  
W. F. Christ  
F. Cerminara  
G. F. Davis  
M. T. Matthews  
R. M. Reese  
W. A. Willard  
D. J. West

Executive Benefits Protection Plan  
Participants

Group 3A

Chairman of the Board of Directors, President and Chief Executive Officer  
Vice President, Human Resources  
Vice President, Operations and Technology  
Senior Vice President, Chief Financial Officer  
Vice President, Chief Information Officer  
Vice President, Chief Customer Officer  
Senior Vice President, General Counsel and Secretary  
Senior Vice President, Chief Marketing Officer  
Vice President, Business Planning and Development

R. H. Lenny  
M. K. Arline  
R. Brace  
F. Cerminara  
G. F. Davis  
M. T. Matthews  
B. H. Snyder  
W. A. Willard  
D. J. West

HERSHEY FOODS CORPORATION  
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 For the Years Ended December 31, 2001, 2000, 1999, 1998 and 1997  
 (in thousands of dollars except for ratios)  
 (Unaudited)

	2001	2000	1999	1998	1997
	----	----	----	----	----
Earnings:					
Income from continuing operations before income taxes.....	\$343,541(a)	\$ 546,639	\$727,874(b)	\$ 557,006	\$ 553,955
Add (Deduct):					
Interest on indebtedness.....	71,470	80,956	77,300	88,648	79,138
factor (c).....	15,451	13,585	15,162	13,197	10,592
Amortization of debt expense.....	464	489	486	462	412
Amortization of capitalized interest.....	4,228	325	3,884	3,856	3,496
	-----	-----	-----	-----	-----
Earnings as adjusted.....	\$ 435,154	\$ 641,994	\$ 824,706	\$ 663,169	\$ 647,593
	=====	=====	=====	=====	=====
Fixed Charges:					
Interest on indebtedness.....	\$ 71,470	\$ 80,956	\$ 77,300	\$ 88,648	\$ 79,138
factor (c).....	15,451	13,585	15,162	13,197	10,592
Amortization of debt expense.....	464	489	486	462	412
Capitalized interest.....	1,498	145	1,214	2,547	1,883
	-----	-----	-----	-----	-----
Total fixed charges.....	\$ 88,883	\$ 95,175	\$ 94,162	\$ 104,854	\$ 92,025
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges.....	4.90	6.75	8.76	6.32	7.04
	=====	=====	=====	=====	=====

NOTES:

- (a) Includes total charges for business realignment initiatives of \$278.4 million.
- (b) Includes a gain on the sale of the Corporation's pasta business of \$243.8 million.
- (c) Portion of rents representative of the interest factor consists of all rental expense pertaining to off-balance sheet operating lease arrangements and one-third of rental expense for other operating leases.



**SUBSIDIARIES OF REGISTRANT**

The following is a listing of Subsidiaries of the Corporation, their jurisdictions of incorporation, and the name under which they do business. Each is wholly owned. Certain subsidiaries are not listed since, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary as of December 31, 2001.

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
Hershey Chocolate & Confectionery Corporation	Delaware
Hershey Chocolate of Virginia, Inc.	Delaware
Hershey Canada, Inc.	Canada

**CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS**

As independent public accountants, we hereby consent to the incorporation of our reports dated January 22, 2002, included or incorporated by reference in this Form 10-K for the year ended December 31, 2001, into the Corporation's previously filed Registration Statements on Forms S-8 and S-3, (File No. 333-25853, File No. 333-33507, File No. 33-45431, File No. 33-45556, and File No. 333-52509).

ARTHUR ANDERSEN LLP

New York, New York  
March 15, 2002

