

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

FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

REGISTRANT, STATE OF INCORPORATION,
ADDRESS AND TELEPHONE NUMBER

HERSHEY FOODS CORPORATION

Commission File No. -----	(a Delaware Corporation 100 Crystal A Drive Hershey, Pennsylvania 17033 (717) 534-6799	I.R.S. Employer Identification No. ----- 23-0691590
---------------------------------	---	--

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, one dollar par value	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 -- \$4,168,640,981 as of February 28, 2000.

Class B Common Stock, one dollar par value -- \$6,084,926 as of February 28, 2000. 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 February 28, 2000.

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 -- 107,798,756 shares, as of February 28, 2000.

Class B Common Stock, one dollar par value -- 30,443,908 shares, as of February 28, 2000.

DOCUMENTS INCORPORATED BY REFERENCE

The Corporation's Annual Report to Stockholders for the year ended December 31, 1999 is included as Appendix A to the Corporation's Proxy Statement for the Corporation's 2000 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 January 1999, the Corporation completed the sale 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. The Corporation retained a 6% minority interest in the business.

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 milk chocolate bars, HERSHEY'S milk chocolate bars with almonds, HERSHEY'S MINIATURES chocolate bars, HERSHEY'S NUGGETS chocolates, AMAZIN' FRUIT gummy bears fruit candy, CAMELLO candy bars, GOOD & PLENTY candy, HEATH toffee bar, JOLLY RANCHER candy, KIT KAT wafer bars, LUDEN'S throat drops, MILK DUDS chocolate covered caramels, MR. GOODBAR milk chocolate bars with peanuts, NIBS candy, PAYDAY peanut caramel bar, PETER PAUL ALMOND JOY candy bars, PETER PAUL MOUNDS candy bars, POT OF GOLD boxed chocolates, RAIN-BLO and SUPER BUBBLE gum, REESE'S 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, SYMPHONY milk chocolate bars, SWEET ESCAPES candy 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 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 milk is produced and sold under license by certain independent dairies throughout the United States, using a chocolate milk mix 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'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 1999, sales to Wal-Mart Stores, Inc. and Subsidiaries amounted to approximately 15% of the Corporation's total net sales.

In Japan, the Philippines, Korea and China, the Corporation imports and/or markets selected confectionery and grocery products. The Corporation also markets chocolate and non-chocolate confectionery 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.

Problems with the start-up of new business systems and processes in the areas of customer service, warehousing and order fulfillment were encountered during the Corporation's peak shipping season in the third quarter of 1999. These problems resulted in lost sales, longer turnaround times, significantly increased freight and warehousing costs, and higher levels of inventories in 1999. Additionally, as a result of these problems, accounts receivable as of December 31, 1999, included increased deductions from customer invoices and higher past due amounts as compared to the prior year. Improvements to the systems and processes led to a significantly improved order fulfillment process, with reduced order cycle time and much improved fill rates on orders in the first quarter of 2000. While customer service has not yet fully returned to historical levels, the Corporation expects that it will continue to be enhanced with further improvement of the systems and processes and, as the first phase of a new 1.2 million square-foot distribution center becomes operational in the spring of 2000, with full utilization expected during the fall 2000 shipping season.

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)

	1995	1996	1997	1998	1999
	----	----	----	----	----
Annual Average.....	61.2	62.1	70.0	72.7	48.8
High.....	64.1	64.4	77.2	78.3	62.7
Low.....	58.3	57.4	59.1	65.5	39.6

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 relatively stable in a range of \$.27 to \$.35 per pound for the past ten years.

Peanut prices remained near normal levels throughout 1999, while almond prices declined to relatively low levels due to a record crop in California.

Milk prices were extremely volatile in 1999; however, strong milk production resulted in the average milk price dropping to a more normal level from the historic high prices of 1998.

The Corporation attempts to minimize the effect of price fluctuations related to the purchase of its major raw materials primarily through the forward purchasing of such commodities to cover future manufacturing requirements generally for periods ranging from 3 to 24 months. With regard to cocoa, sugar, corn sweeteners, natural gas 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 materials. Futures contracts are used in combination with forward purchasing of cocoa, sugar, corn sweeteners, natural gas and certain dairy product requirements principally to take advantage of market fluctuations which provide more favorable pricing opportunities and to increase diversity or flexibility in sourcing these raw materials. The Corporation's commodity procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the Corporation's 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 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 and certain dairy products, are directly linked to the overall planning and management of the Corporation's business, since the cost of raw materials accounts for a significant portion of the cost of finished goods. Procurement strategies with regard to cocoa, sugar and other major raw material requirements 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.

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 1999. 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 1999, the minimum volume requirements were exceeded. The Corporation has an agreement with an affiliate of Huhtamaki Oy (Huhtamaki) 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.

YEAR 2000 ISSUES

The Corporation completed its year 2000 testing and remediation programs in the third quarter of 1999. No significant year 2000 problems have been encountered with the Corporation's information technology (IT) and non-IT systems.

The Corporation also assessed year 2000 remediation issues relating to its major business partners. All of the Corporation's major customers have been contacted regarding year 2000 issues related to electronic data interchange. The Corporation also contacted all of its major suppliers of ingredients, packaging, facilities, logistics and financial services with regard to year 2000 issues. No significant year 2000 problems have been encountered with the Corporation's major business partners.

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. Customer service and order fulfillment problems associated with the start-up of new business systems and processes were encountered during the important Back-to-School/Halloween shipping period, causing distribution difficulties in the form of incomplete and/or delayed shipments and selective regional/customer out of stock conditions for the Corporation's products in certain markets. While the backlog of orders was significant during the third quarter of 1999, such backlog was not material in respect to total sales as of December 31, 1999.

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.

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, 1999, the Corporation had approximately 13,900 full-time and 1,400 part-time employees, of whom approximately 6,400 were covered by collective bargaining agreements. In January 1999, a reduction of approximately 900 full-time and 30 part-time employees resulted from the completion of the sale of the pasta business. The Corporation considers its employee relations to be good.

FINANCIAL INFORMATION BY GEOGRAPHIC AREA

Information concerning the Corporation's geographic segments is contained in Footnote 15 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 income taxes; market demand for new and existing products; raw material pricing; the Corporation's ability to fully remedy the problems and avoid the increased costs encountered since implementing changes to the customer service, warehousing, and order fulfillment processes and systems in the third quarter of 1999; the ability to restore customer service to historical levels; the effects service levels and other factors have on future customer demand; and the ability to complete construction and commence operations of new warehousing facilities on schedule.

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 from the Internal Revenue Service (IRS) related to the years 1989 through 1996. The most significant issue pertains to the Corporate Owned Life Insurance (COLI) program which was implemented by the Corporation in 1989. The IRS proposed an assessment for the disallowance of interest expense deductions associated with the underlying life insurance policies. The total impact of the disallowance was approximately \$60.4 million, including interest as of December 31, 1999. The Corporation may be subject to additional assessments for federal and state tax and interest payments for years subsequent to 1996. The Corporation believes that it has fully complied with the tax law as it relates to its COLI program. The Corporation filed a protest of the proposed deficiency with the Appeals section of the IRS in April 1999 and continues to vigorously defend its position on this matter. 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.

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 "Market Prices and Dividends" on page A-9 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, 1999, found in the section "Eleven-Year Consolidated Financial Summary" on pages A-33 through A-35 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; Income from Continuing Operations Before Accounting Changes; Income Per Share from Continuing Operations Before Accounting Changes - Basic (excluding Notes i, j and k); 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 "Management's Discussion and Analysis," found on pages A-1 through A-10 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, 1999, 1998 and 1997. (Page A-11)
2. Consolidated Balance Sheets as of December 31, 1999 and 1998. (Page A-12)
3. Consolidated Statements of Cash Flows for the years ended December 31, 1999, 1998 and 1997. (Page A-13)
4. Consolidated Statements of Stockholders' Equity for the years ended December 31, 1999, 1998 and 1997. (Page A-14)
5. Notes to Consolidated Financial Statements (Pages A-15 through A-30), including "Quarterly Data (Unaudited)." (Page A-30)
6. Report of Independent Public Accountants. (Page A-32)

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

None.

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 FEBRUARY 28, 2000

NAME ----	AGE ---	POSITIONS HELD DURING THE LAST FIVE YEARS -----
K. L. Wolfe.....	61	Chairman of the Board and Chief Executive Officer (1993)
J. P. Viviano (1).....	61	Vice Chairman of the Board (1999); President and Chief Operating Officer (1993)
M. F. Pasquale.....	52	Executive Vice President and Chief Operating Officer (2000); Senior Vice President, Confectionery and Grocery (1999); President, Hershey Chocolate North America (1995)
W. F. Christ	59	Senior Vice President, Chief Financial Officer and Treasurer (1997); Senior Vice President and Chief Financial Officer (1994)
R. Brace	56	Senior Vice President, Operations (1999); Vice President, Operations (1997); Vice President, Manufacturing, Hershey Chocolate North America (1995)
R. M. Reese	50	Senior Vice President - Public Affairs, General Counsel and Secretary (1999); Vice President, General Counsel and Secretary (1995)
J. R. Canavan (2).....	52	Vice President, Human Resources (1999)
D. W. Tacka.....	46	Corporate Controller and Chief Accounting Officer (1995); Vice President, Finance and Administration, Hershey Pasta Group, part of the former Hershey Pasta and Grocery Group of which a 94% majority interest was sold in 1999 (1989)

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

(1) Mr. Viviano retired as Vice Chairman of the Board on March 1, 2000.

(2) Mr. Canavan was elected Vice President, Human Resources effective January 1, 1999. Prior to joining the Corporation he was Vice President, Staffing, IBM United States Corporation in New York (1998) and Vice President, Human Resources, IBM North America (1993).

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 "Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11. EXECUTIVE COMPENSATION

Information concerning compensation of the five most highly-compensated executive officers, including the Chairman of the Board and Chief Executive Officer, of the Corporation individually, and compensation of directors, is set forth in the sections "1999 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 "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, 1999, 1998 and 1997 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.

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

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:

- a. 6.7% Notes due 2005
- b. 6.95% Notes due 2007
- c. 6.95% Notes due 2012
- d. 8.8% Debentures due 2021
- e. 7.2% Debentures due 2027
- f. 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 CBI Holdings, 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 and Confectionery Corporation.
- c. Cadbury Trademark & Technology License Agreement among Hershey Foods Corporation and Cadbury Schweppes Inc. (now CBI Holdings, Inc.) 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.
- 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, Banc America Securities LLC as co-syndication agent, and Salomon Smith Barney Inc, as co-syndication agent and arranger is attached hereto and filed as Exhibit 10.1.
- e. 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 and Citicorp Securities, Inc. (now Salomon Smith Barney Inc.) and BA Securities, Inc. (now Banc America Securities LLC) as co-syndication agents, is incorporated by reference from Exhibit 10.2 to the Corporation's Current Report on Form 8-K dated January 29, 1996. The Five-Year Credit Agreement was renewed in late 1997.
- 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 and Confectionery Corporation. The agreement was amended and restated in

1999 and the Amended and Restated Trademark and Technology License Agreement is attached hereto and filed as Exhibit 10.2.

Executive Compensation Plans

- g. The restated Key Employee Incentive Plan, incorporated by reference from the Corporation's Proxy Statement dated March 17, 1997 and filed in connection with the April 29, 1997 Annual Meeting of Stockholders, was amended in 1999, and a copy of the plan, as amended and restated, is attached hereto and filed as Exhibit 10.3.
- h. Hershey Foods Corporation's Restated Supplemental Executive Retirement Plan, incorporated by reference from Exhibit 19(ii) to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, was amended in 1999, and a copy of the plan, as amended and restated, is attached hereto and filed as Exhibit 10.4.
- i. Hershey Foods Corporation's Deferred Compensation Plan is incorporated by reference from Exhibit 10.3 to the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.
- j. Hershey Foods Corporation's Directors' Compensation Plan is incorporated by reference from Exhibit 10 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 28, 1997.
- k. Hershey Foods Corporation's Executive Benefits Protection Plan (Group 3A), covering certain of its executive officers, is attached hereto and filed as Exhibit 10.5.

(12) Computation of ratio of earnings to fixed charges statement

A computation of ratio of earnings to fixed charges for the years ended December 31, 1999, 1998, 1997, 1996 and 1995 is filed as Exhibit 12 hereto.

(13) Annual report to security holders

The Corporation's Annual Report to Stockholders is included as Appendix A to the Proxy Statement and is filed as Exhibit 13 hereto.

(14b) A Current Report on Form 8-K was filed on January 4, 2000 announcing that the Corporation's sales in December 1999 will be lower than expected, and that its earnings per share for the fiscal year ending December 31, 1999, might be below market expectations.

(21) Subsidiaries of the Registrant

A list setting forth subsidiaries of the Corporation is filed as Exhibit 21 hereto.

(23) Consent of Independent Public Accountants

The consent to the incorporation of reports of the Corporation's Independent Public Accountants dated January 28, 2000, is filed as Exhibit 23 hereto.

(27) Financial Data Schedule for the period ended December 31, 1999 (required for electronic filing only).

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE CORPORATION HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

HERSHEY FOODS CORPORATION
(Registrant)

Date: March 13, 2000

By /s/ W. F. CHRIST

(W. F. Christ, Senior Vice President,
Chief Financial Officer and Treasurer)

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

SIGNATURE -----	TITLE -----	DATE -----
K. L. WOLFE ----- (K. L. Wolfe)	Chief Executive Officer and Director	March 13, 2000
W. F. CHRIST ----- (W. F. Christ)	Chief Financial Officer and Treasurer	March 13, 2000
D. W. TACKA ----- (D. W. Tacka)	Chief Accounting Officer	March 13, 2000
M. F. PASQUALE ----- (M. F. Pasquale)	Director	March 13, 2000
W. H. ALEXANDER ----- (W. H. Alexander)	Director	March 13, 2000
R. H. CAMPBELL ----- (R. H. Campbell)	Director	March 13, 2000
C. M. EVARTS, M.D. ----- (C. M. Evarts, M.D.)	Director	March 13, 2000
B. GUITON HILL ----- (B. Guiton Hill)	Director	March 13, 2000

SIGNATURE -----	TITLE -----	DATE -----
J. C. JAMISON ----- (J. C. Jamison)	Director	March 13, 2000
A. Z. LOREN ----- (A. Z. Loren)	Director	March 13, 2000
M. J. MCDONALD ----- (M. J. McDonald)	Director	March 13, 2000
J. M. PIETRUSKI ----- (J. M. Pietruski)	Director	March 13, 2000

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Hershey Foods Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in Hershey Foods Corporation's Proxy Statement for its 2000 Annual Meeting of Stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 28, 2000. Our audit was made for the purpose of forming an opinion on those financial statements taken as a whole. The schedule listed on page 9 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.

ARTHUR ANDERSEN LLP

New York, New York
January 28, 2000

HERSHEY FOODS CORPORATION AND SUBSIDIARIES
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
 FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997
 (in thousands of dollars)

Description	Balance at Beginning of Period	ADDITIONS		Deductions from Reserves	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts (a)		
Year Ended December 31, 1999: Reserves deducted in the balance sheet from the assets to which they apply:					
Accounts Receivable -Trade	\$ 19,941 =====	\$ 2,629 =====	\$ 597 =====	\$(6,226) (b) =====	\$ 16,941 =====
Year Ended December 31, 1998: Reserves deducted in the balance sheet from the assets to which they apply:					
Accounts Receivable -Trade.....	\$ 15,843 =====	\$ 5,540 =====	\$ (210) =====	\$ (1,232) =====	\$ 19,941 =====
Year Ended December 31, 1997: Reserves deducted in the balance sheet from the assets to which they apply:					
Accounts Receivable -Trade.....	\$ 14,059 =====	\$ 2,623 =====	\$ 522 =====	\$ (1,361) =====	\$ 15,843 =====

(a) Includes recoveries of amounts previously written off.

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

AMENDED AND RESTATED

364-DAY CREDIT AGREEMENT

Dated as of December 10, 1999

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), NATIONSBANC MONTGOMERY SECURITIES, INC., as co-syndication agent, and SALOMON SMITH BARNEY INC., as co-syndication agent and arranger (the "CO-SYNDICATION AGENTS"), agree as follows:

PRELIMINARY STATEMENT. The Company, the Lenders, Citibank, the Agent and the Co-Syndication Agents (or their respective predecessors) 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 and Amended and Restated as of December 11, 1998. 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 399 Park Avenue, New York, New York 10043, 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

1

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.

"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.

"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.

"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).

"REFERENCE BANKS" means Citibank, Bank of America National Trust & Savings Association and Deutsche Bank AG New York and/or Cayman Islands Branches, 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, 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.

"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 (a) December 8, 2000 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 generally accepted accounting principles 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 .055%, payable in arrears quarterly on the last day of each February, May, August and November, commencing February 29, 2000, 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 RATABLY 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 \$250,000,000 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 two Commitment Increases 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 \$450,000,000 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) at all times that the aggregate principal amount of the Advance exceeds 50% of the aggregate Commitments, 0.10% per annum, payable in arrears quarterly on the last day of each February, May, August and November 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) .20% per annum PLUS (z) at all times that the aggregate principal amount of the Advance exceeds 50% of the aggregate Commitments, 0.10% per annum, 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 under the Notes 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 under the Notes 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 under the Notes 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 under the Notes 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 under the Notes 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 under the Notes 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 under any Note 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 under the Notes or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or the Notes (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 under the Notes 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 the Notes. 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 the Notes, 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 60 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 25 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 20 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.

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, 1998 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.

(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.

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.

(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, 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, 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 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, 1998, 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 October 4, 1999, and the related Consolidated statements of income and condensed cash flows of the Company and its Subsidiaries for the nine 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 October 4, 1999, and said statements of income and cash flows for the nine 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 generally accepted accounting principles consistently applied; PROVIDED, HOWEVER, that said balance sheet and statements of income and cash flows for the nine months ended as at October 4, 1999 are instead prepared in accordance with applicable rules and regulations of the Securities and Exchange Commission. Since December 31, 1998, 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.

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 Notes, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Notes, 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 Notes, 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 the 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 the 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 Notes), 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 Notes; 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 payee of any Note as the holder thereof until the Agent receives and accepts an Assignment and Acceptance entered into by the Lender that is the payee of such Note, 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 One Court Square, Seventh Floor, Long Island City, New York 11120, Attention: Bank Loan Syndications, Fax No. (718) 248-4844; 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, and 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 Notes 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 under the Notes.

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 Notes 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, (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 \$3,000, 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. Within five Business Days after its receipt of such notice, each Borrower, at its own expense, shall execute and deliver to the Agent in exchange for the surrendered Revolving Credit Note of such Borrower a new Revolving Credit Note to the order of such Eligible Assignee in an amount equal to the Commitment assumed by such Eligible Assignee pursuant to such Assignment and Acceptance and, if the assigning Lender has retained a Commitment hereunder, a new Revolving Credit Note to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Revolving Credit Note or Notes of any Borrower shall be in an aggregate principal amount equal to the aggregate principal amount of the surrendered Revolving Credit Note or Notes of such Borrower, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A-1 hereto.

(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 the 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 Notes 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 Notes 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 the 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 the Notes 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/ WILLIAM F. CHRIST

Title: Senior VP, CFO and
Treasurer

By /S/ ROSA C. STROH

Title: Assistant Treasurer

IBANK, N.A.,
as Administrative Agent

By /S/ ROBERT M. SPENCE

Title: Managing Director

BANC AMERICA SECURITIES LLC,
as Co-Syndication Agent

By /S/ J. CASEY COSGROVE

Title: Vice President

SALOMON SMITH BARNEY INC.,
as Co-Syndication Agent and
Arranger

By /S/ J.C.C. BYRNE, JR.

Title: Attorney-in-fact

COMMITMENT

INITIAL LENDERS

\$40,200,000

BANK OF AMERICA, N.A.

By /S/ J. CASEY COSGROVE

Title: Vice President

\$10,000,000

CIBC, INC.

By /S/ DOMINIC SORRESSO

Title: Executive Director

\$44,800,000

CITIBANK, N.A.

By /S/ ROBERT M. SPENCE

Title: Managing Director

\$10,000,000

BANCA DI ROMA

By /S/ JAMES B. SIEGER

Title: Vice President

By /S/ ALESSANDRO PAOLI

Title: Assistant Treasurer

\$20,000,000

DEUTSCHE BANK AG NEW YORK
AND/OR CAYMAN ISLANDS BRANCHES

By /S/ ALEXANDER KAROW

Title: Assistant Vice
President

By /S/ SUSAN L. PEARSON

Title: Director

364-Day Credit Agreement

\$25,000,000

PNC BANK,
NATIONAL ASSOCIATION

By /S/ BRENNAN T. DANILE

Title: Assistant Vice
President

\$25,000,000

MELLON BANK, N.A.

By /S/ DONALD J. CASSIDY

Title: First Vice President

\$25,000,000

WACHOVIA BANK, N.A.

By /S/ JAMES BARWIS

Title: 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. 335 Madison Avenue New York, NY 10017 Attn: Thomas J. Somers Phone: 212 503-7309 Fax: 212 503-7771	Bank of America, N.A. 335 Madison Avenue New York, NY 10017 Attn: Thomas J. Somers Phone: 212 503-7309 Fax: 212 503-7771
CIBC, Inc.	CIBC, Inc. 425 Lexington Avenue New York, NY 10017 Attn: Dominic Sorresso Phone: 212 856-4133 Fax: 212 856-3991	CIBC, Inc. 11 Madison Avenue 20th Floor New York, NY 10017 Attn: Judy Dornkowski Phone: 212 856-3509 Fax: 212 885-4995
CITIBANK, N.A.	Citibank, N.A. 399 Park Avenue New York, NY 10043 Attn: Robert M. Spence Phone: 212 559-0312 Fax: 212 793-7450	Citibank, N.A. 399 Park Avenue New York, NY 10043 Attn: Robert M. Spence Phone: 212 559-0312 Fax: 212 793-7450
DEUTSCHE BANK AG, NEW YORK AND/OR CAYMAN ISLANDS BRANCHES	Deutsche Bank AG, New York and/or Cayman Islands Branches 31 West 52nd Street New York, NY 10019 Attn: Belinda Wheeler Phone: 212-474-8372 Fax: 212-474-8212	Deutsche Bank AG, New York and/or Cayman Islands Branches 31 West 52nd Street New York, NY 10019 Attn: Belinda Wheeler Phone: 212-474-8372 Fax: 212-474-8212
PNC BANK, NATIONAL ASSOCIATION	PNC Bank, National Association 1600 Market Street MS F2 F07021 5 Philadelphia, PA 19103 Attn: Robert F, Giarnone Phone: 215 585-7630 Fax: 215 585-5972	PNC Bank, National Association 1600 Market Street MS F2 F07021 5 Philadelphia, PA 19103 Attn: Robert F, Giarnone Phone: 215 585-7630 Fax: 215 585-5972
MELLON BANK, N.A.		
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-

SCHEDULE 3.01(b)

DISCLOSED LITIGATION

NONE

SCHEDULE 4.01(c)

REQUIRED AUTHORIZATIONS AND APPROVALS

NONE

EXHIBIT A-1 - FORM OF
REVOLVING CREDIT
PROMISSORY NOTE

U.S.\$ _____

Dated: December 10, 1999

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 December 10, 1999 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, Nationsbanc Montgomery Securities, Inc., as co-syndication agent, and Salomon Smith Barney Inc., as co-syndication agent and arranger (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:

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 December 10, 1999 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, Nationsbanc Montgomery Securities, Inc., as co-syndication agent, and Salomon Smith Barney Inc., as co-syndication agent and arranger (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

One Court Square
Seventh Floor

Long Island City, New York 11120

[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 December 10, 1999 (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, Nationsbank Montgomery Securities, Inc., as co-syndication agent, and Salomon Smith Barney Inc., as co-syndication agent and arranger, 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

One Court Square
Seventh Floor

Long Island City, New York 11120

[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 December 10, 1999 (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, Nationsbanc Montgomery Securities, Inc., as co-syndication agent, and Salomon Smith Barney Inc., as co-syndication agent and arranger, 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) _____

** Which shall be subject to the definition of "Interest Period" and end on or before the Final Maturity Date.

(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:

(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 December 10, 1999 (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"), Nationsbanc Montgomery Securities, Inc., as co-syndication agent, and Salomon Smith Barney Inc., as co-syndication agent and arranger. 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
One Court Square
Seventh Floor

Long Island City, New York 11120

Attention: Bank Loan Syndications

Ladies and Gentlemen:

Reference is made to the Amended and Restated 364-Day Credit Agreement, dated as of December 10, 1999 (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"), Nationsbank Montgomery Securities, Inc., as co-syndication agent, and Salomon Smith Barney Inc., as co-syndication agent and arranger. 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 December 10, 1999 (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"), Nationsbanc Montgomery Securities, Inc., as co-syndication agent, and Salomon Smith Barney Inc., as co-syndication agent and arranger, 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 This date shall be no later than 30 days prior to the Termination Date then in effect.

HERSHEY FOODS CORPORATION

By

Title

EXHIBIT E-2 - FORM OF NOTICE OF EXTENSION
OF TERMINATION DATE

[Date]

Citibank, N.A.,
as Agent

One Court Square
Long Island City, New York 11120

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 December 10, 1999 (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"), Nationsbanc Montgomery Securities, Inc., as co-syndication agent, and Salomon Smith Barney Inc., as co-syndication agent and arranger. 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 [_____].**

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 December 10, 1999 among Hershey Foods Corporation (the "COMPANY"), the Lenders named therein, Citibank, N.A., as administrative agent (the "AGENT") for said Lenders, Nationsbank Montgomery Securities, Inc., as co-syndication agent, and Salomon Smith Barney Inc., as co-syndication agent and arranger (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 COMPANY

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 December 10, 1999, among Hershey Foods Corporation (the "COMPANY"), the Lenders named therein, Citibank, N.A., as administrative agent (the "AGENT") for said Lenders, Nationsbank Montgomery Securities, Inc., as co-syndication agent, and Salomon Smith Barney Inc., as co-syndication agent and arranger (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 December 10, 1999 (the "CREDIT AGREEMENT"), among Hershey Foods Corporation (the "COMPANY"), the Lenders party thereto, Citibank, N.A., as administrative agent (the "AGENT") for said Lenders, Nationsbanc Montgomery Securities, Inc., as co-syndication agent, and Salomon Smith Barney Inc., as co-syndication agent and arranger. 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 H-2 - FORM OF OPINION
OF SIMPSON, THACHER & BARTLETT,
SPECIAL NEW YORK COUNSEL

TO THE COMPANY

[Letterhead of Simpson, Thacher & Bartlett]

To each of the Lenders listed on
Schedule I hereto and to Citibank,
N.A., as Agent for such Lenders

Ladies and Gentlemen:

We have acted as special New York counsel to Hershey Foods Corporation (the "COMPANY") in connection with the preparation, execution and delivery of the Amended and Restated 364-Day Credit Agreement, dated as of December 10, 1999 (the "CREDIT AGREEMENT"), among the Company, the Lenders party thereto, Citibank, N.A., as administrative agent (the "AGENT") for said Lenders, and Nationsbanc Montgomery Securities, Inc. and Salomon Smith Barney Inc., as co-syndication agents.

This opinion is being delivered pursuant to Section 3.01(g)(v) of the Five-Year Credit Agreement. Terms defined in the Credit Agreement and not otherwise defined herein are used herein as therein defined.

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the Credit Agreement and the Revolving Credit Notes and the opinion of Robert M. Reese, Vice President and General Counsel of the Company (the "COMPANY OPINION"). In addition, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such corporate records of the Company, certificates of public officials and of officers of the Company and agreements, instruments and other documents, and have made such other investigations, as we have deemed relevant and necessary as a basis for the opinions hereinafter set forth.

For the purposes hereof, we have assumed, with your permission, the genuineness of all signatures, the legal capacity of natural persons and the authenticity and regularity of all documents examined by us. As to questions of fact relevant to this opinion, we have relied upon, and assume the accuracy of, certificates and oral or written statements and other information of the Company or of its officers or of public officials and representations and warranties of the Company set forth in the Credit Agreement and assume compliance on the part of all parties to the Credit Agreement with their covenants and agreements contained therein. We have assumed the due execution and delivery, pursuant to due authorization, of each of the documents referred to above by all parties thereto.

Based on and subject to the foregoing, and subject to the qualifications and exceptions set forth herein, we are of the opinion that:

1. The execution, delivery and performance by the Company of the Credit Agreement and the Notes, and the borrowings by the Company thereunder, do not violate any present Federal or New York law, rule or regulation known by us to be applicable to the Company (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System).

2. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body pursuant to any present Federal or New York law or regulation known by us to be applicable to the Company is required for the due execution, delivery and performance by the Company of the Credit Agreement and the Notes, or for the borrowings of the Company thereunder.

3. The Credit Agreement and the Revolving Credit Notes dated and delivered as of the date hereof are, and the other Notes when executed and delivered under the Credit Agreement will be, legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms.

Our opinions set forth in paragraph 3 above are subject to the effects of bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws relating to or affecting creditors' rights generally and general principles of equity (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

With your permission, we do not express any opinion as to:

(a) the effect of the law of any jurisdiction other than the State of New York wherein any Lender may be located or wherein enforcement of the Credit Agreement or the Notes may be sought that limits the rates of interest legally chargeable or enforceable.

(b) any indemnification obligations of the Company under the Credit Agreement to the extent such obligations might be deemed to be inconsistent with public policy.

(c) any provision of the Credit Agreement that purports to establish an evidentiary standard for determinations by the Lenders or the Agent.

We are members of the Bar of the State of New York and do not purport to be experts on, or to express any opinions herein concerning, any law other than the laws of the State of New York, the federal laws of the United States of America and the General Corporation Law of the State of Delaware. To the extent that our opinions expressed herein involve conclusions as to matters set forth in the Company Opinion, we have assumed without independent investigation the correctness of the matters set forth in the Company Opinion,

our opinions being subject to the assumptions, qualifications and limitations set forth in the Company Opinion with respect thereto.

This opinion is rendered only to you and is solely for your benefit in connection with the execution and delivery of the Credit Agreement. This opinion may not be relied upon by you for any other purpose, or relied upon by or furnished to any other person, firm, or corporation for any purpose, without our prior written consent, except that a copy may be furnished to, but not relied upon by, an Eligible Assignee which is a prospective assignee under the Credit Agreement.

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 December 10, 1999 (the "CREDIT AGREEMENT"), among Hershey
Foods Corporation (the "COMPANY"), the Lenders party thereto, Citibank, N.A., as
administrative agent (the "AGENT") for said Lenders, Nationsbanc Montgomery
Securities, Inc., as co-syndication agent, and Salomon Smith Barney Inc., as
co-syndication agent and arranger. 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,

U.S. \$200,000,000

AMENDED AND RESTATED
364-DAY CREDIT AGREEMENT

Dated as of December 10, 1999

Among

HERSHEY FOODS CORPORATION,

AS BORROWER,

and

THE INITIAL LENDERS NAMED HEREIN,

AS INITIAL LENDERS,

and

CITIBANK, N.A.,

AS ADMINISTRATIVE AGENT,

and

BANC AMERICA SECURITIES LLC

AS CO-SYNDICATION AGENT

and

SALOMON SMITH BARNEY INC.,

AS CO-SYNDICATION AGENT AND ARRANGER

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01.	Certain Defined Terms.....	1
SECTION 1.02.	Computation of Time Periods.....	12
SECTION 1.03.	Accounting Terms.....	12

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01.	The Revolving Credit Advances.....	12
SECTION 2.02.	Making the Revolving Credit Advances.....	13
SECTION 2.03.	The Competitive Bid Advances.....	14
SECTION 2.04.	Fees.....	19
SECTION 2.05.	Termination, Reduction or Increase of the Commitments...	19
SECTION 2.06.	Repayment of Revolving Credit Advances.....	22
SECTION 2.07.	Interest on Revolving Credit Advances.....	23
SECTION 2.08.	Interest Rate Determination.....	24
SECTION 2.09.	Optional Conversion of Revolving Credit Advances.....	25
SECTION 2.10.	Optional Prepayments of Revolving Credit Advances.....	25
SECTION 2.11.	Increased Costs.....	26
SECTION 2.12.	Illegality.....	27
SECTION 2.13.	Payments and Computations.....	27
SECTION 2.14.	Taxes.....	28
SECTION 2.15.	Sharing of Payments, Etc.....	31
SECTION 2.16.	Use of Proceeds.....	31
SECTION 2.17.	Mandatory Assignment by a Lender; Mitigation.....	31
SECTION 2.18.	Extension of the Termination Date and the Final Maturity Date.....	32

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.....	35
SECTION 3.03.	Conditions Precedent to Each Revolving Credit Borrowing..	36
SECTION 3.04.	Conditions Precedent to Each Competitive Bid Borrowing...	37
SECTION 3.05.	Conditions Precedent to Extension of the Final Maturity Date.....	38
SECTION 3.06.	Determinations Under Section 3.01.....	38

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.....	41
SECTION 5.02.	Negative Covenants.....	45

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01.	Events of Default.....	46
---------------	------------------------	----

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.....	50
SECTION 7.05.	Continuing Guaranty; Assignments under the Credit Agreement.....	51
SECTION 7.06.	No Stay.....	51

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.....	52
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.....	61
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 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 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 to the Company

Exhibit I - Form of Opinion of Counsel to a Designated Subsidiary

NOTE: A LETTER DATED MARCH 13, 2000, REQUESTING CONFIDENTIAL TREATMENT OF CERTAIN INFORMATION CONTAINED HEREIN HAS BEEN FILED WITH THE SECRETARY OF THE SECURITIES AND EXCHANGE COMMISSION. INFORMATION FOR WHICH SUCH REQUEST HAS BEEN MADE HAS BEEN DELETED FROM THIS FILING. PLACES WHERE INFORMATION HAS BEEN DELETED ARE MARKED AS FOLLOWS: [CONFIDENTIAL INFORMATION DELETED]

AMENDED AND RESTATED TRADEMARK AND TECHNOLOGY LICENSE AGREEMENT

THIS AGREEMENT (the "Agreement"), made and entered into as of June 30, 1999, by and between HUHTAMAKI FINANCE B.V., a Dutch corporation, with its principal place of business at Burgemeester Rijnderslaan 26, P.O. Box 49, 1 180 AA Amstelveen, The Netherlands (the "Licensor") and HERSHEY CHOCOLATE & CONFECTIONERY CORPORATION (formerly Homestead, Inc.), a Delaware corporation, with its principal place of business at 5060 Ward Road, Wheat Ridge, CO 80033 (the "Licensee").

WHEREAS, Licensor and Licensee are parties to that certain Trademark and Technology License Agreement dated December 30, 1996 (the "Original Agreement") pursuant to which Licensor has licensed certain trademarks, and certain registrations and applications therefor, used in connection with the manufacture and sale of confectionery and other products in the Territory (as hereinafter defined) and with which goodwill of substantial value is associated;

WHEREAS, on May 25, 1999, Huhtamaki Oyj, a Finnish corporation and the parent company of the Licensor, entered into a separate agreement on the sale of its gum and confectionery business to CSM nv, a Dutch corporation, and in connection with which Licensor desires to terminate Licensee's right and license to use the XyliFresh trademark and associated trade dress.

WHEREAS, Licensee desires to expand the territory of its right and license to produce, market, advertise, promote, sell, distribute or offer for sale Products (as hereinafter defined) under the Trademarks (as hereinafter defined) to cover the area of the entire world, and, in connection therewith, Hershey Canada, Inc., an Ontario corporation and an affiliated company of the

Licensee, desires to purchase, dismantle and remove a Jolly Rancher product line located in Bristol, England owned by Leaf United Kingdom Ltd, an English corporation, pursuant to a separate agreement signed as of the date hereof; and

WHEREAS, as a result of changed circumstances resulting from the consummation of the transactions contemplated by the Purchase Agreement, Licensor and Licensee desire to amend and restate the Original Agreement as set forth herein effective from and after June 30, 1999;

NOW, THEREFORE, for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

ARTICLE I

DEFINITIONS

1.1. The following capitalized terms shall have the following meanings wherever used in this Agreement:

(a) "Affiliate" of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where "control" means the possession, directly or indirectly of the power to direct the management and policies of a Person whether through the ownership of voting securities, contract or otherwise.

(b) "Annual Period" means each twelve (12) calendar month period beginning on January 1 and ending on the subsequent December 31 during the term of this Agreement (except in the case of the first Annual Period which shall begin on the date hereof and end on December 31, 1999 and in the case of the last Annual Period which shall end upon the date of termination or expiration of this Agreement).

(c) "Effective Date" shall mean July 1, 1999.

(d) "Original Effective Date" means December 30, 1996.

(e) "Net Sales" means (i) the sales of Products under the Trademarks invoiced to third parties by Licensee or invoiced to third parties by any sublicensed Affiliate of Licensee LESS any value added, general sales and similar taxes (to the extent included in the invoiced price), sales rebates and discounts, including rebates, commissions to wholesalers and premiums, other price reductions and payments to customers, rebates to customers for price differences and returns, provisions for price reductions and trade discounts; plus (ii) the sales of confectionery Products (which shall not include any sales of products, such as ice cream or cookies for example, in which any such confectionery Product is an ingredient) under the Trademarks invoiced to third parties by any third party sublicensee of Licensee or invoiced to third parties by any third party sublicensee of any sublicensed Affiliate of Licensee less any value added, general sales and similar taxes (to the extent included in the invoiced price), sales rebates and discounts, including rebates, commissions to wholesalers and premiums, other price reductions and payments to customers, rebates to customers for price differences and returns, provisions for price reductions and trade discounts; plus (iii) the royalties or other equivalent payments received by Licensee or any sublicensed Affiliate of Licensee from any third party sublicensee for sales of non-confectionery Products under the Trademarks (which shall include any royalties or other equivalent payments for sales of products, such as ice cream or cookies, for example, in which any confectionery Product is an ingredient but only if and to the extent such royalties or other equivalent payments relate to or are based upon the inclusion of the confectionery Product in such products). If any of the Products covered by clause (i) or the confectionery Products covered by clause (ii) above are sold in a manner (such as a package of assorted candies for example) in which a separate price for the Product or confectionery Product, as the case may be, is not established, then the amount of sales to be included in Net Sales shall be calculated on the basis of the Product's or confectionery Product's proportionate weight or value, as appropriate in the circumstances.

(f) "Patent Rights" means all patents and patent applications owned by or registered in the name of Licensor as of the Original Effective Date that prior to the Original Effective Date were used in, or that otherwise relate to, the production, manufacture, use, sale, distribution or composition of the Products, as set forth in SCHEDULE B-1 hereto.

(g) "Person" means any individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

(h) "Products" means:

(i) the products marketed and sold as of the Original Effective Date in the Territory by Licensor or any pre-Original Effective Date Affiliate of Licensor and the products marketed and sold as of the Effective Date on a global basis, excluding the Territory, by the Licensor or any pre-Effective Date Affiliate of Licensor, which bear or are distributed or sold under any of the Trademarks; and

(ii) any product or service in connection with which any of the Trademarks is used and which is added to this Agreement by Licensee in accordance with SECTION 2.4.

(i) "Purchase Agreement" means that certain Stock Purchase and Sale Agreement, dated as of November 23, 1996 by and among Huhtamaki Oy (a Finnish corporation and the parent of Licensor), Licensor, Hershey Holding Corporation (then a Delaware corporation and the parent of Licensee) and Hershey Foods Corporation (a Delaware corporation and then a second tier parent of Licensee).

(j) "Technical Information" means the Intellectual Property (as defined in the Purchase Agreement and other than the Trademarks), including that set out in SCHEDULE B-2 hereto, which was owned by or registered in the name of Licensor as of the Original Effective Date and which prior to the Original Effective Date was used in, or which otherwise related to, the conception, development, production, manufacture, sale or distribution of the Products, including but not limited to the following: ingredients composition and recipes; formulae; standards for raw materials, packaging and labeling; quality control standards; and processes and technical descriptions for the transformation of raw materials into finished products.

(k) "Territory" means North America (including without limitation, the United States of America, Canada and Mexico and each of their

possessions, territories and dependencies, including without limitation the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands and American Samoa), the Caribbean, Central America and South America, and all government and military establishments and installations thereof wherever located worldwide provided the sale of Products first occurs in North America (as defined above), the Caribbean, Central America or South-America. The Territory shall further include all duty free shops located in North America (as defined above), the Caribbean, Central America and South America.

(l) "Trade Dress" means the labels, packaging, and related associated materials, including designs and colors, and copyrights (including those set forth on SCHEDULE A), previously used in the Territory by Licensor or any of its pre-Original Effective Date Affiliates or heretofore used anywhere in the world excluding the Territory by Licensor or any of its pre-Effective Date Affiliates in connection with or heretofore relating to the Products and any modifications, variations or extensions thereof.

(m) "Trademarks" means the trademarks set out in SCHEDULE A including any and all registrations and applications for registration thereof, goodwill associated therewith and common law and all other rights appertaining thereto throughout the world and any modifications, variations or extensions thereof, and the Trade Dress associated therewith.

ARTICLE 2

GRANT OF RIGHTS

2.1. GRANT OF TRADEMARK LICENSE. The Licensor (for itself and its Affiliates) does hereby grant to the Licensee, and the Licensee accepts, the exclusive (even as to Licensor and its Affiliates) authority, right and license to produce, market, advertise, promote, sell, distribute or offer for sale the Products under the Trademarks on a global basis and to use the Trademarks as trade names in connection therewith. This exclusive grant to Licensee shall preclude each of the Licensor and its Affiliates from producing, marketing, advertising, promoting, selling, distributing or offering for sale any product or service under a trademark that is the same as or confusingly similar to any of the Trademarks.

While the exclusive grant of trademark license relating to Trademarks became effective in the Territory on the Original Effective Date, the exclusive grant of trademark license relating to Trademarks shall become effective on a global basis on the Effective Date with the exception of trademarks and trade dress associated with "Jolly Rancher" and "Milkduds" and any modifications, variations or extensions thereof, which shall become effective on an exclusive basis outside of the Territory on September 30, 2000 being non-exclusive outside of the Territory from the Effective Date through September 30, 2000. From the Effective Date through September 30, 2000, the Licensee shall retain its exclusive (even as to Licensor and its Affiliates) authority, right and license to produce, market, advertise, promote, sell, distribute or offer for sale the Products under the Trademarks in the Territory and to use the Trademarks as trade names in connection therewith under the Original Agreement.

2.2 CONSIDERATION. In consideration for the right and license herein granted to the Licensee to use the Trademarks in connection with the Products on a global basis, the Licensee agrees (i) to pay to the Licensor or its assignee an amount of Five Hundred Thousand Dollars (USD\$500,000) payable in one installment on the Effective Date in immediately available funds by wire transfer to an account designated by the Licensor and (ii) to convey to Licensor, as of the Effective Date, all of its right and license to use the trademark "XyliFresh" together with its exclusive right to use in the Territory all Patent Rights and Technical Information related thereto, and any modifications, variations or extensions thereof, and all of its trademark registrations and applications therefor, and Licensee shall cancel all of its security interests related thereto. As of the Effective Date, Licensee shall cease any and all use of the XyliFresh trademark and trade dress (subject to Licensee's right to dispose of inventory on hand as of the Effective Date), and its right to use any Patent Rights and Technical Information associated therewith, provided, however, that nothing herein shall prevent Licensee from using any Patent Rights and/or Technical Information associated with any Product produced, marketed, advertised, promoted, sold, distributed or offered for sale by Licensee or any sublicensed Affiliate of Licensee prior to the Effective Date with respect to which any Patent Right and/or Technical Information associated with XyliFresh was used ("XyliFresh Technical Information") (but no such Technical Information relating solely and specifically to the use of Xylitol as a sweetener in chewing gum) and with the signing of this Agreement Licensee

shall receive a non-exclusive license to use any XyliFresh Technical Information.

2.3. GOODWILL. The use of the Trademarks by Licensee and any of its sublicensees and the goodwill associated therewith shall enure solely to the benefit of the Licensor.

2.4. EXPANSION OF TRADEMARK USE BY LICENSEE. The Licensee shall have the absolute and unconditional right, subject only to the limitations imposed by any of the license or limitations agreements referred to on SCHEDULE A, to use in any jurisdiction anywhere in the world any of the Trademarks in any way in connection with the manufacturing, marketing, advertising, promoting, selling, distributing or offering for sale of any product or service in addition to those specified in SECTION 1.1.(H)(I). In the event of such use of a Trademark, such product or service shall thereupon become a Product as provided for in SECTION 1.1.(H)(II) and be subject to the terms and conditions of this Agreement, including but not limited to ARTICLE 4 AND 5 HEREOF, but only when such product or service bears or has a Trademark used in connection with it and solely with respect to the jurisdiction or jurisdictions in which such use of the Trademark occurs.

2.5. GRANT OF LICENSE TO TECHNICAL INFORMATION AND PATENT RIGHTS. Subject to the terms and conditions of this Agreement, Licensor (for itself and its Affiliates) hereby grants to Licensee, to the extent Licensor or its Affiliates have the right to do so, an exclusive license (even as to Licensor and its Affiliates) to use the Technical Information and the Patent Rights on a global basis without restriction as to use thereof by Licensee and its Affiliates in the conduct of any and all aspects of their respective businesses. To the extent necessary, Licensor agrees to obtain, at its expense, for use by Licensee the aforesaid rights from Licensor's Affiliates. Licensee shall at its expense maintain the Patent Rights.

While the exclusive license to use the Technical Information and the Patent Rights in the Territory became effective on the Original Effective Date, the exclusive license to use the Technical Information and Patent Rights on a global basis shall become effective on July 1, 1999 with the exception of Technical Information and Patent Rights associated with "Jolly Rancher" and "Milkduds", which shall become effective on an exclusive basis on September 30, 2000 being non-exclusive outside of the Territory from the Effective Date

through September 30, 2000.

2.6. TECHNICAL ASSISTANCE. (a) During the term of this Agreement, Licensor and its Affiliates shall, upon the reasonable request of Licensee or its Affiliates, and subject to the availability of personnel and other resources, make available to Licensee and its Affiliates the technical services of Licensor's and its Affiliates' personnel to advise Licensee and its Affiliates in the manufacture and marketing of the Products.

(b) Included in such technical services shall be the following:

- (i) technical instruction and consulting with Licensee's and its Affiliates' personnel with regard to manufacturing the Products;
- (ii) inspections and visits; and
- (iii) qualitative analysis.

(c) Technical assistance shall also include, but is not limited to, communicating information, advice and proposals with regard to details of the manufacturing processes and techniques for the Products, advice as to premises, purchase of machinery, installation of machinery, conditioning of premises, warehousing, purchasing of raw materials, transportation, packaging, shelf life, quality assurance and the like.

2.7. CONTINUED USE OF PATENT RIGHTS AND TECHNICAL INFORMATION. In the event of any termination of this Agreement, Licensee's rights hereunder with respect to the Patent Rights and Technical Information shall continue in full force and effect and shall not be impaired or diminished, except that Licensee's rights with respect to the use of the Patent Rights and Technical Information shall thereafter become non-exclusive.

2.8. NO INFRINGEMENT. Licensor (for itself and its Affiliates) represents and warrants that the Technical Information and Patent Rights comprise all such information and patents used heretofore by Licensor or any of its pre-Original Effective Date Affiliates in connection with the development, production, manufacture, distribution and sale of the Products in the Territory

and that to its knowledge the Technical Information and Patent Rights do not infringe or misappropriate the intellectual property rights of any third party.

2.9. BANKRUPTCY OR INSOLVENCY. (a) The rights granted to Licensee and its Affiliates under this Agreement are, and shall otherwise be deemed to be, for the purposes of Section 365(n) of the Bankruptcy Code, a license of "intellectual property" rights as defined in Section 101(35A) of the Bankruptcy Code.

Licensee, as licensee of rights under this Agreement, may fully exercise all of its rights for itself and on behalf of its Affiliates under the Bankruptcy Code, including, but not limited to, Licensee's rights to continue to exercise its rights licensed hereunder.

(b) Licensor hereby grants to Licensee a first priority security interest in the Trademarks, Patent Rights and Technical Information, together with all good will associated therewith, to secure performance by Licensor of its obligations under this Agreement. Licensor shall cooperate and assist Licensee with the execution and filing of all documents necessary to perfect and record such grant of security interest on a global basis, including without limitation, filings in the United States Patent and Trademark Office, all of the expenses associated therewith being for the account of Licensee. Notwithstanding the foregoing, no security interest is granted under this Agreement in any Trademark, Patent Right or Technical Information where such grant would harm the validity of any such Trademark, Patent Right or Technical Information. Licensee agrees that it will, at its expense, terminate all security interests in the Trademarks, if this Agreement is terminated by Licensee pursuant to the provisions of SECTION 7.1 or if this Agreement is terminated pursuant to the provisions of SECTION 8.1(B). Licensee further agrees that in the event this Agreement and the Trademarks, Patent Rights and Technical Information are assigned by Licensor pursuant to the provisions of SECTION 10.3, Licensee will release its security interest vis-a-vis Licensor provided that Licensor and such assignee have previously taken all reasonable steps necessary, at Licensee's expense, to put Licensee in the same secured position with respect to the Trademarks, Patent Rights and Technical Information as Licensee was in prior to any such assignment and Licensee further agrees to cooperate and assist Licensor and such assignee in that regard.

ARTICLE 3

VALIDITY AND MAINTENANCE OF TRADEMARKS

3.1. Representations and Warranties as to Trademarks. As to the Trademarks, Licensor represents and warrants to Licensee that as of the Effective Date:

- (i) Except as limited only by Licensee's existing interest in the Trademarks in the Territory pursuant to the Original Agreement, Licensor is the sole and exclusive owner of the entire right, title and interest in and to the Trademarks in the Territory and, to the knowledge of Licensor, Licensor is the sole and exclusive owner of the entire right, title and interest in and to the Trademarks outside of the Territory;
- (ii) Licensor has full right to enter into this Agreement;
- (iii) The Trademarks do not infringe upon any registered or common law trademarks in the Territory, to the knowledge of Licensor, do not infringe upon any registered or common law trademarks outside the Territory and, to the knowledge of Licensor, do not infringe or misappropriate any other proprietary rights of any third parties;
- (iv) There are not now pending or threatened any claims or litigation and to the best of Licensor's knowledge, information and belief no basis for any such claims exist, which would affect the Trademarks;
- (v) Except as set forth on SCHEDULE A, Licensor has granted no other right or license permitting the use of the Trademarks; and
- (vi) To the extent so identified in SCHEDULE A each of the Trademarks is duly registered with the appropriate

government agencies in each country indicated on SCHEDULE A with respect thereto and the rights therein have not been abandoned.

3.2. NOTICE OF INFRINGEMENT AND PROTECTION OF TRADEMARKS. Each of the parties hereto agrees to give the other party written notice of any actual or threatened infringement of the Trademarks by a third party, promptly after information with respect to such infringement or threatened infringement comes to its attention. Licensee is hereby given the right, but not the obligation, to bring suit or take other action to eliminate such infringement or threatened infringement at its own expense in the name of itself, Licensor or both itself and Licensor, provided that Licensee shall provide prior notice to Licensor when bringing suit or taking other action in the name of Licensor or both itself and Licensor, and provided further that Licensee shall notify Licensor promptly after bringing suit or taking other action in its own name. Licensee shall not obligate Licensor for, or shall indemnify Licensor against, any costs, expenses, attorneys' fees or other obligations in connection with any such action or proceeding. Further, Licensor shall cooperate with Licensee at Licensee's expense in connection with any such action or proceeding. Any damages recovered in any such action or proceeding, less all court costs and other expenses, including expenses incurred by Licensor, shall be for the account of Licensee. If, after learning of an infringement of the Trademarks, Licensee chooses not to bring suit against such infringer or take other action to eliminate such infringement or threatened infringement, Licensor shall have the right but not the obligation to bring an action against such infringer at its own expense and any final award or settlement resulting therefrom shall be for the account of Licensor.

3.3. MAINTENANCE OF TRADEMARKS. Licensee, at its own expense, shall have primary responsibility for the maintenance of all registrations of the Trademarks on a global basis, and shall pursue any currently pending and any future applications for registration therefor (and shall have the right to pursue registration of any trademark identical to a Trademark in jurisdictions within the Territory where such registration does not exist on the Original Effective Date or outside the Territory on the Effective Date), on behalf of the Licensor, and, in the service thereof, shall provide Licensor with such documentation as may be necessary to permit Licensor to execute any applications for registrations and renewals as may be necessary with respect to such

Trademarks (or trademarks) in the name of Licensor. If the Licensor shall fail to take any action appropriately requested by Licensee to maintain or register a Trademark (or trademark identical to a Trademark as provided for above), Licensee may, after written notice to Licensor, register such Trademark (or trademark) in its own name and thereafter promptly assign such registration to Licensor. The parties agree to cooperate in obtaining and maintaining such registrations, renewals and assignments, if any. All trademark rights obtained in accordance with the provisions of this SECTION 3.3 shall be included within the license grant of SECTION 2.1 immediately upon such acquisition and without the requirement of any further action by Licensor or Licensee; and SCHEDULE A hereto shall be supplemented accordingly.

3.4. MODIFICATION OF TRADEMARKS AND TRADE DRESS. Licensee shall have the right to modify the format of the Trademarks and the Trade Dress associated therewith if in its reasonable business judgment it determines that such modifications are necessary or desirable. Any such modified Trademarks shall be owned by Licensor and shall be included within the license grant of SECTION 2.1 and shall be considered a Trademark under this Agreement without the requirement of any notice to or further action by Licensor or Licensee and SCHEDULE A hereto shall be supplemented accordingly. Licensee shall have the right to pursue registration in Licensor's name of any such modified Trademark in accordance with SECTION 3.3.

ARTICLE 4

STANDARDS OF QUALITY

4.1. WARRANTY AS TO PRODUCTS. Licensee warrants to Licensor that the Products in connection with which the Trademarks are used shall, at all times, conform to Good Manufacturing Practices (GMPs) and shall conform in all material respects with all laws and regulations applicable. Products will be produced, packaged, advertised and distributed consistent with the quality standards applied prior to the Original Effective Date by Licensor or any of its pre-Original Effective Date Affiliates to the Products in the Territory and consistent with the quality standards applied prior to the Effective Date by Licensor or any of its pre-Effective Date Affiliates to the products outside the Territory. Any new Products introduced in the Territory after the Original

Effective Date or introduced outside of the Territory after the Effective Date shall also be produced and packaged consistent respectively with such quality standards. In the case of new Products which are not confectionery products, such Products shall be produced consistent with the quality standards applied by reputable manufacturers of such products.

4.2. INSPECTIONS AND SAMPLES. Licensee agrees that Licensor or its duly authorized agent (PROVIDED that Licensor or such agent shall have executed a confidentiality agreement reasonably satisfactory to Licensee) shall have the right, on an annual basis at a time to be agreed upon by Licensor and Licensee, to inspect the manufacturing process utilized to produce the Products under this Agreement to ensure compliance with the quality standards set forth herein. The inspection shall be limited to those areas of the facilities where the Products are manufactured, and the Licensor agrees to such restrictions on such inspections as may be required under the Licensee's contractual arrangements with third parties. During such inspections, (i) review may be made of quality control and manufacturing reports as may be reasonably requested, (ii) Licensor or its duly authorized agent may take a reasonable number of representative samples of the Products for quality audit purposes, and (iii) Licensor or its duly authorized agent may review representative samples of promotional, marketing and point-of-sale materials for the Products illustrating Licensee's use of the Trademarks.

ARTICLE 5

PROMOTION OF PRODUCTS

5.1. BEST EFFORTS. Licensee shall use its best efforts commercially reasonable in the circumstances and consistent with Licensee's marketing and sales promotion practices to market and promote the sale and distribution of the Products under the Trademarks in North America. It is understood and agreed between the parties that Licensee's obligation pursuant to the foregoing sentence shall not limit Licensee's ability to curtail or discontinue the marketing, promotion or sale of Products, provided Licensee determines that it is commercially reasonable to do so based on the same criteria it employs in connection with the curtailment or discontinuance of the marketing, promotion or sale of its own confectionery products.

ARTICLE 6

ROYALTIES

6.1. PAYMENT OF ROYALTIES. In consideration of the right and license herein granted to the Licensee to use the Trademarks in connection with the Products, the Licensee agrees to pay to the Licensor, or to such other party as the Licensor may hereafter direct to Licensee in writing, the royalties set forth in SECTION 6.2 hereof in the amounts and manner set forth therein and in SECTION 6.4.

6.2. ROYALTY PAYMENTS.

(a) Licensee shall pay an annual royalty as follows:

- (i) [CONFIDENTIAL INFORMATION DELETED] for a period commencing on the Original Effective Date through the tenth (10th) anniversary of the Original Effective Date;
- (ii) [CONFIDENTIAL INFORMATION DELETED] from the tenth (10th) anniversary of the Original Effective Date through the twentieth (20th) anniversary of the Original Effective Date; and
- (iii) [CONFIDENTIAL INFORMATION DELETED] from the twentieth (20th) anniversary of the Original Effective Date until the termination or expiration of this Agreement.

(b) In each Annual Period hereunder, Licensee shall make quarterly royalty payments to Licensor covering Net Sales during Licensee's accounting quarter no later than forty five (45) days after the end of each of the first three accounting quarters and sixty (60) days after the end of Licensee's fourth accounting quarter. The royalty payment for Net Sales during Licensee's fourth accounting quarter shall be adjusted to properly reflect Net Sales for the Annual Period and for purposes of the first Annual Period hereunder (the period ending on December 31, 1999) shall take into account

royalty payments for Net Sales made or to be made under the Original Agreement for the period from January 1, 1999 to the Effective Date. To the extent permitted under applicable United States securities laws, Licensee agrees that in December (following the completion of the Licensee's and its sublicensed Affiliates' annual marketing plans for the Products for the following fiscal year) of each year it will advise Licensor of the amount of Licensee's and its sublicensed Affiliates' planned aggregate sales of the Products for such fiscal year and Licensor agrees to treat such information confidentially.

(c) [CONFIDENTIAL INFORMATION DELETED]

6.3. PAYMENT OF ROYALTIES; WITHHOLDING TAXES. All royalty and interest payments shall be made in United States dollars. Royalties not paid by Licensee by the date specified in SECTION 6.2 shall bear interest from the date specified for payment herein until actually paid at an interest rate equal to the prime lending rate quoted and in effect from time to time by The Chase Manhattan Corporation or its successor. All royalty payments which are required to be made hereunder by the Licensee to the Licensor shall be made in immediately available funds at a bank designated by the Licensor from time to time. All royalty payments shall be subject to any applicable taxes, if any, which are required to be withheld, PROVIDED that the same are forthwith remitted and evidence of such remittance to the appropriate taxing authority is provided to the Licensor upon request.

6.4. RECORDS AND REPORTS. At all times during the Term of this Agreement, Licensee shall (in accordance with its customary record retention policy) keep true, accurate and complete records of total quantities of the Products sold and the Net Sales in sufficient detail to permit the determination of royalties payable in respect thereof. At the time Licensee makes its quarterly payment of royalties pursuant to SECTION 6.2, Licensee shall provide Licensor with a royalty report for such quarter as to the royalty payments due for that quarter. The royalty report shall state, in reasonable detail, (a) the Net Sales for each Product, (b) total Net Sales, and (c) the amount of royalties due for such quarter. At the request and expense of Licensor, Licensee shall permit an independent public accountant selected by Licensor to have access to, examine and, with the consent of Licensee (which consent shall not be unreasonably withheld), copy during ordinary business hours such books, records

and accounts as may be necessary or advisable to enable such accountant to verify or determine the royalty paid or payable under this Agreement and Licensee shall render all reasonable assistance to such accountant in that regard.

6.5. NO RELIEF. Nothing stated in this Article 6 shall relieve the Licensee from making payments to the Licensor pursuant to the Original Agreement in respect of periods preceding the Effective Date.

ARTICLE 7

TERM

7.1. TERM. This Agreement shall have an initial term of seven years and six months commencing on the Effective Date at which time it shall replace the Original Agreement. Thereafter, this Agreement shall be renewed automatically without any prior notice to or action by either party or any of their respective Affiliates, successors or assigns for periods of ten (10) years each, unless terminated (i) by Licensee at the end of the first renewal term or any subsequent ten (10) year renewal term on not less than six (6) months prior notice to Licensor, or (ii) pursuant to the provisions of SECTION 8.1 (B). Upon any such termination, all of the Trademarks shall remain the property of the Licensor and no rights therein shall be deemed transferred to the Licensee, and Licensee shall immediately cease all use of the Trademarks, subject to Licensee's right to dispose of inventory on hand as of the date of termination.

ARTICLE 8

REMEDIES FOR BREACH

8.1. BREACH OF PAYMENT OBLIGATIONS BY LICENSEE.

(a) Licensor acknowledges and agrees that it shall have no right to terminate this Agreement or any of Licensee's rights hereunder except as expressly set forth in this SECTION 8.1.

(b) In the event of a willful breach by Licensee of its payment obligations pursuant to ARTICLE 6 hereof, Licensor may send a written notice to Licensee stating that it has breached its payment obligations, specifying in detail the nature of such breach and requiring Licensee to rectify such breach.

If such breach is not rectified by Licensee within a period of thirty (30) days after receiving written notice from Licensor, Licensor shall be entitled to exercise any remedies it may have hereunder, including termination of this Agreement.

(c) Notwithstanding the provisions of Section 8.1(b), in the event Licensee disputes in good faith the alleged breach by disputing the amount of royalties owed by Licensee pursuant to SECTION 6.2 hereof, such dispute shall be resolved exclusively by arbitration pursuant to SECTION 8.3 and in accordance with the procedures set forth therein, and shall, in no event, give rise to Licensor's ability to terminate this Agreement. Such arbitration shall be the sole and exclusive dispute resolution mechanism for resolving such matter, the parties hereto voluntarily waiving for themselves and their respective Affiliates any other rights or remedies any of them may have in any jurisdiction to resolve such matter.

8.2. OTHER MATERIAL BREACHES.

(a) Except as set forth in SECTION 8.1, in the event one party determines that the other party has committed a material breach of a provision of this Agreement, such party may provide written notice to the breaching party ("Breach Notice") specifying the material breach complained of in reasonable detail and requiring such other party to rectify such breach. The breaching party shall then have ninety (90) days from receipt of the Breach Notice to rectify such breach or, if such material breach is such that it cannot be rectified within the said ninety (90) day period but is capable of being rectified within a reasonable period of time thereafter, to begin to rectify such breach within such ninety (90) day period and thereafter to proceed diligently to complete the rectification of the breach within a reasonable period. In the event that the party receiving the Breach Notice does not rectify the breach within the time period specified in the preceding sentence, the non-breaching party shall have the right to invoke binding arbitration pursuant to SECTION 8.3. Such arbitration shall be the sole and exclusive dispute resolution mechanism for resolving such matter, the parties hereto voluntarily waiving for themselves and their respective Affiliates any other rights or remedies any of them may have in any jurisdiction to resolve such matter.

(b) Notwithstanding the foregoing, in the event the party receiving a Breach Notice disputes the other party's assertion that it has committed a material breach of this Agreement, such party shall promptly, and in any event within thirty (30) days after receiving such Breach Notice, send written notice of such dispute to the other party. The parties shall then commence good faith negotiations to resolve such dispute. In the event that the parties are unable to negotiate a resolution of such dispute within sixty (60) days of commencing such good faith negotiations, either party shall, if it wishes to pursue such dispute, invoke binding arbitration pursuant to SECTION 8.3. Such arbitration shall be the sole and exclusive dispute resolution mechanism for resolving such matter, the parties hereto voluntarily waiving for themselves and their respective Affiliates any other rights or remedies any of them may have in any jurisdiction to resolve such matter.

8.3. ARBITRATION. (a) In the event arbitration is required or invoked pursuant to SECTIONS 8.1 OR 8.2, such arbitration proceeding shall be conducted under the auspices of the Center for Public Resources (the "CPR") in New York, New York pursuant to the CPR's Model ADR Procedures and Practices, Rules and Commentary for Arbitration. The arbitrators in any such arbitration shall be persons knowledgeable in the industry with regard to the subject matter of the arbitration. Both the foregoing agreement of the parties to arbitrate any and all such claims, and the results, determination, finding, judgment and/or award rendered through such arbitration, shall be final and binding on the parties thereto and may be specifically enforced by legal proceedings in a court having jurisdiction over the party in question. It is expressly understood and agreed by the parties that the arbitrators in any such arbitration shall have the right to order injunctive relief (both preliminary and permanent injunctions) and/or payment of damages as the sole and exclusive remedy or remedies awarded to either party in connection with matters referred to them pursuant to SECTIONS 8.1 AND 8.2 but in no event shall they have the right to order termination of all or any part of this Agreement.

(b) Licensor shall appoint one (1) arbitrator, and Licensee one (1) arbitrator within a term of thirty (30) days from the date arbitration is required or invoked pursuant to SECTIONS 8.1 OR 8.2, and the two (2) arbitrators so appointed shall appoint the third arbitrator (who shall also be knowledgeable

in the industry with regard to the subject matter of the arbitration) within a term of thirty (30) days from the date on which the later of the two (2) arbitrators has been selected.

(c) If either Licensor or Licensee fails to select its arbitrator within the term mentioned above, or in the event that the two (2) selected arbitrators are unable or unwilling to select a third arbitrator within thirty (30) days following the selection of the later of them, then the CPR shall select such arbitrator (meeting the criteria set out in SECTION 8.3(B), and the three (3) arbitrators so selected shall constitute the arbitration panel for purposes of the dispute. The parties shall have thirty (30) days thereafter to submit their position to the arbitrators. The arbitrators shall be instructed and required to render their decision within thirty (30) days following completion of the arbitration.

(d) Each party shall bear separately the cost of their respective attorneys, witnesses and experts in connection with such arbitration and shall jointly bear the costs of the arbitrators.

(e) The parties hereby waive any claim to any damages in the nature of punitive, exemplary or statutory damages in excess of compensatory damages, and the arbitration tribunal is specially divested of any power to award any damages in the nature of punitive, exemplary or statutory damages in excess of compensatory damages, or any form of damages in excess of compensatory damages.

(f) The arbitrators shall be the exclusive judges of relevance and materiality. No witness or party may be required to waive any privilege recognized by law.

(g) Unless the arbitrators shall otherwise rule in the interest of justice, all direct or rebuttal testimony shall be submitted in the form of sworn affidavits, provided that at the request of another party, the party submitting the affidavit will make the affiant available for cross-examination. If the affiant is not made available for cross-examination, the affidavit shall not be considered as evidence by the arbitrators except if the arbitrators find that the affiant is beyond the control of the party offering the affidavit, the affiant is unavailable and the interests of justice require consideration of the evidence submitted by the affiant.

(h) Notwithstanding anything to the contrary in this Agreement, in the event of a breach by either party of SECTION 2.1 the other party shall be entitled, if it so elects, to institute and prosecute proceedings in any court of competent jurisdiction to enforce the specific performance of such party's obligations pursuant to such section.

ARTICLE 9

SURVIVAL OF REPRESENTATIONS

9.1. SURVIVAL OF REPRESENTATIONS. The representations and warranties of Licensor set forth in SECTION 3.1 hereof shall survive for a period of six months following the Effective Date. Any other representations and warranties set forth in this Agreement shall survive indefinitely.

ARTICLE 10

SUCCESSORS' SUBLICENSING AND ASSIGNMENT

10.1. BINDING UPON SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and shall enure to the benefit of the Licensor, its successors and assigns, and the Licensee, its successors and assigns.

10.2. SUBLICENSING. The Licensee and any of its Affiliates who may be a sublicensee may sublicense rights under this Agreement without notice to or the prior written consent of Licensor PROVIDED THAT (i) a copy of such part of any agreement pursuant to which such rights are being sublicensed as will permit the Licensor to verify that the provisions of clauses (ii) and (iii) of this SECTION 10.2 have been complied with is delivered to Licensor prior to the commencement of each such sublicense, (ii) the sublicensee is required to maintain standards of quality at least equivalent to those set forth in ARTICLE 4 of this Agreement and (iii) the Licensor shall have the same rights with respect to said sublicensee as are contained in ARTICLE 4 of this Agreement. Without limiting the foregoing, Licensor acknowledges and agrees that contemporaneously with the execution of this Agreement Licensee will enter into a sublicense of its rights hereunder with Hershey Foods Corporation.

10.3. ASSIGNMENT. Licensor may assign this Agreement in its entirety without the prior written consent of Licensee provided that any such assignment is made only in conjunction with an assignment of the Trademarks, Patent Rights and Technical Information to such assignee. Licensor further covenants and agrees that it shall not assign the Trademarks, Patent Rights or Technical Information other than in conjunction with its assignment of its rights and obligations under this Agreement to such assignee. Licensee may assign this Agreement (other than its obligations pursuant to SECTION 6.2(C), in whole or in part (including, without limitation, assignment of Licensee's rights and obligations under this Agreement with respect to one or more of the Trademarks) with respect to the United States as a whole, Canada as a whole, Mexico as a whole, the rest of the Territory as a whole and/or the world other than the Territory as a whole, without the prior written consent of Licensor, provided that any such assignee enters into an agreement with Licensor, in a form reasonably acceptable to Licensor, assuming all of Licensee's rights and obligations under this Agreement, and provided further that (a) Hershey Foods Corporation guarantees such assignee's performance of its obligations under this Agreement; or (b)(i) such assignee has at the time of the assignment a net worth of not less than \$500 million (for assignees of Licensee's rights and obligations under this Agreement in the entire Territory or in the United States as a whole) or \$200 million (for assignees of Licensee's rights and obligations under this Agreement in Canada as a whole, Mexico as a whole, the rest of the Territory as a whole and/or the world other than the Territory as a whole), and (ii) Licensor, after a reasonable and prompt good faith inquiry, has not determined that such assignee would be likely to adversely affect the good will, public perception or value of the Trademarks, or that such assignment would adversely affect the performance of the obligations of the licensee hereunder.

ARTICLE 11

MISCELLANEOUS

11.1. ADDITIONAL REPRESENTATIONS AND WARRANTIES. Each party represents and warrants to the other that the execution, delivery and performance by such party of this Agreement have been duly authorized by all necessary corporate action and all governmental consents, approvals and authorizations (except for

any of such which are not material to such party's ability to perform its obligations under this Agreement) required in connection with such execution, delivery and performance have been obtained and are in full force and effect.

11.2. RECORDAL. The parties hereto shall cooperate in connection with the recording of this Agreement or a summary thereof in those countries where such recordal is requested by Licensee in accordance with applicable law.

11.3. WAIVER. Failure or delay of either party at any time to require performance of any provisions under this Agreement shall not affect the right of such party to require full performance thereafter and a waiver by either party of a breach of any provision of this Agreement shall not be taken or held to be a waiver of any further or similar breach or as nullifying the effectiveness of such provision. A waiver of any provision hereunder shall be effective only if such waiver is in writing and signed by the party against whom such waiver is sought to be enforced. Failure or delay on the part of either party to exercise any right, remedy, power or privilege provided for herein shall not operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other rights, remedy, power or privilege.

11.4. ENTIRE AGREEMENT. This Agreement sets forth the entire agreement and understanding between the parties with respect to the subject matter hereof and merges and supersedes all prior discussions, representations, understandings and agreements, whether oral or in writing, between the parties with respect to such subject matter, including without limitation, the Original Agreement; provided, however, that nothing herein shall affect in any way the effectiveness of the Original Agreement from December 30, 1996 to June 30, 1999. This Agreement may be altered, modified or amended only by a written document signed by the parties hereto.

11.5. SEVERABILITY. In the event that any clause, term or provision hereof is determined by any court or administrative agency of competent jurisdiction to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof will not in any way be affected or impaired thereby.

11.6. FORCE MAJEURE. Any delays in or failure of performance by either party under this Agreement shall not be considered a breach hereof if such delay or failure is occasioned by an event beyond the reasonable control of the party affected ("force majeure"), provided that the Licensee shall continue to be obligated to pay to the Licensor any and all amounts which it shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of such an event, and FURTHER PROVIDED THAT any party whose performance is so delayed shall give prompt notice thereof to the other party and shall use all reasonable endeavors to comply with the terms of this Agreement as soon as possible. Force majeure in this context shall include, without limitation, acts of government, acts of God, fires, floods, explosions, riots, civil disturbances, strikes, insurrections, earthquakes, wars, rebellion and epidemics.

11.7. NOTICES. Any notice referred to in this Agreement may be given either (i) by first class certified or registered airmail, return receipt requested, postage prepaid, or (ii) by means of electronic recorded transmission whereby the party giving such notice receives an immediate electronic acknowledgment of receipt from the recipient. Any such notice shall be deemed to be properly given and served when received. Notices shall be in English and addressed to the parties as follows:

IF TO THE LICENSOR:

Huhtamaki Finance B.V.
Burgemeester Rijnderslaan 26
P.O. Box 49
1 180 AA Amstelveen
The Netherlands

ATTENTION: Managing Director

with a copy to:

Huhtamaki Oyj
Lansituulentie 7
02100 Espoo
Finland

ATTENTION: Vice President, Administration

IF TO THE LICENSEE:

Hershey Chocolate & Confectionery Corporation
5060 Ward Road
Wheat Ridge, CO 80033

ATTENTION: President and Counsel

with a copy to:

Hershey Foods Corporation
100 Crystal A Drive
Hershey, Pennsylvania 17033-0810

ATTENTION: Senior Vice President, General Counsel and Secretary

Either party may from time to time designate by written notice to the other party another address which it desires to be used for service of notices hereunder in lieu of such address.

11.8. PERFORMANCE BY AFFILIATES. Where performance of Licensor's or Licensee's duties or obligations under this Agreement requires or involves action by any of their respective Affiliates. Licensor or Licensee, as appropriate, shall secure such performance by such Affiliate.

11.9. APPLICABLE LAW. This Agreement and the legal relations between the parties hereto shall, in all respects, be interpreted, construed and governed in accordance with the laws of the State of New York, without reference to the choice of law principles of such laws (other than Section 5-1401 of the New York General Obligations Law)

11.10. EXCLUSIVE JURISDICTION. Any disputes arising out of or relating to this Agreement shall be resolved exclusively as provided in ARTICLE 8 hereof.

11.11. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which shall be deemed to have been executed simultaneously.

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

HUHTAMAKI FINANCE B.V.

By: _____
Name: Eero Aho
Title: Managing Director

By: _____
Name: Juha Salonen
Title: Managing Director

HERSHEY CHOCOLATE &
CONFECTIONERY CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE A TO TRADEMARK AND TECHNOLOGY LICENSE AGREEMENT

TRADEMARK REGISTRATIONS

(CHUCKLES, GOOD'N FRUITY, GOOD&PLENTY, HEATH, JOLLY RANCHER, MILK DUDS, PAYDAY, SIXLETS, WHOPPERS, ZERO)

COUNTRY	TRADEMARK	CLASSES	REG. NO.	REG. DATE	PROPRIETOR
U.S.					
CANADA					
MEXICO					
USA	Chuckles		0515075	Sep 13 1949	HFBV
	Good&Plenty		1289249	Aug 07 1984	HFBV
	Good&Plenty and Design		1328776	Apr 02 1985	HFBV
	Good'n Fruity & Design		0742450	Dec 18 1962	HFBV
	Good'n Fruity		1838788	Jun 07 1994	HFBV
	Good'n Fruity Fruit Design		1825329	Mar 08 1994	HFBV
	Good and Plenty		0243197	Jun 12 1928	HFBV
	Heath		1404302	Aug 05 1986	HFBV
	Heath		1403352	Jul 29 1986	HFBV
	Heath Bits		1572237	Dec 19 1989	HFBV
	Heath		0793753	Aug 03 1965	HFBV
	Heath		0799191	Nov 23 1965	HFBV
	Heath Almond Toffee Chips		0675751	Mar 17 1959	HFBV
	Heath Double Dip Almond Toffee Chips		0673677	Feb 03 1959	HFBV
	Heath English Toffee Miniatures From the Makers of Heath		0782609	Dec 29 1964	HFBV
	Toffee Crunch		0788228	Apr 13 1965	HFBV
	Heath Toffee Premium		0699499	Jun 14 1960	HFBV
	Original Heath		1403351	Jul 29 1986	HFBV
	Soft'n Crunchy Heath		1436583	Apr 14 1987	HFBV
	Jolly Rancher		2055901	Apr 22 1997	HFBV
	Jolly Rancher		0695762	Apr 05 1960	HFBV
	Jolly Rancher		1923903	Oct 03 1995	HFBV
	Jolly Rancher		1923904	Oct 03 1995	HFBV
	Jolly Rancher		1684586	Apr 28 1992	HFBV
	JR&Design		1174430	Oct 20 1981	HFBV
	JR and Design		1821292	Feb 15 1994	HFBV
	JR and Design		1843021	Jul 05 1994	HFBV
	JR and Design		1880538	Feb 28 1995	HFBV
	JR and Design		1877705	Feb 07 1995	HFBV
	Milk Duds		1307327	Nov 27 1984	HFBV
	Payday		0370705	Sep 05 1939	HFBV
	Payday		1448756	Jul 21 1987	HFBV
	Sixlets		1023366	Oct 21 1975	HFBV
	Six 6 Lets		0644531	Apr 23 1957	HFBV
	Whoppers		0965678	Aug 07 1973	HFBV

Zero	0284982	Jul 14 1931	HFBV
Zero	1677789	Mar 03 1992	HFBV
Zero	1268127	Feb 21 1984	HFBV

Canada	Chuckles	38130		HFBV
	Chuckles	164092		HFBV
	Good'n Fruity & Design	214013		HFBV
	Good&Plenty	43049		HFBV
	Heath	713264	Application	HFBV
	Heath&Design	7131251	Application	HFBV
	Jolly Rancher	253159		HFBV
	Jolly Rancher & Design	806453	Application	HFBV
	Jolly Rancher	252228		HFBV
	JR Jolly Rancher	476066	May 12 1997	HFBV
	Milk Duds	382784		HFBV
	Payday	180150		HFBV
	Payday	155125		HFBV
	Whoppers	164110		Leaf Canada, Inc.
	Zero Design	179572		HFBV
	Zero Design	174381		HFBV
	Chuckle	39240	Jan 28 1926	HFBV
	Chuckles Canadian Jells	157169	Jun 07 1968	HFBV
	Heath (Oval) Design	187955	Jan 19 1973	HFBV
	Heath Sensations	432746	Sep 02 1994	HFBV
	Super Crunch Heath & Design	210960	Jan 06 1976	HFBV

Mexico	Chuckles & Design	443047		Leaf, Inc.
	Good&Plenty	417351		Leaf, Inc.
	Good'n Fruity	429720		Leaf, Inc.
	Heath&Design	422668		Leaf, Inc.
	Jolly Rancher	420571		Leaf, Inc.
	JR&Design	408947		Leaf, Inc.
	Milk Duds	421140		Leaf, Inc.
	Payday and Design	406888		Leaf, Inc.
	Sixlets	421139		Leaf, Inc.
	Whoppers	364539		Leaf, Inc.
	Zero and Design	406889		Leaf, Inc.
	Ranchers	463706		

CENTRAL &
SOUTH
AMERICA

Argentina	Heath	1501739		Leaf, Inc.
	Jolly Rancher	1584485	Dec 15 1995	Leaf, Inc.
	Milk Duds	1562946	May 31 1991	Leaf, Inc.
	Payday	1619604	Oct 23 1996	Leaf, Inc.
	Sixlets	1994518	Application	Leaf, Inc.
	Whoppers	1990881	Application	Leaf, Inc.

Zero 1639897 Jul 30 1997 Leaf, Inc.

Bolivia Heath 62579-C Nov 19 1996 Leaf, Inc.
Jolly Rancher 3155 Application Leaf, Inc.
Payday 62575-C Nov 19 1996 Leaf, Inc.
Sixlets 62577-C Nov 19 1996 Leaf, Inc.
Whoppers 62578-C Nov 19 1996 Leaf, Inc.
Zero 62576-C Nov 19 1996 Leaf, Inc.

Brazil Good'n Fruity 818635525 Application Leaf, Inc.
Heath 819116343 Application Leaf, Inc.
Heath & Design 818775297 Jun 23 1998 Leaf, Inc.
JR Jolly Rancher 818763981 Application Leaf, Inc.
Payday 818635517 Application Leaf, Inc.
Sixlets 818886390 Application Leaf, Inc.
Whoppers 818723505 Sep 30 1997 Leaf, Inc.
Zero&Design 818763990 Application Leaf, Inc.

Chile Heath 459915 Apr 16 1996 HFBV
Jolly Rancher 393517 Leaf, Inc.
Payday 318583 HFBV
Sixlets 528129 Nov 23 1998 Leaf, Inc.
Whoppers 235965 Leaf, Inc.
Zero 316112 Application Leaf, Inc.

Colombia Jolly Rancher 182524 Aug 31 1995 Leaf, Inc.
Milk Duds 169863 Leaf, Inc.
Payday 9421346 Application Leaf, Inc.
Sixlets 94040774 Application Leaf, Inc.
Whoppers 94040775 Application Leaf, Inc.

Costa Rica Heath 95035 Apr 03 1996 HFBV
Jolly Rancher 95036 Apr 03 1996 HFBV
Payday 95497 Jul 31 1996 HFBV
Sixlets 104318 Oct 23 1997 HFBV
Whoppers 95049 Apr 03 1996 HFBV
Zero 95046 Apr 03 1996 HFBV

Dominican Republic Heath 81702 Jan 15 1996 Leaf, Inc.
Jolly Rancher 81701 Jan 15 1996 Leaf, Inc.
Payday 81697 Jan 15 1996 Leaf, Inc.
Sixlets Application Leaf, Inc.
Zero 81700 Jan 15 1996 Leaf, Inc.
Whoppers Application Leaf, Inc.

Ecuador Heath 258697 Nov 14 1996 Leaf, Inc.
Jolly Rancher 258796 Nov 14 1996 Leaf, Inc.
Payday 155197 Jul 22 1997 Leaf, Inc.
Sixlets 74367 Application Leaf, Inc.
Whoppers 258596 Nov 14 1996 Leaf, Inc.

El Salvador	Chuckles	222, Book 57	Jul 1 1997	HFBV
	Jolly Rancher	69, Book 67	Jan 23 1998	Leaf, Inc.
	Payday	21, Book 68	Jan 27 1998	Leaf, Inc.
	Sixlets	2026-95	Application	Leaf, Inc.
	Whoppers	2016-95	Application	Leaf, Inc.
	Zero	2017-95	Application	Leaf, Inc.
Heath	70, Book 67	Jan 23 1998	Leaf, Inc.	

Guatemala	Jolly Rancher	085185	Mar 19 1997	Leaf, Inc.
	Payday	84279	Mar 20 1997	Leaf, Inc.
	Sixlets	84280	Mar 20 1997	Leaf, Inc.
	Whoppers	90380	May 05 1998	Leaf, Inc.
	Zero		Application	Leaf, Inc.

Haiti	Heath	114/108	Mar 25 1997	Leaf, Inc.
	Jolly Rancher	111/108	Mar 25 1997	Leaf, Inc.
	Payday	107/108	Mar 25 1997	Leaf, Inc.
	Sixlets	109/108	Mar 25 1997	Leaf, Inc.
	Whoppers	110/108	Mar 25 1997	Leaf, Inc.
	Zero	108/108	Mar 25 1997	Leaf, Inc.

Honduras	Heath	68664	Apr 30 1997	Leaf, Inc.
	Jolly Rancher	69085	Jul 24 1997	Leaf, Inc.
	Payday	69086	Jul 24 1997	Leaf, Inc.
	Sixlets	3139/96	Application	Leaf, Inc.
	Whoppers	68385	Apr 11 1997	Leaf, Inc.
	Zero	3140/96	Application	Leaf, Inc.

Panama	Heath	76890	Oct 11 1996	Leaf, Inc.
	Jolly Rancher	76888	Oct 11 1996	Leaf, Inc.
	Payday	042001		Leaf, Inc.
	Sixlets	037310		Leaf, Inc.
	Whoppers	037312		Leaf, Inc.
	Zero	041999		Leaf, Inc.

Peru	Heath	017735	Jul 27 1995	Leaf, Inc.
	Jolly Rancher	035471	Apr 30 1997	Leaf, Inc.
	Payday	026419	Apr 24 1996	Leaf, Inc.
	Sixlets		Apr 11 1996	Leaf, Inc.
	Whoppers	023353	Jan 12 1996	Leaf, Inc.
	Zero	021539	Dec 04 1995	Leaf, Inc.

Trinidad	Heath	25127	Application	Leaf, Inc.
	Jolly Rancher	25130	Application	Leaf, Inc.
	Payday	25134	Application	Leaf, Inc.
	Sixlets	25132	Application	Leaf, Inc.
	Whoppers	25131	Application	Leaf, Inc.
	Zero	25133	Application	Leaf, Inc.

Uruguay	JR Jolly Rancher	285260	Jul 14 1997	Leaf, Inc.
	Payday	277567	Application	Leaf, Inc.
	Sixlets	277566	Oct 30 1997	Leaf, Inc.
	Whoppers	279866	Application	Leaf, Inc.
	Zero	284850		Leaf, Inc.

Venezuela	Chuckles		72170-F		Leaf, Inc.
	Good&Plenty & Device		86151F		Leaf, Inc.
	Heath		873995	Application	Leaf, Inc.
	Jolly Rancher		2716-96	Application	Leaf, Inc.
	Payday		873895	Application	Leaf, Inc.
	Sixlets		874095	Application	Leaf, Inc.
	Whoppers		12597-95	Application	Leaf, Inc.
	Zero			Application	Leaf, Inc.

AFRICA

Egypt	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good&Plenty	30	676595 (IR)	Jun 27 1997	HFBV
	Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
	Heath	30	676092 (IR)	Jun 12 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Feb 26 1997	HFBV
	Milk Duds	30	676090 (IR)	Jun 12 1997	HFBV
	Payday	30	676104 (IR)	Jun 12 1997	HFBV
	Sixlets	30	676096 (IR)	Jun 12 1997	HFBV
	Whoppers	30	676028 (IR)	Jun 12 1997	HFBV

Morocco	Good&Plenty & Device	30	25168	Jul 18 1974	HFBV
---------	----------------------	----	-------	-------------	------

South Africa	Good'n Fruity			Pending	HFBV
	Good&Plenty & Device			Pending	HFBV
	Whoppers		79/6922		
	Heath	30		Pending	HFBV
	Jolly Rancher	30		Pending	HFBV
	Milk Duds	30		Pending	HFBV
	Sixlets	30		Pending	HFBV
	Whoppers	30	79/6922	May 14 1982	HFBV
	Zero	30		Pending	HFBV

MIDDLE EAST

Brunei	Whoppers		9231		
	Jolly Rancher	30	22339	Mar 20 1996	Leaf Group BV

Israel	Chuckles	30	110848	Apr 05 1998	HFBV
	Jolly Rancher	30	110852	Apr 05 1998	HFBV
	Payday	30	110854	Apr 05 1998	HFBV
	Sixlets	30	110855	Apr 05 1998	HFBV

Kuwait	Good&Plenty & Device		6763		

OAPI	Chuckles	30		Pending	HFBV
	Good&Plenty	30		Pending	HFBV
	Good'n Fruity	30		Pending	HFBV
	Heath	30		Pending	HFBV
	Jolly Rancher	30		Pending	HFBV
	Milk Duds	30		Pending	HFBV
	Payday	30		Pending	HFBV
	Sixlets	30		Pending	HFBV
	Whoppers	30		Pending	HFBV
	Zero	30		Pending	HFBV

Saudi Arabia	Chuckles	30	435/82	May 23 1998	HFBV
	Heath	30	434/65	May 06 1998	HFBV
	Jolly Rancher	30	435/84	May 23 1998	HFBV
	Milk Duds	30	434/64	May 23 1998	HFBV
	Payday	30	435/87	May 23 1998	HFBV
	Sixlets	30	418/44	May 23 1998	HFBV

United Arab Emirates	Chuckles	30	18776	Mar 31 1997	HFBV
	Good&Plenty	30	18774	Mar 31 1997	HFBV
	Good'n Fruity	30	18775	Mar 31 1997	HFBV
	Heath	30		Pending	HFBV
	Jolly Rancher	30	18771	Mar 31 1997	HFBV
	Milk Duds	30	19898	Mar 31 1997	HFBV
	Payday	30		Pending	HFBV
	Sixlets	30		Pending	HFBV
	Zero	30	18773	Mar 31 1997	HFBV

EUROPE					

Armenia	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV

Austria	Good&Plenty & Design	30	79753	Apr 28 1975	HFBV
	Jolly Rancher	30	604681 (IR)	Jun 28 1993	HFBV
	Payday	30	676104 (IR)	Oct 10 1997	HFBV

Azerbaijan	Jolly Rancher	30	604681 (IR)	Jan 23 1996	HFBV

Belarus	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good&Plenty	30	676595 (IR)	Jun 27 1997	HFBV
	Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
	Heath	30	676092 (IR)	Jun 12 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
	Milk Duds	30	676090 (IR)	Jun 12 1997	HFBV
	Payday	30	676104 (IR)	Jun 12 1997	HFBV
	Sixlets	30	676096 (IR)	Jun 12 1997	HFBV
	Whoppers	30	676028 (IR)	Jun 12 1997	HFBV

Belgium	Chuckles	30	602309 (Ben.)	Dec 30 1996	HFBV
	Good&Plenty	30	604102 (Ben.)	Dec 30 1996	HFBV
	Good'n Fruity	30	604101 (Ben.)	Dec 30 1996	HFBV
	Heath	30	603508 (Ben.)	Dec 30 1996	HFBV
	Jolly Rancher	30	527821 (Ben.)	Feb 19 1993	HFBV
	Jolly Rancher & Device	30	572958 (Ben.)	May 29 1995	HFBV
	Milk Duds	30	603507 (Ben.)	Dec 30 1996	HFBV
	Payday	30	603511 (Ben.)	Dec 30 1996	HFBV
	Sixlets	30	603510 (Ben.)	Dec 30 1996	HFBV
	Whoppers	30	602311 (Ben.)	Dec 30 1996	HFBV
	Whoppers	30	090664 (Ben.)	Dec 15 1971	Leaf Limited

Bosnia Herzegovina	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
-----------------------	---------------	----	-------------	-------------	------

Bulgaria	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good&Plenty	30	676595 (IR)	Jun 27 1997	HFBV
	Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
	Heath	30	676092 (IR)	Jun 12 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
	Milk Duds	30	676090 (IR)	Jun 12 1997	HFBV
	Payday	30	676104 (IR)	Jun 12 1997	HFBV
	Sixlets	30	676096 (IR)	Jun 12 1997	HFBV
	Whoppers	30	676028 (IR)	Jun 12 1997	HFBV

Croatia	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
---------	---------------	----	-------------	-------------	------

Czech Republic	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good&Plenty	30	676595 (IR)	Jun 27 1997	HFBV
	Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
	Heath	30	676092 (IR)	Jun 12 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
	Milk Duds	30	676090 (IR)	Jun 12 1997	HFBV
	Payday	30	676104 (IR)	Jun 12 1997	HFBV
	Sixlets	30	676096 (IR)	Jun 12 1997	HFBV
	Whoppers	30	676028 (IR)	Jun 12 1997	HFBV

Denmark	Good&Plenty & Design		163275		
	Milk Duds		06.371/1989		
	Whoppers		341/81		
	Jolly Rancher	30	7592/94	Nov 11 1994	Leaf Group BV
	Jolly Rancher	30	5096/95	Jul 28 1995	Leaf Group BV

Estonia	Milk Duds	30	24140	Aug 22 1997	HFBV
	Jolly Rancher	30	22896	Mar 21 1997	HFBV

Finland	Milk Duds	30	106549	Feb 20 1990	HFBV
	Jolly Rancher	30	134712	Nov 21 1994	HFBV
	Jolly Rancher & Device	30	204418	Feb 14 1997	HFBV

France	Chuckles	30	1745551	Jan 10 1991	HFBV
	Good&Plenty & Design	30	1283320	Sep 05 1984	HFBV
	Whoppers	30	1513721	Feb 09 1989	HFBV
	Whoppers	30	1502771	Dec 09 1988	Leaf Limited
	Jolly Rancher	30	604681 (IR)	Jun 28 1993	HFBV
	Payday	30	676104 (IR)	Oct 10 1997	HFBV
Germany	Chuckles	30	936700	Oct 17 1975	HFBV
	Jolly Rancher	30	604681 (IR)	Jun 28 1993	HFBV
	Payday	30	676104 (IR)	Oct 10 1997	HFBV
Hungary	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good&Plenty	30	676595 (IR)	Jun 27 1997	HFBV
	Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
	Heath	30	676092 (IR)	Jun 12 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
	Milk Duds	30	676090 (IR)	Jun 12 1997	HFBV
	Payday	30	676104 (IR)	Jun 12 1997	HFBV
	Sixlets	30	676096 (IR)	Jun 12 1997	HFBV
	Whoppers	30	676028 (IR)	Jun 12 1997	HFBV
Georgia	Jolly Rancher	30	4543	Feb 06 1997	Leaf Group BV
Greece	Good&Plenty & Device		53147		
	Jolly Rancher	30	113776	Dec 19 1995	Leaf Group BV
	Jolly Rancher & Device	30	125254	Dec 17 1997	Leaf Group BV
Ireland	Jolly Rancher	30	160666	Mar 16 1993	HFBV
	Jolly Rancher & Device	30	172858	Jun 01 1995	HFBV
Italy	Good&Plenty & Device	30	311509	Sep 23 1974	HFBV
	Jolly Rancher	30	604681 (IR)	Jun 28 1993	HFBV
	Payday	30	676104 (IR)	Oct 10 1997	HFBV
Kazakstan	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
Kyrgyzstan	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
Latvia	Milk Duds	30	M-38574	Oct 20 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
Lithuania	Jolly Rancher	30		Pending	HFBV
Luxembourg	Chuckles	30	602309 (Ben.)	Dec 30 1996	HFBV
	Good&Plenty	30	604102 (Ben.)	Dec 30 1996	HFBV
	Good'n Fruity	30	604101 (Ben.)	Dec 30 1996	HFBV
	Heath	30	603508 (Ben.)	Dec 30 1996	HFBV
	Jolly Rancher	30	527821 (Ben.)	Feb 19 1993	HFBV

Jolly Rancher & Device	30	527958 (Ben.)	May 29 1995	HFBV
Milk Duds	30	603507 (Ben.)	Dec 30 1996	HFBV
Payday	30	603511 (Ben.)	Dec 30 1996	HFBV
Sixlets	30	603510 (Ben.)	Dec 30 1996	HFBV
Whoppers	30	602311 (Ben.)	Dec 30 1996	HFBV
Whoppers	30	090664 (Ben.)	Dec 15 1971	Leaf Limited

Macedonia	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
-----------	---------------	----	-------------	-------------	------

Moldova	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
---------	---------------	----	-------------	-------------	------

Netherlands	Chuckles	30	602309 (Ben.)	Dec 30 1996	HFBV
	Good&Plenty	30	604102 (Ben.)	Dec 30 1996	HFBV
	Good'n Fruity	30	604101 (Ben.)	Dec 30 1996	HFBV
	Heath	30	603508 (Ben.)	Dec 30 1996	HFBV
	Jolly Rancher	30	527821 (Ben.)	Feb 19 1993	HFBV
	Jolly Rancher & Device	30	572958 (Ben.)	May 29 1995	HFBV
	Milk Duds	30	603507 (Ben.)	Dec 30 1996	HFBV
	Payday	30	603511 (Ben.)	Dec 30 1996	HFBV
	Sixlets	30	603510 (Ben.)	Dec 30 1996	HFBV
	Whoppers	30	602311 (Ben.)	Dec 30 1996	HFBV
	Whoppers	30	090664 (Ben.)	Dec 15 1971	Leaf Limited

Norway	Good&Plenty & Device	30	187906	Jan 08 1998	HFBV
	Good&Plenty & Design	30	100993	Sep 19 1978	HFBV
	Milk Duds	30	135511	Feb 16 1989	HFBV
	Chuckles	30	187466	Dec 18 1997	HFBV
	Good'n Fruity	30	187905	Jan 08 1998	HFBV
	Heath	30	186170	Nov 20 1997	HFBV
	Jolly Rancher	30	164637	Sep 22 1994	HFBV
	Jolly Rancher & Device	30	172892	May 02 1996	HFBV
	Payday	30	186709	Nov 20 1997	HFBV
	Sixlets	30	186708	Nov 20 1997	HFBV
	Whoppers	30	187467	Dec 18 1997	HFBV

Poland	Milk Duds	30	105888	Nov 30 1995	HFBV
	Milk Duds	30	676090 (IR)	Jun 12 1997	HFBV
	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good&Plenty	30	676595 (IR)	Jun 27 1997	HFBV
	Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
	Heath	30	676092 (IR)	Jun 12 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
	Payday	30	676104 (IR)	Jun 12 1997	HFBV
	Sixlets	30	676096 (IR)	Jun 12 1997	HFBV
	Whoppers	30	676028 (IR)	Jun 12 1997	HFBV

Portugal	Jolly Rancher	30	604681 (IR)	Jun 28 1993	HFBV
	Payday	30	676104 (IR)	Oct 10 1997	HFBV

Romania	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good&Plenty	30	676595 (IR)	Jun 27 1997	HFBV

Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
Heath	30	676092 (IR)	Jun 12 1997	HFBV
Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
Milk Duds	30	676090 (IR)	Jun 12 1997	HFBV
Payday	30	676104 (IR)	Jun 12 1997	HFBV
Sixlets	30	676096 (IR)	Jun 12 1997	HFBV
Whoppers	30	676028 (IR)	Jun 12 1997	HFBV

Russia	Milk Duds		151489	Apr 10 1997	Leaf, Inc.
	Milk Duds		676090 (IR)	Jun 12 1997	HFBV
	Milk Duds (Cyrillic)	30	151488	Apr 10 1997	Leaf, Inc.
	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good&Plenty	30	676595 (IR)	Jun 27 1997	HFBV
	Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
	Heath	30	676092 (IR)	Jun 12 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Jun 12 1997	HFBV
	Payday	30	676104 (IR)	Jun 12 1997	HFBV
	Sixlets	30	676096 (IR)	Jun 12 1997	HFBV
	Whoppers	30	676028 (IR)	Jun 12 1997	HFBV

Slovak Rep.	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good&Plenty	30	676595 (IR)	Jun 27 1997	HFBV
	Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
	Heath	30	676092 (IR)	Jun 12 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
	Milk Duds	30	676090 (IR)	Jun 12 1997	HFBV
	Payday	30	676104 (IR)	Jun 12 1997	HFBV
	Sixlets	30	676096 (IR)	Jun 12 1997	HFBV
	Whoppers	30	676028 (IR)	Jun 12 1997	HFBV

Slovenia	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
----------	---------------	----	-------------	-------------	------

Spain	Good'n Fruity	30	811791	Jul 06 1977	HFBV
	Jolly Rancher	30	604681 (IR)	Jun 28 1993	HFBV
	Payday	30	676104 (IR)	Oct 10 1997	HFBV

Sweden	Good&Plenty & Device		151584		
	Milk Duds	30	215404	Jan 05 1990	HFBV
	Jolly Rancher	30	262286	Dec 02 1994	Leaf Group BV
	Jolly Rancher & Device	30	312192	Apr 26 1996	Leaf Group BV
	Payday	30		Pending	HFBV

Switzerland	Good &Plenty	30	676595 (IR)	Jun 27 1997	HFBV
	Good&Plenty & Device	30	404629	Jan 21 1993	HFBV
	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
	Heath	30	676092 (IR)	Jun 12 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Jun 28 1993	HFBV
	Milk Duds	30	676090 (IR)	Jun 12 1997	HFBV

Payday	30	676104 (IR)	Jun 12 1997	HFBV
Sixlets	30	676096 (IR)	Jun 12 1997	HFBV
Whoppers	30	676028 (IR)	Jun 12 1997	HFBV

Tajikistan	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
------------	---------------	----	-------------	-------------	------

Turkey	Chuckles	30		Pending	HFBV
	Good&Plenty	30		Pending	HFBV
	Good'n Fruity	30		Pending	HFBV
	Heath	30		Pending	HFBV
	Milk Duds	30		Pending	HFBV
	Payday	30		Pending	HFBV
	Sixlets	30	184150	Apr 30 1997	HFBV
	Whoppers	30		Pending	HFBV
	Zero	30		Pending	HFBV

Turkmenistan	Jolly Rancher	30		Pending	Leaf Group BV
--------------	---------------	----	--	---------	---------------

Ukraine	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good&Plenty	30	676595 (IR)	Jun 27 1997	HFBV
	Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
	Heath	30	676092 (IR)	Jun 12 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
	Milk Duds	30	676090 (IR)	Jun 12 1997	HFBV
	Payday	30	676104 (IR)	Jun 12 1997	HFBV
	Sixlets	30	676096 (IR)	Jun 12 1997	HFBV
	Whoppers	30	676028 (IR)	Jun 12 1997	HFBV

United Kingdom	Milk Duds	30	881111	Jun 23 1965	Leaf, Inc.
	Jolly Rancher	30	1508985	Aug 06 1992	Leaf Group BV
	Jolly Rancher & Device	30	2022662	Jun 01 1995	HFBV
	Jolly Rancher	30	2055901	Apr 22 1997	HFBV

Uzbekistan	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
------------	---------------	----	-------------	-------------	------

Yugoslavia	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV
------------	---------------	----	-------------	-------------	------

ASIA

Cambodia	Jolly Rancher	30	6832	Feb 06 1996	Leaf Group BV
----------	---------------	----	------	-------------	---------------

China	Whoppers	30	293139	Jul 20 1987	HFBV
	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good&Plenty	30	676595 (IR)	Jun 27 1997	HFBV
	Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
	Heath	30	676092 (IR)	Jun 12 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Jan 23 1996	HFBV
	Milk Duds	30	676090 (IR)	Jun 12 1997	HFBV
	Payday	30	676104 (IR)	Jun 12 1997	HFBV

	Sixlets	30	676096 (IR)	Jun 12 1997	HFBV

Hong Kong	Chuckles	30	1726/1998	Apr 14 1997	HFBV
	Good&Plenty	30	B10737/1998	Apr 14 1997	HFBV
	Good'n Fruity	30	B10008/1998	Apr 16 1997	HFBV
	Heath	30	1731/1998	Apr 14 1997	HFBV
	Jolly Rancher	30	7511/1997	Dec 20 1995	HFBV
	Milk Duds	30	7276/1998	Jul 21 1998	HFBV
	Payday	30	1729/1998	Apr 14 1997	HFBV
	Sixlets	30	1728/1998	Apr 14 1997	HFBV

India	Jolly Rancher	30		Pending	Leaf Group BV

Indonesia	Good&Plenty	30	412702	May 28 1997	HFBV
	Heath	30	408121	Dec 12 1997	HFBV
	Jolly Rancher	30	382142	Jan 11 1996	Leaf Group BV
	Milk Duds	30	408122	Dec 12 1997	HFBV
	Payday	30	408123	Dec 12 1997	HFBV
	Whoppers	30	412704	May 28 1997	HFBV
	Zero	30	408127	Dec 12 1997	HFBV

Japan	Heath (Japanese)	30	2257870	Aug 30 1990	HFBV
	Heath (English)	30	2257869	Aug 30 1990	HFBV
	Jolly Rancher	30	4069590	Oct 17 1997	HFBV

Laos	Jolly Rancher	30	4498	May 28 1996	HFBV

Macao	Jolly Rancher	30	21	Jun 13 1996	Leaf Group BV

Malaysia	Whoppers		MA/733/91		
	Jolly Rancher	30		Pending	Leaf Group BV

Mongolia	Jolly Rancher	30	604681 (IR)	Sep 05 1995	HFBV

Nepal	Jolly Rancher	30	11409/052	Mar 01 1996	Leaf Group BV

Pakistan	Jolly Rancher	30		Pending	Leaf Group BV

Philippines	Good&Plenty	30		Pending	HFBV
	Good'n Fruity	30		Pending	HFBV
	Heath			Pending	
	Jolly Rancher	30		Pending	HFBV
	Milk Duds	30		Pending	HFBV
	Payday	30		Pending	HFBV
	Sixlets	30		Pending	HFBV
	Whoppers	30		Pending	HFBV
	Zero	30		Pending	HFBV

Sarawak	Whoppers		19698		

Singapore	Whoppers		80273		
	Chuckles	30		Pending	HFBV
	Heath	30	4562/97	Apr 17 1997	HFBV
	Jolly Rancher	30	467/96	Jan 15 1996	Leaf Group BV
	Payday	30		Pending	HFBV
	Zero	30	4557/97	Apr 17 1997	HFBV

Sri Lanka	Jolly Rancher	30		Pending	Leaf Group BV

South Korea	Heath	30	159844	Sep 23 1988	HFBV
	Jolly Rancher	30	360430	Apr 22 1997	Leaf Group BV
	Sixlets	30	421327	Sep 15 1998	HFBV

Thailand	Chuckles	30	72687	Apr 09 1997	HFBV
	Heath	30	72688	Apr 09 1997	HFBV
	Jolly Rancher	30	60291	Jun 20 1996	Leaf Group BV
	Payday	30	332086	Apr 09 1997	HFBV
	Zero	30		Pending	HFBV

Taiwan	Chuckles	30	789797	Dec 16 1997	HFBV
	Heath	30	789792	Dec 16 1997	HFBV
	Jolly Rancher	30	742157	Dec 16 1996	Leaf Group BV
	Milk Duds	30	796817	Feb 16 1998	HFBV
	Payday	30	789793	Dec 16 1997	HFBV
	Sixlets	30	789794	Dec 16 1997	HFBV
	Zero	30	806534	Jun 16 1998	HFBV

Vietnam	Chuckles	30	676026 (IR)	Jun 12 1997	HFBV
	Good&Plenty	30	676595 (IR)	Jun 27 1997	HFBV
	Good'n Fruity	30	676597 (IR)	Jun 27 1997	HFBV
	Heath	30	676092 (IR)	Jun 12 1997	HFBV
	Jolly Rancher	30	604681 (IR)	Jan 23 1996	HFBV
	Milk Duds	30	676090 (IR)	Jun 12 1997	HFBV
	Payday	30	676104 (IR)	Jun 12 1997	HFBV
	Sixlets	30	676096 (IR)	Jun 12 1997	HFBV
	Whoppers	30	676028 (IR)	Jun 12 1997	HFBV

OCEANIA					

Australia	Chuckles	30	246581	Mar 04 1971	HFBV
	Heath		?	Application	Leaf, Inc.
	Jolly Rancher	30	209273	Apr 06 1967	HFBV
	Milk Duds	30	209274	Apr 06 1967	HFBV
	Good'n Fruity	30	735247	May 23 1997	HFBV
	Payday	30	731171	Apr 02 1997	HFBV
	Sixlets	30	731169	Apr 02 1997	HFBV

New Zealand	Chuckles	30	010371	Mar 01 1971	HFBV
	Jolly Rancher	30	204847	Sep 18 1990	HFBV
	Whoppers	30	176082	Nov 20 1987	HFBV

Good&Plenty	30	274933	Aug 15 1997	HFBV
Good'n Fruity	30	275456	Apr 15 1997	HFBV
Milk Duds	30	273522	Mar 06 1997	HFBV
Payday	30	273523	Mar 06 1997	HFBV
Sixlets	30	273524	Mar 06 1997	HFBV

=====

UNREGISTERED TRADEMARK

 CHOO CHOO CHARLIE AND DESIGN

COPYRIGHTS

 Kk 179,128 Issued 2/11/1964 Renewed 2/21/1992 Renewal #602 185
 Title: Milk chocolate covered english toffee miniatures
 Author: L.S. Heath & Sons, Inc.

Kk 3471 Issued 1/5/1941 Renewed 3/28/1968 Renewal #432 857
 Title: Lable - Heath Toffee-Ettes
 Author: Bayard E. Heath

No. 15988 Issued 9/1/1936 Renewed 9/4/1963 Renewal #322 471
 Title: Heath English Toffee
 Author: L.S. Heath & Sons, Inc.

VA 595 683 Issued 11/5/1993
 Title: Good `N Fruity Candy Box Package
 Author: Leaf, Inc.
 Renewal Due: 11/5/2003

LIMITATIONS/LICENSE AGREEMENTS

 [CONFIDENTIAL INFORMATION DELTED]

SCHEDULE B-1

PATENT RIGHTS

1. United States Patent Number 5,139,797
Granted August 18, 1992
Inventors: Robert Huzinec, Terry Schindeldecker

2. United States Patent Application
Serial Number 081543,422
Applied for October 16, 1995
Inventors: Dee Brown, Robert Huzinec, Tom Kearns, Mark Norton,
Terry Schindeldecker

SCHEDULE B-2

UNPATENTED TECHNOLOGY AND KNOW HOW

[CONFIDENTIAL INFORMATION DELETED]

HERSHEY FOODS CORPORATION

KEY EMPLOYEE INCENTIVE PLAN

(Amended and Restated as of June 9, 1999)

1. ESTABLISHMENT AND PURPOSE

Hershey Foods Corporation (the "Corporation") hereby establishes the Key Employee Incentive Plan (the "Plan"). The purpose of the Plan is to provide to selected key employees of the Corporation and its subsidiaries (as defined below), upon whose efforts the Corporation is dependent for the successful conduct of its business, further incentive to continue and increase their efforts as employees and to remain in the employ of the Corporation and its subsidiaries.

The Plan continues the Annual Incentive Program ("AIP"), with certain modifications, as in effect under the Corporation's Management Incentive Plan ("MIP") established in 1975 and as amended thereafter, pursuant to which participants are entitled to receive cash awards based on achievement of performance goals during annual performance cycles. The Plan also continues the Long-Term Incentive Program ("LTIP") portion of the MIP with certain modifications. In addition to performance stock units ("Performance Stock Units"), the LTIP portion now also includes nonqualified stock options for the purchase of Common Stock ("Options"); stock appreciation rights ("SARs"); and restricted stock units ("Restricted Stock Units").

As used herein, (i) the term "Subsidiary Corporation" shall mean any present or future corporation which is or would be a "subsidiary corporation" of the Corporation as defined in Section 424 of the Internal Revenue Code of 1986 (the "Code"), and (ii) the term "Corporation" defined above shall refer collectively to Hershey Foods Corporation and its Subsidiary Corporations unless the context indicates otherwise.

1

2. STOCK SUBJECT TO THE PLAN

The aggregate number of shares which may be covered by Performance Stock Units, Options, SARs and Restricted Stock Units granted pursuant to the LTIP portion of the Plan is 6.5 million (6,500,000) shares of the Corporation's Common Stock, \$1.00 Par Value (the "Common Stock"), subject to adjustment in accordance with Section 12 below. The shares issued under this Plan may be either authorized but unissued shares, treasury shares held by the Corporation or any direct or indirect subsidiary thereof or shares acquired by the Corporation through open market purchases (whether made before or after any exercise of Options(s) or the granting of stock compensation hereunder) or otherwise. In addition to shares of Common Stock actually issued or distributed under the Plan, there shall be deemed to have been issued a number of shares equal to (i) the number of shares of Common Stock in respect of which optionees utilize the manner of exercise of, and payment for, Options as provided in Paragraph 7II(g) of this Plan, and (ii) the number of shares of Common Stock which is equivalent in value to any cash amounts distributed upon payment of Performance Stock Units, SARs or Restricted Stock Units. For purposes of determining the charge to be made pursuant to subpart (ii) against the shares of Common Stock subject to the Plan, the value of a share of Common Stock shall be its Fair Market Value as defined in Paragraph 4 when awards are made with respect to Performance Stock Units, upon exercise of SARs, and upon expiration of the applicable restriction period of Restricted Stock Units. Any shares subject under the Plan to Performance Stock Units, Options, SARs or Restricted Stock Units which, for any reason, expire or terminate or are forfeited or surrendered shall again be available for issuance under the Plan.

3. ADMINISTRATION

The Plan shall be administered by the Compensation and Executive Organization Committee (the "Committee"), or any successor committee, appointed by and consisting solely of members of the Board of Directors (the "Board") of the Corporation, each of whom qualifies as both a "nonemployee director" within the meaning of Rule 16b-3 or its successor under the Securities Exchange Act of 1934 (the "Exchange Act") and an "outside director" within the

2

meaning of Section 162(m) of the Code. Committee members shall not be eligible to participate in the Plan. The Board may from time to time remove and appoint members of the Committee in substitution for, or in addition to, members previously appointed and may fill vacancies, however caused, in the Committee. The Committee may adopt such rules and regulations as it deems useful in governing its affairs. Any action of the Committee with respect to the administration of the Plan shall be taken by majority vote at a Committee meeting or written consent of all Committee members.

Subject to the terms and conditions of the Plan, the Committee shall have authority: (i) to construe and interpret Plan provisions; (ii) to define the terms used in the Plan; (iii) to prescribe, amend and rescind rules and regulations relating to the Plan; (iv) to select particular employees to participate in the Plan, (v) to determine the terms, conditions, form and amount of grants, distributions or payments made to each participant, including conditions upon and provisions for vesting, exercise and acceleration of any grants, distributions or payments; (vi) upon the request of a participant in the Plan, to approve and determine the duration of leaves of absence which may be granted to the participant without constituting a termination of his or her employment for purposes of the Plan; and (vii) to make all other determinations necessary or advisable for the administration and operation of the Plan. The Committee shall have the right to impose varying terms and conditions with respect to each grant or award. All determinations and interpretations made by the Committee shall be final, binding and conclusive on all participants and on their legal representatives and beneficiaries.

4. FAIR MARKET VALUE

As used in the Plan (unless a different method of calculation is required by applicable law, and except as otherwise specifically provided in any Plan provision), "Fair Market Value" on or as of any date shall mean (i) the closing price of the Common Stock as reported in the New York Stock Exchange Composite Transactions Report (or any other consolidated transactions reporting system which subsequently may replace such Composite Transactions Report) for the New York Stock Exchange trading day immediately preceding such date, or if there are

no sales on such date, on the next preceding day on which there were sales, or (ii) in the event that the Common Stock is no longer listed for trading on the New York Stock Exchange, an amount determined in accordance with standards adopted by the Committee.

5. ELIGIBILITY AND PARTICIPATION

Key employees of the Corporation or of any of its Subsidiary Corporations, including officers and directors who are regular employees but not members of the Committee, who in the opinion of the Committee are in a position to contribute significantly to the success of the Corporation or any Subsidiary Corporation, division or operating unit thereof, shall be eligible for selection to participate in the Plan. In making this selection and in determining the form and amount of grants, distributions and payments under the Plan, the Committee shall take into account the duties of the respective employees, their present and potential contributions to the success of the Corporation or any Subsidiary Corporation, division or operating unit thereof, and such other factors as the Committee may deem relevant in connection with accomplishing the purposes of the Plan. An employee who has been selected to participate may, if he or she is otherwise eligible, receive more than one grant from time to time, and may be granted any combination of contingent target grants under the AIP or under the LTIP components of the Plan, as the Committee shall determine.

6. ANNUAL INCENTIVE PROGRAM

The Committee may from time to time, subject to the provisions of the Plan and such other terms and conditions as the Committee may determine, establish contingent target grants for those eligible employees it selects to participate in the AIP. Each such contingent grant may be, but need not be, evidenced by a written instrument, and shall be determined in relation to the participant's level of responsibility in the Corporation and the competitive compensation practices of other major businesses, and such other factors as are deemed appropriate by the Committee.

- (a) Awards actually earned by and paid to AIP participants ("AIP Awards") will be based primarily upon achievement of performance goals over a one-year performance cycle as approved by the Committee.
- (b) The Committee, within the limits of the Plan, shall have full authority and discretion to determine the time or times of establishing contingent target grants; to select from among those eligible the employees to receive awards; to review and certify the achievement of performance goals; to designate levels of awards to be earned in relation to levels of achievement of performance goals; to adopt such financial and nonfinancial performance or other criteria for the payment of awards as it may determine from time to time; to make awards; and to establish such other measures as may be necessary to achieve the objectives of the Plan. The financial or non-financial performance goals established by the Committee may be based upon one or more of the following: earnings per share, return on net assets, market share, control of costs, net sales, cash flow, economic value-added measures, sales growth, earnings growth, stock price, return on equity, improvements in financial ratings, regulatory compliance, achievement of balance sheet or income statement objectives, or any other objective goals established by the Committee (the "Performance Factors").
- (c) Aggregate annual AIP Awards shall not exceed six (6%) percent of the excess of Before-Tax Income (defined for these purposes as Net Income plus provision for Federal, state and local income taxes and interest expense on long-term debt, but after consideration of the cost of the cost of the Plan) over sixteen (16%) percent of Total Invested Capital (defined for these purposes as Stockholders' Equity plus Long-Term Debt plus Deferred Income Taxes) determined as the average of such Total Invested Capital at the beginning of the year and the end of each calendar quarter of such year. The maximum amount any participant can receive as an AIP Award for any calendar year shall not exceed \$2,100,000.
- (d) AIP Awards as earned under the terms of the Plan shall be paid in cash and may exceed or be less than the contingent target grants, provided that payments do not exceed the

maximum permitted cost of the AIP calculated pursuant to subparagraph (c) above. Payment shall normally be made as soon as possible following the close of the year, but payment of all or any portion may be deferred by participants with the approval of the Committee.

7. LONG-TERM INCENTIVE PROGRAM

The LTIP consists of the following four components:

I. PERFORMANCE STOCK UNITS

The Committee may, subject to the provisions of the Plan and such other terms and conditions as the Committee may determine, grant Performance Stock Units to reflect the value of contingent target grants established for each eligible employee selected for participation. Each grant of Performance Stock Units may be, but need not be, evidenced by a written instrument. Such contingent target grants shall be determined in relation to the employee's level of responsibility in the Corporation or any Subsidiary Corporation, division or operating unit thereof, and the competitive compensation practices of other major businesses.

- (a) Awards actually earned by and paid to holders of Performance Stock Units ("PSU Awards") will be based upon achievement of performance goals over performance cycles as approved by the Committee. Such performance cycles each shall cover such period of time, not exceeding five years, as the Committee from time to time shall determine.
- (b) The Committee, within the limits of the Plan, shall have full authority and discretion to determine the time or times of establishing contingent target grants and the granting of Performance Stock Units; to select from among those eligible the employees to receive PSU Awards; to review and certify the achievement of performance goals; to designate levels of awards to be earned in relation to levels of achievement of

performance goals; to adopt such financial and nonfinancial performance or other criteria for the payment of PSU Awards as it may determine from time to time; to make awards; and to establish such other measures as may be necessary to the objectives of the Plan. The performance goals established by the Committee may be based on one or more of the Performance Factors.

- (c) Payments of PSU Awards shall be made in shares of Common Stock or partly in cash as the Committee in its sole discretion shall determine and shall be charged against the shares available under the LTIP portion of the Plan as provided in Paragraph 2; provided, however, that no fractional shares shall be issued and any such fraction will be eliminated by rounding downward to the nearest whole share. In any case in which actual payment of a PSU Award is deferred as provided below, a charge will be made against the available shares for the number of shares equivalent to the dollar amount of the deferred PSU Award.
- (d) PSU Awards as earned under the terms of the Plan may exceed or be less than the contingent target grants. Payment shall normally be made as soon as possible following the close of the year, but payment of all or any portion may be deferred by participants with the approval of the Committee.
- (e) The maximum amount a participant can receive as a PSU Award in any calendar year is \$2,430,000.

II. STOCK OPTIONS

The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant nonqualified Options to purchase shares of Common Stock of the Corporation to employees eligible to participate in the Plan. Each grant of an Option shall be on such terms and conditions and be in such form as the Committee may from time to time approve, subject to the following:

- (a) The exercise price per share with respect to each Option shall be determined by the Committee in its sole discretion, but shall not be less than 100% of the Fair Market Value of the Common Stock as of the date of the grant of the Option.
- (b) Options granted under the Plan shall be exercisable, in such installments and for such periods, as shall be provided by the Committee at the time of granting, but in no event shall any Option granted extend for a period in excess of ten years from the date of grant.
- (c) The maximum number of shares of Common Stock covered by Options granted to a participant for any calendar year shall not exceed 250,000.
- (d) Among other conditions that may be imposed by the Committee, if deemed appropriate, are those relating to (i) the period or periods and the conditions of exercisability of any Option; (ii) the minimum periods during which grantees of Options must be employed, or must hold Options before they may be exercised; (iii) the minimum periods during which shares acquired upon exercise must be held before sale or transfer shall be permitted; (iv) conditions under which such Options or shares may be subject to forfeiture; and (v) the frequency of exercise or the minimum or maximum number of shares that may be acquired at any one time.
- (e) Exercise of an Option shall be by written notice stating the election to exercise in the form and manner determined by the Committee.
- (f) The purchase price upon exercise of any Option shall be paid in full by making payment (i) in cash; (ii) in whole or in part by the delivery of a certificate or certificates of shares of Common Stock of the Corporation, valued at its then Fair Market Value; or (iii) by a combination of (i) and (ii).
- (g) Notwithstanding subparagraph (e) above, any optionee may make payment of the Option price through a simultaneous exercise of his or her Option and sale of the

shares thereby acquired pursuant to a brokerage arrangement approved in advance by the Committee to assure its conformity with the terms and conditions of the Plan.

- (h) The Committee may require the surrender of outstanding Options as a condition to the grant of new Options.
- (i) Notwithstanding any other provision of the Plan or of any Option agreement between the Corporation and an employee, upon the occurrence of a Change in Control, each outstanding Option held by a participant who is an employee of the Corporation or any Subsidiary Corporation or who retired while employed by the Corporation or any Subsidiary Corporation shall become fully vested and exercisable notwithstanding any vesting schedule or installment schedule relating to the exercisability of such Option contained in the applicable Option agreement or otherwise established at the time of grant of the Option.
- (j) For purposes of this Plan, a "Change in Control" means:
 - (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 Corporation 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 Corporation as a result of an actual or threatened election contest (as described in Rule 14a-11 under 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 Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Power") shall be deemed to be an Incumbent Director; or

- (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 Corporation 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 Corporation (the "Outstanding Corporation Stock") or (ii) the Outstanding Corporation 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 Corporation 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 Corporation 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 Corporation or by any Subsidiary Corporation for the benefit of the Corporation and/or its employees or those of a Subsidiary Corporation; (iii) any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any Subsidiary Corporation; (iv) the Corporation or any Subsidiary Corporation or (v) any underwriter temporarily holding securities pursuant to an offering of such securities; or
- (3) The approval by the stockholders of the Corporation 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

- (4) The approval by the stockholders of the Corporation of (i) any sale or other disposition of all or substantially all of the assets of the Corporation, 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 Corporation.

For purposes of this Plan, "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.

(k) For purposes of this Plan, a "Potential Change in Control" means:

- (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 (i) an offer made to the Hershey Trust to purchase any number of its shares in the Corporation such that if the Hershey Trust accepted such offer and sold such number of shares in the Corporation the Hershey Trust might no longer have more than 50% of the Outstanding Corporation Voting Power, (ii) an offering by the Hershey Trust of any number of its shares in the Corporation for sale such that if such sale were consummated the Hershey Trust might no longer have more than 50% of the Outstanding Corporation Voting Power or (iii) entering into any agreement or understanding with a person or entity that would lead to a Change in Control; or

(2) The Board approves a transaction described in subsection (2), (3) or (4) of the definition of a Change in Control contained in subparagraph (j) of Paragraph 7II hereof.

(1) In the event that a transaction which would constitute a Change in Control if approved by the stockholders of the Corporation is to be submitted to such stockholders for their approval, each participant who is an employee and who holds an Option granted under the Plan at the time scheduled for the taking of such vote, whether or not then exercisable, shall have the right to receive a notice at least ten (10) business days prior to the date on which such vote is to be taken. Such notice shall set forth the date on which such vote of stockholders is to be taken, a description of the transaction being proposed to stockholders for such approval, a description of the provisions of subparagraph (i) of Paragraph 7II of the Plan and a description of the impact thereof on such participant in the event that such stockholder approval is obtained. Such notice shall also set forth the manner in which and price at which all Options then held by each such participant could be exercised upon the obtaining of such stockholder approval.

III. STOCK APPRECIATION RIGHTS

The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as the Committee may determine, grant SARs to employees eligible to participate in the Plan. SARs may, but need not be evidenced by an agreement executed by the Corporation and the holder, and shall be subject to such terms and conditions consistent with the Plan as the Committee shall impose from time to time, including the following:

- (a) SARs may, but need not, relate to Options granted under the Plan, as the Committee shall determine from time to time. In no event shall any SARs granted extend for a period in excess of ten years from the date of grant.
- (b) A holder shall exercise his or her SARs by giving written notice of such exercise in the form and manner determined by the Committee, and the date upon which such written notice is received by the Corporation shall be the exercise date for the SARs.
- (c) A holder of SARs shall be entitled to receive upon exercise the excess of the Fair Market Value of a share of Common Stock at the time of exercise over the Fair Market Value of a share at the time the SARs were granted, multiplied by the number of shares with respect to which the SARs relate.
- (d) In the sole discretion of the Committee, the amount payable to the holder upon exercise of SARs may be paid either in Common Stock or in cash or in a combination thereof. To the extent paid in Common Stock, the value of the Common Stock that shall be distributed shall be the Fair Market Value of a share of Common Stock upon exercise of the SARs as provided in Paragraph 2; provided, however, that no fractional shares shall be issued and any such fraction will be eliminated by rounding downward to the nearest whole share.

- (e) In the sole discretion of the Committee, SARs related to specific Options may be exercisable only upon surrender of all or a portion of the related Option, or may be exercisable, in whole or in part, only at such times and to the extent that the related Option is exercisable, and the number of shares purchasable pursuant to the related Option may be reduced to the extent of the number of shares with respect to which the SARs are exercised.
- (f) In lieu of receiving payment at the time of exercise of SARs, payment of all or any portion may be deferred by the participant with the approval of the Committee.
- (g) The maximum number of SARs granted to a participant during any calendar year shall not exceed 250,000.

IV. RESTRICTED STOCK UNITS

The Committee may, from time to time, subject to the provisions of the Plan and such other terms and conditions as it may determine, grant Restricted Stock Units to employees eligible to participate in the Plan. Each grant of Restricted Stock Units may be, but need not be evidenced by a written instrument. The grant of Restricted Stock Units shall state the number of Restricted Stock Units covered by the grant, and shall contain such terms and conditions and be in such form as the Committee may from time to time approve, subject to the following:

- (a) Each Restricted Stock Unit shall be equivalent in value to a share of Common Stock.
- (b) Vesting of each grant of Restricted Stock Units shall require the holder to remain in the employment of the Corporation or a Subsidiary Corporation for a prescribed period (a "Restriction Period"). The Committee shall determine the Restriction Period or Periods which shall apply to the shares of Common Stock covered by each grant of Restricted Stock Units. Except as otherwise determined by the Committee and provided in the written instrument granting the Restricted Stock Units, and except as otherwise

provided in Paragraph 8, all Restricted Stock Units granted to a participant under the Plan shall terminate upon termination of the participant's employment with the Corporation or any Subsidiary Corporation before the end of the Restriction Period or Periods applicable to such Restricted Stock Units, and in such event the holder shall not be entitled to receive any payment with respect to those Restricted Stock Units. The Committee may also, in its sole discretion, establish other terms and conditions for the vesting of Restricted Stock Units, including conditioning vesting on the achievement of one or more of the Performance Factors. Notwithstanding any other provisions of the Plan or of any written instrument granting Restricted Stock Units, upon the occurrence of a Change in Control as defined in subparagraph (j) of Paragraph 7II hereof, all restrictions on Restricted Stock Units held by a participant who is an employee of the Corporation or any Subsidiary Corporation shall lapse.

- (c) Upon expiration of the Restriction Period or Periods applicable to each grant of Restricted Stock Units, the holder shall, without payment on his part, be entitled to receive payment in an amount equal to the aggregate Fair Market Value of the shares of Common Stock covered by such grant upon such expiration. Such payment may be made in cash, in shares of Common Stock equal to the number of Restricted Stock Units with respect to which such payment is made, or in any combination thereof, as the Committee in its sole discretion shall determine. Any payment in cash shall reduce the number of shares of Common Stock available under the Plan as provided in Paragraph 2, to the extent of the number of Restricted Stock Units to which such payment relates. Further upon such expiration, the holder shall be entitled to receive a cash payment in an amount equal to each cash dividend the Corporation would have paid to such holder during the term of those Restricted Stock Units as if the holder had been the owner of record of the shares of Common Stock covered by such Restricted Stock Units on the record date for the payment of such dividend.

- (d) In lieu of receiving payment at the time of expiration of the Restriction Period or Periods, payment of all or any portion may be deferred by the participant with the approval of the Committee.
- (e) The maximum number of shares of Common Stock as to which Restricted Stock Units may be granted to a participant for any calendar year shall not exceed 50,000.

8. TERMINATION OF EMPLOYMENT

Upon termination of employment with the Corporation of any participant, such participant's rights with respect to any contingent target grants under the AIP, or any Performance Stock Units, Options, SARs or Restricted Stock Units granted under the LTIP, shall be as follows:

- (a) In the event that the participant is terminated or discharged by the Corporation for any reason, the participant's rights and interests under the Plan shall immediately terminate upon notice of termination of employment. Upon the occurrence of a Potential Change in Control (as defined in subparagraph (k) of Paragraph 7II hereof) and for a period of one year thereafter, and upon the occurrence of a Change in Control (as defined in subparagraph (j) of Paragraph 7II hereof), the following special provisions and notice requirements shall be applicable in the event of the termination of the employment of any participant holding an Option under the Plan: (i) in no event may a notice of termination of employment be issued to such a participant unless at least ten (10) business days prior to the effective date of such termination the participant is provided with a written notice of intent to terminate the participant's employment which sets forth in reasonable detail the reason for such intent to terminate, the date on which such termination is to be effective, and a description of the participant's rights under this Plan and under the agreements granting such Option or Options, including the fact that no such Option may be exercised after such termination has become effective and the manner, extent and price at which all Options then held by such participant may be exercised; and (ii) such notice of intent to terminate a participant's employment shall not be considered a "notice of termination of employment" for purposes of the first sentence of this Paragraph 8 (a). This Paragraph

8 (a) is intended only to provide for a requirement of notice to terminate upon the occurrence of the events set forth herein and shall not be construed to create an obligation of continued employment or a contract of employment in any manner or to otherwise affect or limit the Corporation's ability to terminate the employment of any participant holding an Option under the Plan.

(b) If a participant terminates employment with the Corporation as the result, in the sole judgment of the Committee, of his or her becoming totally disabled (in which event termination will be deemed to occur on the date the Committee makes such determination), or if a participant should die or (except as to Restricted Stock Units) retire while employed by the Corporation or any of its Subsidiary Corporations, then the participant or, as the case may be, the person or persons to whom the participant's interest under the Plan shall pass by will or by the laws of descent and distribution (the "Estate"), shall have the following rights:

(i) the grantee of a contingent AIP grant or the Estate shall be entitled to receive payment of an AIP award as, and to the extent, determined by the Committee;

(ii) if the holder of Performance Stock Units shall have been employed for at least two-thirds of the related performance cycle prior to the date of termination or death, then, except as otherwise provided in the written instrument (if any) evidencing the Performance Stock Units, and subject to any further adjustments the Committee may make in its absolute discretion, the participant or the Estate shall be entitled to receive payment of a PSU Award upon the expiration of the related performance cycle, provided that such award shall be adjusted by multiplying the amount thereof by a fraction, the numerator of which shall be the number of full and partial calendar months between the date of the beginning of each such performance cycle and the date of termination or death, and the denominator of which shall be the number of full and partial calendar months from the date of the beginning of the performance cycle to the end of the said performance cycle;

- (iii) except as otherwise provided in the terms and conditions of the stock option or SAR grant, the holder or the Estate shall be entitled to exercise (provided any vesting requirement has been satisfied as of the date of exercise) any Option or SAR for a period of five years (three years in the case of options or SARs granted prior to 1997) from such date of death, total disability or retirement, or for such longer period as the Committee may determine in the case of financial hardship or other unusual circumstances (subject to the maximum exercise period for Options and SARs specified in Paragraph 7II(b) and 7III(a) hereof, respectively);
- (iv) except as otherwise provided in the written instrument evidencing the Restricted Stock Units, upon death or termination due to total disability the holder or the Estate shall be entitled to receive payment in respect of the Restricted Stock Units, provided that such Units shall be adjusted by multiplying the amount thereof by a fraction, the numerator of which shall be the number of full and partial calendar months between the date of grant of such Units and the date of death or termination, and the denominator of which shall be the number of full and partial calendar months from the date of the grant to the end of the Restriction Period. Upon retirement, the participant's rights with respect to Restricted Stock Units shall immediately terminate.
- (c) In the event of resignation by the participant, the participant's rights and interests under the Plan shall immediately terminate upon such resignation; provided, however, that the Committee shall have the absolute discretion to review the reasons and circumstances of the resignation and to determine whether, alternatively, and to what extent, if any, the participant may continue to hold any rights or interests under the Plan.
- (d) A transfer of a participant's employment without an intervening period from the Corporation to a Subsidiary Corporation or vice versa, or from one Subsidiary Corporation to another, shall not be deemed a termination of employment.
- (e) The Committee shall be authorized to make all determinations and calculations required by this Paragraph 8, including any determinations

necessary to establish the reason for terminations of employment for purposes of the Plan, which determinations and calculations shall be conclusive and binding on any affected participants and Estates.

9. ADDITIONAL REQUIREMENTS

No Performance Stock Units, Options, SARs or Restricted Stock Units (hereinafter collectively an "Interest") granted pursuant to the Plan shall be exercisable or realized in whole or in part, and the Corporation shall not be obligated to sell, distribute or issue any shares subject to any such Interest, if such exercise and sale would, in the opinion of counsel for the Corporation, violate the Securities Act of 1933, as amended (or other Federal or state statutes having similar requirements). Each Interest shall be subject to the further requirement that, if at any time the Board of Directors shall determine in its discretion that the listing or qualification of the shares relating or subject to such Interest under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Interest or the distribution or issue of shares thereunder, such Interest may not be exercised in whole or in part unless such listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Board of Directors.

Interests may be subject to restrictions as to resale or other disposition and to such other provisions as may be appropriate to comply with Federal and state securities laws and stock exchange requirements, and the exercise of any Interest or entitlement to payment thereunder may be contingent upon receipt from the holder (or any other person permitted by this Plan to exercise any Interest or receive any distribution hereunder) of a representation that at the time of such exercise it is his or her then present intention to acquire the shares being distributed for investment and not for resale.

10. NONTRANSFERABILITY

Unless otherwise approved by the Committee, contingent AIP grants, Performance Stock Units, Options, SARs and Restricted Stock Units granted under the Plan to an employee shall

be nonassignable and shall not be transferable by him or her otherwise than by will or the laws of descent and distribution, and shall be exercisable, during the employee's lifetime, only by the employee or the employee's guardian or legal representative.

11. DISCLAIMER OF RIGHTS

No provision in the Plan or any contingent target AIP grants, Performance Stock Units, Options, SARs or Restricted Stock Units granted pursuant to the Plan shall be construed to confer upon the participant any right to be employed by the Corporation or by any Subsidiary Corporation, or to interfere in any way with the right and authority of the Corporation or any Subsidiary Corporation either to increase or decrease the compensation of the participant at any time, or to terminate any relationship of employment between the participant and the Corporation or any of its Subsidiary Corporations.

Participants under the Plan shall have none of the rights of a stockholder of the Corporation with respect to shares subject to Performance Stock Units, Options, SARs or Restricted Stock Units unless and until such shares have been issued to him or her.

12. STOCK ADJUSTMENTS

In the event that the shares of Common Stock, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Corporation or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, stock split, combination of shares or otherwise), or if the number of such shares of Common Stock shall be increased through the payment of a stock dividend, or a dividend on the shares of Common Stock of rights or warrants to purchase securities of the Corporation shall be made, then there shall be substituted for or added to each share available under and subject to the Plan as provided in Paragraph 2 hereof, and to the limitations set forth in Paragraphs 7II (c); 7III (g) and 7IV (e), and each share theretofore appropriated or thereafter subject or which may become subject to Performance Stock Units, Options, SARs or Restricted Stock Units under the Plan, the number and kind of shares of stock or other securities

into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be. Outstanding Options and SARs also shall be appropriately amended as to price and other terms as may be necessary to reflect the foregoing events. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock, or of any stock or other securities into which the Common Stock shall have been changed or for which it shall have been exchanged, then if the Board of Directors shall, in its sole discretion, determine that such change equitably requires an adjustment in the shares available under and subject to the Plan, or in any Performance Stock Units, Options, SARs or Restricted Stock Units theretofore granted or which may be granted under the Plan, such adjustments shall be made in accordance with such determination.

No fractional shares of Common Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share or unit.

13. TAXES

The Corporation shall be entitled to withhold the amount of any tax attributable to any amounts payable or shares of Common Stock deliverable under the Plan. The person entitled to any such delivery, whether due to the settlement of PSUs, the exercise of an Option or SAR, or the vesting of Restricted Stock Units, or any other taxable event may, by notice to the Corporation, elect to have such withholding satisfied by a reduction of the number of shares otherwise so deliverable (a "Stock Withholding Election"), or by delivery of shares of Stock already owned by the Participant, with the amount of shares subject to such reduction or delivery to be calculated based on the Fair Market Value on the date of such taxable event. Reporting Persons may make a Stock Withholding Election only in accordance with the methods then permitted under applicable Securities and Exchange Commission interpretations.

14. EFFECTIVE DATE AND TERMINATION OF PLAN

The Plan shall become effective upon adoption by the Board of Directors of the Corporation, provided such adoption is approved by the stockholders, within twelve months of adoption by the Board of Directors. Contingent target AIP grants, Performance Stock Units, Options, SARs and Restricted Stock Units under this Plan, granted before approval of the Plan by the stockholders, shall be granted subject to such approval and shall not be exercisable or payable before such approval.

The Board of Directors at any time may terminate the Plan, but such termination shall not alter or impair any of the rights or obligations under any contingent target AIP grants, Performance Stock Units, Options, SARs or Restricted Stock Units theretofore granted under the Plan unless the affected participant shall so consent.

15. PRIOR PLAN

Effective upon the adoption of this Plan by the Board of Directors, no additional grants of contingent target grants under the AIP or of Performance Stock Units shall be made under the MIP; provided, that any payments of AIP awards or deferrals thereof made with respect to prior grants of contingent AIP awards, any prior grants of any LTIP Units, and any payments of LTIP awards or deferrals thereto made with respect to such prior grants, shall not be affected. Notwithstanding the foregoing, to the extent the remaining shares reserved for use under the LTIP portion of the MIP are insufficient for any LTIP awards under performance cycles that began prior to January 1, 1987, shares available under this Plan may be used for such purpose.

16. APPLICATION OF FUNDS

The proceeds received by the Corporation from the sale of capital stock pursuant to Options will be used for general corporate purposes.

17. NO OBLIGATION TO EXERCISE OPTION OR SAR

The granting of an Option or SAR shall impose no obligation upon the optionee to exercise such Option or SAR.

18. AMENDMENT

The Board of Directors by majority vote, at any time and from time to time, may amend the Plan in such respects as it shall deem advisable, to conform to any change in any applicable law or in any other respect. Notwithstanding the foregoing, the Plan may not be terminated or amended in a manner adverse to the interests of any participant (without the consent of the participant) either: (a) after a Potential Change in Control occurs and for one (1) year following the cessation of a Potential Change in Control, or (b) for a two-year period beginning as of the date of a Change in Control (the "Coverage Period"). Upon the expiration of the Coverage Period, subparagraph (1) of Paragraph 7II of the Plan and Paragraph 8 (a) of the Plan may not be amended in any manner that would adversely affect any participant without the consent of the participant.

HERSHEY FOODS CORPORATION

AMENDED AND RESTATED (1999)

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

EFFECTIVE June 9, 1999

HERSHEY FOODS CORPORATION

AMENDED AND RESTATED (1999)

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

1. PURPOSE OF PLAN. The purpose of the Amended and Restated (1999) Supplemental Executive Retirement Plan (hereinafter called the "Plan") is to obtain for Hershey Foods Corporation (hereinafter called the "Corporation") all of the benefits which flow from maintaining a strong management team by providing to executive and upper level management employees the means to continue their attained standard of living during retirement and by offering benefits that will assist in attracting executive and upper level management employees of outstanding ability. The Plan is an amendment to and restatement (as amended) of the Hershey Foods Corporation Amended and Restated Supplemental Executive Retirement Plan, as amended from time to time which was in effect from November 1, 1994 to June 8, 1999.

2. DEFINITIONS. The following words and phrases as used in the Plan shall have the following meanings, unless a different meaning is plainly required by the context:

a. "Cause" means the willful engaging by the Participant in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Corporation.

For purposes of this definition, no act or failure to act, on the part of the Participant, shall be considered "willful" unless it is done, or omitted to be done, by the Participant in bad faith and without reasonable belief that the Participant's action or omission was in the best interest of the Corporation. 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 the Participant's superior or based upon the advice of counsel for the Corporation shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interest of the Corporation.

b. "Committee" means the Compensation and Executive Organization Committee of the Board of Directors of the Corporation (the "Board").

c. "Deferred Retirement Date" means the first day of the month following a Participant's termination of employment with the Corporation provided such termination occurs after his Normal Retirement Date.

d. "Disability" or "Disabled", for purposes of this Plan, shall have the same meaning as provided in Section 1.16 of the Retirement Plan,

as such section may be amended from time to time.

e. "Early Retirement Date" means the first day of any month following a Participant's termination of employment with the Corporation which is coincident with or

following a Participant's fifty-fifth (55th) birthday and prior to the Participant's Normal Retirement Date.

f. "Final Average Compensation" means the sum of (1) the highest annual average of a Participant's basic salary paid or accrued over any thirty-six (36) consecutive month period during his last ten (10) years of employment with the Corporation and (2) the highest annual average of his annual awards under the Annual Incentive Program (hereinafter called the "AIP") of the Corporation's Key Employee Incentive Plan ("KEIP") paid or accrued over any five (5) consecutive calendar years during his last ten (10) years of employment with the Corporation. If a Participant dies, retires, or suffers a Disability during a calendar year and only a partial AIP award is made for that year, for purposes of the Plan, his AIP award for such year will be considered to equal the award actually made divided by the fraction of such year that he was employed by the Corporation prior to his death, retirement or Disability. If a Participant otherwise terminates employment with the Corporation during a calendar year, his AIP award for that year for purposes of the Plan will be considered to be zero (0), regardless of whether any AIP award is actually made for that year.

g. "GATT Interest Rate" means, for purposes of this Plan, for any specific month, the annual interest rate on 30-year Treasury securities as specified by the Commissioner of the Internal Revenue Service in revenue rulings, notices or other guidance, published in the Internal Revenue Service Bulletin, decreased by the percentage applicable to such month as set forth on Schedule I attached hereto.

h. "Lump Sum Interest Rate" means, as of any specific date:

(x) after January 1, 1998 and prior to January 1, 2000 the sum of one twelfth (1/12th) of each PBGC Interest Rate for the twelve months preceding such date;

(y) after December 31, 1999 and prior to January 1, 2001, the sum of one-twelfth (1/12th) of each GATT Interest Rate for November 1999 and each month thereafter to and including the second month preceding the month during which such date occurs plus, if the number of months for which a GATT Interest Rate is determined as described is less than twelve, the sum of one-twelfth (1/12th) of each PBGC Interest Rate for December 1999 and each preceding month in reverse chronological order until the total number of months for which a GATT Interest Rate and/or a PBGC Interest Rate has been determined equals twelve; and

(z) after December 31, 2000, the sum of one twelfth (1/12th) of each GATT Interest Rate for the twelve consecutive months beginning with the thirteenth (13th) month preceding the month during which such date occurs.

i. "Normal Retirement Date" means, for the purposes of this Plan, the first day of the month nearest a Participant's sixty-fifth (65th) birthday, except that if his birthday is

equally near the first of two calendar months, the first day of the month prior to his sixty-fifth (65th) birthday shall be his Normal Retirement Date.

j. "PBGC Interest Rate" means, for any specific month, the interest rate used by the Pension Benefit Guaranty Corporation for such month for purposes of valuing immediate annuities for terminating single employer plans with insufficient assets to pay guaranteed benefits.

k. "Participant" means an employee of the Corporation who is eligible to receive a benefit under the Plan in accordance with the provisions of Paragraph 3 (I.E., has attained age 55, has ten (10) Years of Service and has participated in the performance share unit portion of the KEIP for at least five (5) of his last ten (10) years of employment with the Corporation).

l. "Retirement Plan" means the Corporation's Retirement Plan, amended and restated effective January 1, 1989, as in effect from time to time and any successor plan thereto.

m. "Years of Service", for purposes of this Plan, shall have the same meaning as provided in Section 1.56 of the Retirement Plan, as such section may be amended from time to time.

3. ELIGIBILITY. An employee of the Corporation will be eligible to receive a benefit pursuant to Section 4 of the Plan if, at the time of his termination of employment with the Corporation, such employee (i) is at least 55 years of age, (ii) has ten (10) Years of Service, and (iii) has participated in the performance share unit portion of the KEIP for at least five (5) of his last ten (10) years of employment with the Corporation. No Participant shall be entitled to receive any benefits under the Plan if his employment with the Corporation is terminated for Cause. Notwithstanding the above, an employee whose employment is terminated with the Corporation prior to his Normal Retirement Date for reason of Disability will be treated as provided for in Paragraph 4.c.

4. RETIREMENT BENEFITS.

a. Normal Retirement Benefit. An employee who qualifies as a Participant, and who retires (or whose employment is otherwise terminated, other than for Cause) on or after his Normal Retirement Date shall be entitled under the Plan to receive a normal retirement benefit which shall be an annual benefit, payable in monthly installments, equal to:

(1) the product of three and two-thirds percent (3 2/3%) of his Final Average Compensation and his Years of Service not in excess of fifteen (15) Years of Service;

reduced by:

(2) one hundred percent (100%) of the Participant's retirement benefit under the Retirement Plan and any other tax-qualified defined benefit pension plan maintained by the Corporation or any affiliate thereof or any defined benefit pension plan maintained by any other entity, payable as a life annuity commencing at his Normal Retirement Date or his Deferred Retirement Date if he retires after his Normal Retirement Date, regardless of whether such benefit payment is in that form or begins at that time; and

(3) one hundred percent (100%) of the primary social security benefit to which the Participant would be entitled on his Normal Retirement Date or his Deferred Retirement Date if he retires after his Normal Retirement Date regardless of whether he receives any portion of such primary Social Security benefit on such date.

Payment of such benefit shall commence on his Normal Retirement Date if he retires (or otherwise has his employment terminated, other than for Cause) on such date and on his Deferred Retirement Date if he retires (or otherwise has his employment terminated, other than for Cause) after his Normal Retirement Date.

b. Early Retirement Benefit. An employee who qualifies as a Participant, and who retires (or whose employment is otherwise terminated, other than for Cause) on or after his Early Retirement Date and prior to his Normal Retirement Date shall be entitled under the Plan to receive an early retirement benefit which shall be an annual benefit payable in monthly installments, equal to:

(1) the product of three and two-thirds percent (3 2/3%) of his Final Average Compensation and his Years of Service not in excess of fifteen (15) Years of Service;

reduced by:

(2) one hundred percent (100%) of his retirement benefit under the Retirement Plan and any other tax-qualified defined benefit pension plan maintained by the Corporation or any affiliate thereof or any defined benefit pension plan maintained by any other entity, payable as a life annuity commencing at his Early Retirement Date or the first date thereafter on which such benefits would be payable if they are not payable on his Early Retirement Date regardless of whether such benefit payment is in that form or begins at that time; and

(3) one hundred percent (100%) of the primary Social Security benefit to which the Participant would be entitled on his Early Retirement Date or the first date thereafter on which such benefits would be payable if they are not payable on his Early Retirement Date regardless of whether he receives any portion of such primary Social Security benefit on such date; and

(4) the product of (a) the difference between (1) and the sum of (2) and (3), (b) five-twelfths of a percent (5/12%), and (c) the number of complete

calendar months by which the Participant's date of termination of employment precedes his sixtieth (60th) birthday.

Payment of such benefit shall commence on the first day of the month coincident with the Participant's retirement or other termination of employment, other than for Cause.

c. Disability Retirement Benefit. If an employee who is an active participant in the performance share unit portion of the KEIP suffers a Disability prior to his Normal Retirement Date and while employed by the Corporation, the period of his Disability will be recognized as Years of Service and as years of participation in the performance share unit portion of the KEIP under the Plan. If such Disability continues to his Normal Retirement Date, for purposes of the Plan, he will retire on that date and will be entitled to a normal retirement benefit calculated in accordance with Paragraph 4.a. commencing on that date. In calculating the benefit under Paragraph 4.a., the Participant's Final Average Compensation shall be equal to his annual base compensation immediately prior to his Disability plus the average of his AIP earned during the three (3) years immediately prior to the commencement of his Disability.

d. Pre-Retirement Death Benefit. If a Participant dies before his employment by the Corporation terminates, his designated beneficiary(ies), or his estate if he has not designated any beneficiary or beneficiaries in accordance with procedures established by the Committee, shall receive within ten (10) days of the Participant's death a death benefit equal to the lump sum present value of one hundred percent (100%) of the retirement benefit that would have been payable to the Participant under Paragraphs 4.a. or 4.b. (including the spousal survivor benefit payable pursuant to Paragraph 4.e. with respect to any Participant survived by a spouse) if he had retired on the date of his death. The lump sum present value of the retirement benefit shall be calculated using: (x) for each Participant who was a Participant on January 1, 1998, (i) the 83 GAM mortality tables; and (ii) an interest rate equal to the sum of one-twelfth (1/12th) of each PBGC Interest Rate for the twelve (12) months immediately preceding the date of the Participant's death; and (y) for each Participant who first became a Participant after January 1, 1998, (i) the prevailing commissioner's standard mortality table (described in Section 807(d)(5)(A) of the Internal Revenue Code of 1986, as amended from time to time) used to determine reserves for group annuity contracts issued on the date of the Participant's death (without regard to any other subparagraph for such Section 807(d)(5)) that is prescribed by the Commissioner of the Internal Revenue Service in revenue rulings, notices, or other guidance published in the Internal Revenue Bulletin; and (ii) an interest rate equal to the Lump Sum Interest Rate as of the date of the Participant's death.

e. Post-Retirement Death Benefit. If a Participant who is receiving monthly retirement benefits under this Plan following his termination of employment by the Corporation dies, his surviving spouse, if he is survived by a spouse, shall be entitled to receive a death benefit which shall be a monthly payment for the spouse's life, beginning on the first day of the month following the Participant's death, equal to:

(1) fifty percent (50%) of the monthly retirement benefit to which the Participant was entitled under the Plan prior to his death;

reduced by:

(2) the monthly annuity value of any life insurance provided by the Corporation or any affiliate thereof for retired employees that is in excess of post-retirement group term life insurance regularly provided by the Corporation or any affiliate thereof.

5. ADMINISTRATION OF THE PLAN. The Committee is charged with the administration of the Plan. It shall have full power and authority to construe and interpret the Plan. Its decisions shall be final, conclusive and binding on all parties. Subject to Paragraph 10 of this Plan, the Committee shall also have the power, in its sole discretion, at any time (i) to waive, in whole or in part, application of any of the eligibility requirements of Paragraph 3 or of the benefit reduction factors in Paragraph 4.a. and 4.b. and (ii) to determine the timing and form of payment of any benefit under the Plan, in the case of any individual Participant or other employee of the Corporation participating in, or who has participated in, the performance share unit portion of the KEIP.

6. OPTIONAL FORMS OF PAYMENT. In lieu of the monthly retirement benefit (including the spousal survivor benefit payable pursuant to Paragraph 4.e. hereof) payable pursuant to Paragraph 4.a. or 4.b. hereof to a Participant (and his surviving spouse) who retires (or whose employment is terminated other than for Cause) after August 2, 1994 (such benefit payable to a Participant and/or his surviving spouse is herein referred to for purposes of this Paragraph 6 as the "Applicable Retirement Benefit"), such Participant may elect to receive the following form of benefit payment:

A lump sum cash payment, payable to the Participant within ten (10) days after the Participant's date of retirement (or the Participant's date of termination of employment other than for Cause), equal to the actuarial present value of the Applicable Retirement Benefit, calculated using: (x) for each Participant who was a Participant on January 1, 1998, (i) the 83 GAM mortality tables; and (ii) an interest rate equal to one twelfth (1/12th) of each PBGC Interest Rate for the twelve months immediately preceding the date of the Participant's retirement (or the Participant's date of termination of employment other than for Cause), calculated in accordance with the Corporation's practices for determining retirement benefits; and (y) for each Participant who first became a Participant after January 1, 1998 (i) the prevailing commissioner's standard mortality table (described in Section 807(d)(5)(A) of the Internal Revenue Code of 1986, as amended from time to time) used to determine reserves for group annuity contracts issued on the date of the Participant's retirement (or the Participant's date of termination of employment other than for Cause) (without regard to any other subparagraph for such Section 807(d)(5)) that is prescribed by the Commissioner of the Internal Revenue Service in revenue rulings, notices, or other guidance published in the Internal Revenue Bulletin; and (ii) an interest rate equal to the Lump Sum Interest Rate as of the date of the Participant's retirement.

Prior to March 1, 1998, any such election must be made at least one hundred (180) days prior to the date that the Applicable Retirement Benefit payments would otherwise become payable. After February 28, 1998, any such election must be made by those Participants designated by the Committee from time to time at least two (2) years and by all other Participants at least one (1) year prior to the date that the Applicable Retirement Benefit payments would otherwise become payable.

7. PAYMENT UPON CHANGE IN CONTROL

a. Any former employee or the surviving spouse of an employee or former employee who is receiving a benefit under Paragraphs 4.a., 4.b., 4.d. or 4.e. hereof (or pursuant to the terms of any version of this Plan) at the time of a Change in Control (collectively or individually, "SERP Recipient") shall receive, in lieu of the future monthly retirement benefit (including the spousal survivor benefit in the case of a benefit under Paragraph 4.a. or 4.b.) to which he is entitled (such future benefit payable to the SERP Recipient is herein referred to for purposes of this paragraph 7.a as the "Future Retirement Benefit"), a lump sum cash payment, payable to the SERP Recipient, as applicable, within ten (10) days after a Change in Control (or such later date that is forty-five (45) days after the notice required by the following provisions of this Paragraph 7.a. is provided to the applicable SERP Recipient), equal to the actuarial present value of his Future Retirement Benefit, calculated using: (i) the 83 GAM mortality tables; and (ii) an interest rate equal to the PBGC Interest Rate as of the date of the Change of Control.

Notwithstanding the foregoing, the provisions of this Paragraph 7.a. shall not apply with respect to a SERP Recipient unless such SERP Recipient consents to the application of this Paragraph 7.a. within thirty (30) days after the date the SERP Recipient receives written notice of the terms of this Paragraph 7.a., as provided for by the following sentence. The Corporation shall provide each SERP Recipient, a written notice of the terms of this Paragraph 7.a. and the consent requirement contained herein not later than five (5) days after the earliest of (x) the occurrence of a Potential Change in Control, (y) the date that the Corporation provides notice to its stockholders that a vote on a transaction which, if consummated, would constitute a Change in Control will be submitted to the Corporation's stockholders for approval, or (z) the occurrence of a Change of Control.

b. For purposes of Paragraphs 7 and 10, a "Change in Control" means:

(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 Corporation 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 Corporation as a result of an actual or threatened election contest (as described in Rule 14a-11 under the Exchange Act) ("Election Contest") or other actual or threatened solicitation of proxies or consents

by or on behalf of any 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 Corporation entitled to vote generally in the election of directors (the "Outstanding Company Voting Power") shall be deemed to be an Incumbent Director;

(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 Corporation 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 Corporation (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 Corporation 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 Corporation or by any Subsidiary for the benefit of the Corporation and/or its employees or those of a Subsidiary; (iii) any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any Subsidiary; (iv) the Corporation or any Subsidiary or (v) any underwriter temporarily holding securities pursuant to an offering of such securities;

(3) The approval by the stockholders of the Corporation 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

(4) The approval by the stockholders of the Corporation of (i) any sale or other disposition of all or substantially all of the assets of the Corporation, 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 Corporation.

c. For purposes of Paragraphs 7 and 10, a "Potential Change in Control" means:

(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 (i) an offer made to the Hershey Trust to purchase any number of its shares in the Corporation such that if the Hershey Trust accepted such offer and sold such number of shares in the Corporation the Hershey Trust might no longer have more than 50% of the Outstanding Company Voting Power, (ii) an offering by the Hershey Trust of any number of its shares in the Corporation 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 (iii) entering into any agreement or understanding with a person or entity that would lead to a Change in Control; or

(2) the Board approves a transaction described in subsection (2), (3) or (4) of the definition of a Change in Control contained in Paragraph 7.b.

d. For purposes of this Paragraph 7: (i) "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; (ii) "Exchange Act" shall mean the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder; (iii) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d)(3) and 14(d) thereof; and (iv) "Subsidiary" shall mean any corporation controlled by the Corporation, directly or indirectly.

8. PAYMENT OF BENEFITS. Nothing contained in the Plan and no action taken pursuant to the provisions of the Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and the Participant, his spouse or any other person. No person other than the Corporation shall by virtue of the provisions of the Plan have any interest in such assets. To the extent that any person acquires a right to receive payments from the Corporation under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Corporation. The right of the Participant or any other person to the payment of benefits under the Plan shall not be assigned, transferred, pledged or encumbered; such payments and the right thereto are expressly declared to be non-assignable and nontransferable. No payments hereunder shall be subject to the claim of the creditors of the Participant nor of any other person entitled to payments hereunder. Any payments required to be made pursuant to the Plan to a person who is under a legal disability may be made by the Corporation to or for the benefit of such person in such of the following ways as the Committee shall determine:

- a. directly to such person.
- b. to the legal representative of such person.

c. to a near relative of such person to be used for such person's benefit.

d. directly in payment of expenses of support, maintenance or education of such person.

The Corporation shall not be required to see to the application by any third party of any payments made pursuant to the Plan.

9. EFFECTIVE DATE OF PLAN. This Amended and Restated (1999) Supplemental Executive Retirement Plan shall be effective June 9, 1999 and Participants who become eligible to retire under the Plan on or after that date shall be entitled to the benefits provided hereunder.

10. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN. The Board of Directors of the Corporation may, at any time, suspend or terminate the Plan. The Board may also from time to time, amend the Plan in such respects as it may deem advisable in order that benefits provided hereunder may conform to any change in law or in other respects which the Board deems to be in the best interest of the Corporation. No such suspension, termination or amendment of the Plan shall adversely affect any right of any person who is a Participant at the time of such suspension, termination or amendment or his beneficiary(ies), estate or surviving spouse, as applicable, to receive benefits under the Plan in accordance with its provisions in effect immediately prior to such suspension, termination or amendment without the consent of such Participant, beneficiary(ies), estate or surviving spouse. Any benefits payable under the terms of the Plan at the time of any suspension, termination or amendment of the Plan shall remain in effect according to their original terms, or such alternate terms as may be in the best interests of both parties and agreed to by the Participant or his beneficiaries, estate or surviving spouse, as applicable. Notwithstanding the foregoing, (a) the Plan may not be terminated or amended in any manner that is adverse to the interests of a Participant or the surviving spouse of a Participant without the consent of the Participant or surviving spouse, as applicable, 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) for a two year period beginning on the date of a Change in Control (the "Coverage Period"); and (b) no termination of this Plan or amendment hereof in a manner adverse to the interests of any Participant (without the consent of the Participant or surviving spouse) 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 of Control, or (ii) in connection with or in anticipation of a Change of Control. After the Coverage Period, the Plan may not be amended or terminated in any manner that would adversely affect the entitlement of a Participant or his surviving spouse (without the consent of the Participant or surviving spouse) to benefits that have accrued hereunder. For purposes of the immediately preceding two sentences of this Paragraph 10, "Participant" shall include any employee of the Corporation participating in the performance share unit portion of the KEIP (regardless of whether any such employee meets the other eligibility requirements of Paragraph 3) at the time (a) the Coverage Period commences and thereafter or (b) his employment is terminated or the Plan is amended (i) at the request of a third party who has taken steps reasonably calculated to effect a Change of Control, or (ii) in connection with or in anticipation of a Change of Control.

IN WITNESS WHEREOF, Hershey Foods Corporation has caused this Hershey Foods Corporation Amended and Restated (1999) Supplemental Executive Retirement Plan to be executed as of this 9th day of June, 1999.

HERSHEY FOODS CORPORATION

By: /s/ Kenneth L. Wolfe

Kenneth L. Wolfe
Chief Executive Officer

SCHEDULE I
to
AMENDED AND RESTATED (1999)
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

November 1999	1.850%	January 2002	0.848%
December 1999	1.811%	February 2002	0.809%
		March 2002	0.771%
January 2000	1.773%	April 2002	0.732%
February 2000	1.734%	May 2002	0.694%
March 2000	1.696%	June 2002	0.655%
April 2000	1.657%	July 2002	0.617%
May 2000	1.619%	August 2002	0.578%
June 2000	1.580%	September 2002	0.540%
July 2000	1.542%	October 2002	0.501%
August 2000	1.503%	November 2002	0.463%
September 2000	1.465%	December 2002	0.424%
October 2000	1.426%		
November 2000	1.388%	January 2003	0.385%
December 2000	1.349%	February 2003	0.347%
		March 2003	0.308%
January 2001	1.310%	April 2003	0.270%
February 2001	1.272%	May 2003	0.231%
March 2001	1.233%	June 2003	0.193%
April 2001	1.195%	July 2003	0.154%
May 2001	1.156%	August 2003	0.116%
June 2001	1.118%	September 2003	0.077%
July 2001	1.079%	October 2003	0.039%
August 2001	1.041%	November 2003 and each succeeding month	0.000%
September 2001	1.002%		
October 2001	0.964%		
November 2001	0.925%		
December 2001	0.887%		

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 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

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;

1.3.3 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

2

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.

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 Section 3 of the SERP (and not for the purposes of any other provision of the SERP, including but not limited to Section 4) 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), provided, however, the reduction factor prescribed by clause (4) of Section 4.b of the SERP shall still be given effect in calculating his SERP Benefit, with his age being increased by three (3) years as provided in Subsection 2.3.1.1 hereof;

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 (i) during the Coverage Period, unless such termination is (a) by the Company for Cause, (b) by reason of his death or Disability or after his Mandatory Retirement Age, if applicable, or (c) by him without Good Reason; or (ii) prior to his Mandatory Retirement Age, if applicable, but during the 13th full calendar month of the Coverage Period for any reason other than his death or Disability.

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).

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.

IN WITNESS WHEREOF, the Company has caused the Plan to be adopted as of the 8th day of June, 1999.

HERSHEY FOODS CORPORATION

By: /s/ Kenneth L. Wolfe

Kenneth L. Wolfe
Chairman and Chief Executive Officer

HERSHEY FOODS CORPORATION
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 For the Years Ended December 31, 1999, 1998, 1997, 1996 and 1995,
 (in thousands of dollars except for ratios)
 (Unaudited)

	1999	1998	1997	1996	1995
Earnings:					
Income from continuing operations before income taxes and accounting changes	\$727,874(a)	\$ 557,006	\$ 553,955	\$ 479,737(b)	\$465,953(c)
Add (Deduct):					
Interest on indebtedness.....	77,300	88,648	79,138	52,036	47,568
Portion of rents representative of the interest factor(d)	15,162	13,197	10,592	8,618	8,176
Amortization of debt expense.....	486	462	412	234	97
Amortization of capitalized interest.....	3,884	3,856	3,496	3,359	3,183
Earnings as adjusted.....	\$ 824,706	\$ 663,169	\$ 647,593	\$ 543,984	\$ 524,977
Fixed Charges:					
Interest on indebtedness.....	\$77,300	\$ 88,648	\$ 79,138	\$ 52,036	\$ 47,568
Portion of rents representative of the interest factor(d)..	15,162	13,197	10,592	8,618	8,176
Amortization of debt expense.....	486	462	412	234	97
Capitalized interest.....	1,214	2,547	1,883	1,534	1,957
Total fixed charges.....	\$ 94,162	\$ 104,854	\$ 92,025	\$ 62,422	\$ 57,798
Ratio of earnings to fixed charges.....	8.76	6.32	7.04	8.71	9.08

- - - - -

NOTES:

- (a) Includes a gain on the disposal of pasta business of \$243.8 million.
- (b) Includes a loss on the disposal of businesses of \$35.4 million.
- (c) Includes a restructuring credit of \$.2 million.
- (d) Portion of rents representative of the interest factor consists of one-third of rental expense for operating leases.

HERSHEY FOODS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Corporation's sales decreased in 1999, following a record performance in 1998. During the two-year period, net sales decreased at a compound annual rate of 4%. The sales decrease reflected the divestiture of the Corporation's pasta business in January 1999 and reduced 1999 shipments in the United States of confectionery and grocery products, which more than offset higher sales for core confectionery and grocery brands in 1998. The reduction in shipments resulted primarily from difficulties in order fulfillment (customer service, warehousing, and shipping) encountered since the start-up of a new integrated information system and new business processes during the third quarter of 1999. The sales decrease was partially offset by incremental sales from the introduction of new confectionery products, and to a lesser extent, sales increases in the Canadian and Mexican markets.

The Corporation's income increased in 1999 reflecting the gain on the sale of the Corporation's pasta business. Excluding the \$165.0 million after-tax gain on the sale of the pasta business, net income decreased in 1999 following a record performance in 1998. During the two-year period, net income decreased at a compound annual rate of 6%. The decrease in net income reflected the divestiture of the pasta business and sales decline in 1999, and a lower gross margin over the two-year period, partly the result of higher costs associated with the order fulfillment difficulties noted above. These items were partially offset by lower levels of selling and marketing, administrative and interest expenses.

The following divestiture occurred during the period:

- . January 1999--The completion of the sale of a 94% majority interest of the Corporation's 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

Net sales decreased \$464.7 million or 10% in 1999 following an increase in 1998 of \$133.4 million or 3%. The decrease in 1999 was primarily a result of the divestiture of the Corporation's pasta business, resulting in a sales reduction of \$343.8 million, and sales decreases in the United States of core confectionery and grocery products. Sales of confectionery and grocery products declined in the first quarter of 1999 primarily as a result of the December 1998 buy-in on promotions of regular count and vending items. Sales decreases in the third and fourth quarters were primarily the result of problems encountered since the July start-up of new business systems and processes. These sales declines were partially offset by incremental sales from the introduction of new confectionery products, increased export sales in international markets and sales increases in the Corporation's Canadian and Mexican markets. The increase in 1998 was primarily a result of incremental sales from the introduction of new confectionery products and increased sales volume for core confectionery and grocery products in North America. These increases were offset somewhat by a decline in sales in the Corporation's Asian and Russian markets and the impact of currency exchange rates in the Canadian and Mexican markets, in addition to higher levels of confectionery unsalables and lower sales of pasta products.

Costs and Expenses

Cost of sales as a percent of net sales increased from 57.9% in 1997 to 59.2% in 1998, and to 59.3% in 1999. The decrease in gross margin in 1999 reflected lower profitability resulting from the mix of confectionery items sold in 1999 compared with sales during 1998, primarily related to lower sales of

A-1

the more profitable standard bars. Higher freight and distribution costs, reflecting increased costs related to the implementation of new business systems and processes and distribution center capacity constraints, and higher depreciation expense as a percent of sales, also contributed to the lower gross margin. These cost increases were offset partially by selling price increases in the Corporation's Canadian and Mexican markets and decreased costs for packaging materials and certain raw materials. The decrease in gross margin in 1998 was principally the result of higher costs for certain major raw materials, primarily milk and cocoa, labor and overhead, higher shipping and distribution costs and the mix of non-chocolate and chocolate confectionery items sold in 1998 compared to 1997. These cost increases were partially offset by lower costs for certain raw materials and improved manufacturing efficiencies, including significant improvements in plants acquired with the Leaf confectionery business in December 1996, from an affiliate of Huhtamaki Oy.

Selling, marketing and administrative expenses decreased by 9% in 1999, reflecting lower expenses resulting from the divestiture of the pasta business, reduced marketing expenses for core confectionery brands and lower administrative expenses. These decreases were offset partially by increased spending associated with the introduction of new products and international exports, in addition to higher amortization expense for capitalized software. Excluding the divestiture of the pasta business, advertising and promotion

expense was essentially equal to the prior year as a percent of sales. Selling, marketing and administrative costs decreased by 1% in 1998, as reduced marketing expenses for existing brands, lower selling expenses in international markets and lower administrative expenses were only partially offset by higher marketing expenses associated with the introduction of new products.

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 Employee Savings Stock Investment and Ownership Plan (ESSIOP). The change applied primarily to U.S. hourly employees working in Pennsylvania. This change resulted in the recognition of a \$15.4 million pre-tax gain in 1999, excluding contributions to the ESSIOP. Effective December 1998, all U.S. full-time salaried employees, and all non-union hourly plant employees working outside Hershey, Pennsylvania under age 45 were eligible for the ESSIOP contributions, resulting in the recognition of a \$13.0 million pre-tax gain in 1998.

Interest Expense, Net

Net interest expense in 1999 was \$11.4 million below the prior year, primarily as a result of lower short-term interest expense as a portion of the proceeds from the sale of the pasta business and positive cash flow was used to reduce short-term borrowings. Net interest expense in 1998 exceeded the prior year by \$9.4 million, primarily as a result of increased borrowings associated with the purchase of Common Stock from the Hershey Trust Company, as Trustee for the benefit of Milton Hershey School (Milton Hershey School Trust), partially offset by lower interest expense reflecting reduced average short-term borrowings.

Provision for Income Taxes

The Corporation's effective income tax rate was 39.3%, 38.8% and 36.8% in 1997, 1998 and 1999, respectively. Excluding the provision for income taxes associated with the gain on the sale of the pasta business, the effective income tax rate was 39.0% in 1999. The rate decreased from 39.3% in 1997 to 38.8% in 1998 primarily due to changes in the mix of the Corporation's income among various tax jurisdictions.

Net Income

Net income increased \$119.4 million in 1999, reflecting an after-tax gain of \$165.0 million on the sale of the Corporation's pasta business. Excluding the gain, net income decreased \$45.6 million or 13%

in 1999, following an increase of \$4.6 million or 1% in 1998. Excluding the gain on the sale of the pasta business, net income as a percent of net sales was 7.4% in 1999, 7.7% in 1998 and 7.8% in 1997.

FINANCIAL POSITION

The Corporation's financial position remained strong during 1999. The capitalization ratio (total short-term and long-term debt as a percent of stockholders' equity, short-term and long-term debt) was 50% as of December 31, 1999 and 54% as of December 31, 1998. The ratio of current assets to current liabilities was 1.8:1 as of December 31, 1999, and 1.4:1 as of December 31, 1998. The lower capitalization ratio as of December 31, 1999, and the higher ratio of current assets to current liabilities primarily reflected the use of a portion of the proceeds from the sale of the pasta business to reduce short-term borrowings.

Assets

Total assets decreased \$57.4 million or 2% as of December 31, 1999, primarily as a result of the divestiture of the pasta business and lower accounts receivable, substantially offset by increases in inventories and cash and cash equivalents.

Current assets increased by \$146.0 million or 13% reflecting increased inventories, cash and cash equivalents, prepaid expenses and other current assets. An increase in inventories of \$109.0 million primarily reflected higher raw material and finished goods inventories. The increase in cash and cash equivalents resulted from higher cash collections from customers in December compared to the prior year and year 2000 contingency plans. A decrease in accounts receivable reflected lower sales and increased collections from customers in December, as well as a reduction of accounts receivable with extended payment terms as of December 31, 1999.

As of December 31, 1999, accounts receivable included increased deductions from customer invoices and higher past due amounts as compared to the prior year. These increases were primarily the result of shipping, billing and processing difficulties encountered during the third and fourth quarters associated with the July start-up of the new integrated information system and new business processes. The Corporation has made substantial progress in resolving these problems, clearing open deductions and collecting past due receivables.

Property, plant and equipment was lower than the prior year primarily due to the divestiture of the pasta business and depreciation expense of \$135.6 million, partially offset by capital additions of \$115.4 million. The increase in other non-current assets was primarily associated with the capitalization of software.

Liabilities

Total liabilities decreased by \$113.8 million or 5% as of December 31, 1999, primarily reflecting a reduction of short-term borrowings and the divestiture of the pasta business, partially offset by an increase in accrued income taxes. The decrease in short-term debt of \$136.7 million resulted from the use of a portion of the proceeds from the sale of the pasta business and positive cash flow to repay commercial paper borrowings. The increase in accrued income taxes of \$54.7 million primarily reflected the income tax provision on the gain on sale of the pasta business.

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.

LIQUIDITY

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 requirements for share repurchases, capital expenditures, capitalized software additions and dividend payments exceeded cash provided from operating activities and proceeds from the sale of the pasta business by \$102.9 million. Total debt, including debt assumed, increased during the period by \$119.6 million. Cash and cash equivalents increased by \$56.7 million during the period.

The Corporation anticipates that capital expenditures will be in the range of \$150 million to \$170 million per annum during the next several years as a result of continued modernization of existing facilities and capacity expansion to support new products and line extensions. As of December 31, 1999, the Corporation's principal capital commitments included manufacturing capacity expansion, modernization and efficiency improvements.

In January 1999, the Corporation implemented the first phase of 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 start-up of the second phase of system implementation began in July 1999 and 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. As of December 31, 1999, approximately \$98.8 million of capitalized software and hardware and \$13.2 million of expenses were incurred for the enterprise-wide information system and related projects. Total commitments for these systems are expected to be approximately \$115 million to \$120 million, including incremental costs to resolve problems encountered with new business systems and processes. These expenditures were financed with cash provided from operations and short-term borrowings.

In July 1999, the Corporation entered into an operating lease agreement for an amount not to exceed \$65 million for the purpose of financing construction costs of a warehouse and distribution facility located on land owned by the Corporation near Hershey, Pennsylvania. Under the agreement, the lessor pays for the construction costs and thereafter leases the facility to the Corporation. The lease term is six years, including the construction period. The lease may be extended at the Corporation's option for up to four renewal periods of five years each. The lease provides for a substantial residual guarantee and includes an option to purchase the facility at original cost. The first phase of the distribution center is expected to open in the second quarter of 2000.

During 1999, 5,478,379 shares of Common Stock were repurchased for \$318.0 million under share repurchase programs, including 1,579,779 shares purchased from the Milton Hershey School Trust for \$100.0 million. Under share repurchase programs which began in 1993, a total of 15,339,498 shares of

Common Stock have been repurchased for approximately \$605.6 million. Of the shares repurchased, 528,000 shares were retired, 1,320,781 shares were reissued to satisfy stock options obligations, Supplemental Retirement Contributions and employee stock ownership trust (ESOP) obligations and the remaining 13,490,717 shares were held as Treasury Stock as of December 31, 1999. 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, 1999, a total of 41,491,253 shares were held as Treasury Stock and \$24.4 million remained available for repurchases of Common Stock under the program approved by the Corporation's Board of Directors in February 1999. In October 1999, the Corporation's Board of Directors approved an additional share repurchase program authorizing the repurchase of up to \$200 million of the Corporation's Common Stock.

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, 1999, \$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, 1999, the Corporation maintained a committed credit facility agreement with a syndicate of banks in the amount of \$500.0 million which could be borrowed directly or used to support the issuance of commercial paper. The Corporation has the option to increase the credit facility by \$1.0 billion with the concurrence of the banks. In December 1999, the short-term credit facility agreement was renewed for a total of \$200 million and the long-term committed credit facility agreement remained in effect for \$300 million, expiring in December 2002. 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 \$25.0 million and \$23.0 million as of December 31, 1999 and 1998, respectively.

Cash Flow Activities

Cash provided from operating activities totaled \$1.2 billion during the past three years. 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. The change in cash required for or provided from other assets and liabilities between the years was primarily related to commodities transactions, the timing of payments for accrued liabilities, including income taxes, and variations in the funding status of pension plans.

Investing activities included capital additions and a business divestiture. Capital additions during the past three years included the purchase of manufacturing equipment, and expansion and modernization of existing facilities. In 1999, the Corporation's pasta business was sold for \$450 million in cash.

Financing activities included debt borrowings and repayments, payment 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

fund seasonal working capital requirements, share repurchase programs and purchases of Common Stock from the Milton Hershey School Trust. The proceeds from the issuance of long-term debt were used to reduce short-term borrowings. During the past three years, a total of 15,802,718 shares of Common Stock have been repurchased for \$841.8 million, including 11,480,769 shares purchased from the Milton Hershey School Trust for \$600.0 million. Cash requirements for incentive plan transactions were \$57.5 million during the past three years, substantially offset by cash received from the exercise of stock options of \$52.6 million. Cash used by incentive plan transactions in 1997 and 1998 reflected purchases of the Corporation's Common Stock in the open market to repurchase Common Stock issued for stock options exercises. Beginning in early 1998, shares of treasury stock were reissued for stock options exercises.

ACCOUNTING POLICIES AND MARKET RISKS ASSOCIATED WITH DERIVATIVE INSTRUMENTS

The Corporation utilizes certain derivative instruments, including interest rate swaps and forward agreements, foreign currency forward exchange contracts and commodity futures contracts, to manage interest rate, currency exchange rate and commodity market price risk exposures. The interest rate swaps and forward agreements, and foreign currency contracts are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. Commodity futures contracts are entered into for varying periods and are intended and effective as hedges of anticipated raw material purchases. 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.

The information below summarizes the Corporation's market risks associated with long-term debt and derivative instruments outstanding as of December 31, 1999. This information should be read in conjunction with Note 1, Note 5, Note 7 and Note 8 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 as of December 31, 1999. The fair value of long-term debt was determined based upon quoted market prices for the same or similar debt issues.

	Maturity Date							Fair Value
	2000	2001	2002	2003	2004	There-after	Total	

	(In thousands of dollars except for rates)							

Long-term Debt	\$2,440	\$712	\$838	\$17,133	\$136	\$859,394	\$880,653	\$856,856
Fixed Rate	6.4%	2.0%	2.0%	4.4%	2.0%	7.2%	7.1%	

Interest Rate Swaps and Forward Agreements

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 October 1999, the Corporation entered into an interest rate swap agreement to effectively convert \$200 million of 6.7% Notes Due 2005 (Notes) to variable rate debt. The interest rate swap agreement is cancelable at the sole discretion of the counterparty effective April 2, 2001. At the same time, the Corporation entered into forward interest rate agreements to fix the interest rate on the Notes at 5.8% through April 2, 2001. Subsequently, if the counterparty chooses not to cancel the agreement, the interest rate on the Notes would be variable based on the London InterBank Offered Rate (LIBOR) until expiration on October 1, 2005.

As of December 31, 1998, the Corporation had agreements outstanding with an aggregate notional amount of \$75.0 million maturing in September 1999 to effectively convert a portion of its floating rate commercial paper borrowings to fixed rate debt. As of December 31, 1998, interest rates payable were at a weighted average fixed rate of 6.3% and interest rates receivable averaging 5.2% were based on 30-day commercial paper composite rates. Any interest rate differential on interest rate swaps and forward agreements is recognized as an adjustment to interest expense over the term of each agreement. The Corporation's risk related to interest rate swap and forward agreements is limited to the cost of replacing such agreements at prevailing market rates. The potential loss in fair value of interest rate swaps and forward agreements resulting from a hypothetical near-term adverse change in market rates of ten percent was not material as of December 31, 1999 and 1998.

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 exchange forward contracts are intended and effective as hedges of firm, identifiable, foreign currency commitments. In accordance with Statement of Financial Accounting Standards No. 52, Foreign Currency Translation, these contracts meet the conditions for hedge accounting treatment and accordingly, gains and losses are deferred and accounted for as part of the underlying transactions. 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 which mature, are sold or terminated, are recorded currently in income.

As of December 31, 1999, the Corporation had foreign exchange forward contracts maturing in 2000 and 2001 to purchase \$18.0 million in foreign currency, primarily euros and British sterling, and to sell \$31.2 million in foreign currency, primarily Canadian dollars and Japanese yen, at contracted forward rates.

As of December 31, 1998, the Corporation had foreign exchange forward contracts maturing in 1999 and 2000 to purchase \$10.5 million in foreign currency, primarily British sterling and Dutch guilders, and to sell \$9.6 million in 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, 1999 and 1998, 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, 1999 and 1998.

Commodity Price Risk Management

The Corporation's most significant raw materials 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 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 materials. 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 to increase

diversity or flexibility in sourcing these raw materials and energy requirements. 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 have declined recently as additional production, spurred by higher prices of the mid 1990's, has come on stream and as the economic difficulties in eastern Europe, particularly Russia, and Southeast Asia, have negatively impacted demand. During 2000, these negative demand influences could continue to keep cocoa futures prices contained. The Corporation's costs during 2000 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, the Corporation enters into commodities futures contracts as deemed appropriate to reduce the effect of price fluctuations. In accordance with Statement of Financial Accounting Standards No. 80, Accounting for Futures Contracts, these futures contracts meet the hedge criteria and are accounted for as hedges. Accordingly, gains and losses are deferred and recognized in cost of sales as part of the product cost. Gains and losses on futures designated as hedges of anticipated purchases which are no longer likely to occur are recorded currently in income.

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 are made on a daily basis and are included in other current assets or accrued liabilities 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 and energy requirements 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 and natural gas. 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,	1999		1998	
	Fair Value	Market Risk (Hypothetical 10% Change)	Fair Value	Market Risk (Hypothetical 10% Change)
In millions of dollars				
Highest long position	\$147.7	\$14.8	\$134.9	\$13.5
Lowest long position	54.3	5.4	45.6	4.6
Average position (long)	111.0	11.1	76.3	7.6

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.

MARKET PRICES AND DIVIDENDS

Cash dividends paid on the Corporation's Common Stock and Class B Stock were \$136.7 million in 1999 and \$129.0 million in 1998. The annual dividend rate on the Common Stock was \$1.04 per share, an increase of 8% over the 1998 rate of \$.96 per share. The 1999 dividend represented the 25th consecutive year of Common Stock dividend increases.

On February 9, 2000, the Corporation's Board of Directors declared a quarterly dividend of \$.26 per share of Common Stock payable on March 15, 2000, to stockholders of record as of February 25, 2000. It is the Corporation's 281st consecutive Common Stock dividend. A quarterly dividend of \$.235 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 128.6 million shares of the Corporation's Common Stock were traded during 1999. The Class B Stock is not publicly traded.

The closing price of the Common Stock on December 31, 1999, was \$47 7/16. There were 43,265 stockholders of record of the Common Stock and the Class B Stock as of December 31, 1999.

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

1999				
1st Quarter	\$.24	\$.2175	\$64 7/8	\$54 1/8
2nd Quarter	.24	.2175	59 1/2	48 13/16
3rd Quarter	.26	.2350	61 7/16	48 1/2
4th Quarter	.26	.2350	54 3/16	45 3/4

Total	\$ 1.00	\$.9050		
=====				
1998				
1st Quarter	\$.22	\$.2000	\$73 3/8	\$59 11/16
2nd Quarter	.22	.2000	76 3/8	67 3/16
3rd Quarter	.24	.2175	72 5/16	60 1/2
4th Quarter	.24	.2175	75 13/16	60 3/4

Total	\$.92	\$.8350		
=====				

* 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 27.6% in 1999. Over the most recent five-year period, the return has ranged from 22.2% in 1995 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 restructuring activities in 1995, the after-tax loss on the disposal of businesses in 1996 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 14.8% in 1999. Over the most recent five-year period, the return has ranged from 17.8% in 1996 to 14.8% in 1999. 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 restructuring activities in 1995, the after-tax loss on disposal of businesses in 1996, the after-tax gain on the sale of the pasta business in 1999, and the after-tax effect of interest on long-term debt.

YEAR 2000 ISSUES

The Corporation completed its year 2000 testing and remediation programs in the third quarter of 1999. No significant year 2000 problems have been encountered with the Corporation's information technology (IT) and non-IT systems. The total cost of testing and remediation of the Corporation's IT and non-IT systems not being replaced by the integrated information system project was approximately \$6.0 million.

The Corporation also assessed year 2000 remediation issues relating to its major business partners. All of the Corporation's major customers have been contacted regarding year 2000 issues related to electronic data interchange. The Corporation also contacted all of its major suppliers of ingredients, packaging, facilities, logistics and financial services with regard to year 2000 issues. No significant year 2000 problems have been encountered with the Corporation's major business partners.

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 income taxes; market demand for new and existing products; raw material pricing; the Corporation's ability to fully remedy the problems and avoid the increased costs encountered since implementing changes to the customer service, warehousing, and order fulfillment processes and systems in the third quarter of 1999; the ability to restore customer service to historical levels; the effects service levels and other factors have on future customer demand; and the ability to complete construction and commence operations of new warehousing facilities on schedule.

HERSHEY FOODS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31,	1999	1998	1997

In thousands of dollars except per share amounts			
Net Sales	\$3,970,924	\$4,435,615	\$4,302,236

Costs and Expenses:			
Cost of sales	2,354,724	2,625,057	2,488,896
Selling, marketing and administrative	1,057,840	1,167,895	1,183,130
Gain on sale of business	(243,785)	--	--

Total costs and expenses	3,168,779	3,792,952	3,672,026

Income before Interest and Income Taxes	802,145	642,663	630,210
Interest expense, net	74,271	85,657	76,255

Income before Income Taxes	727,874	557,006	553,955
Provision for income taxes	267,564	216,118	217,704

Net Income	\$ 460,310	\$ 340,888	\$ 336,251
=====			
Net Income Per Share--Basic	\$ 3.29	\$ 2.38	\$ 2.25
=====			
Net Income Per Share--Diluted	\$ 3.26	\$ 2.34	\$ 2.23
=====			
Cash Dividends Paid Per Share:			
Common Stock	\$ 1.00	\$.920	\$.840
Class B Common Stock	.905	.835	.760

The notes to consolidated financial statements are an integral part of these statements.

HERSHEY FOODS CORPORATION
CONSOLIDATED BALANCE SHEETS

December 31,	1999	1998

In thousands of dollars		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 118,078	\$ 39,024
Accounts receivable--trade	352,750	451,324
Inventories	602,202	493,249
Deferred income taxes	80,303	58,505
Prepaid expenses and other	126,647	91,864
	-----	-----
Total current assets	1,279,980	1,133,966
Property, Plant and Equipment, Net	1,510,460	1,648,058
Intangibles Resulting from Business Acquisitions	450,165	530,464
Other Assets	106,047	91,610
	-----	-----
Total assets	\$ 3,346,652	\$ 3,404,098
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 136,567	\$ 156,937
Accrued liabilities	292,497	294,415
Accrued income taxes	72,159	17,475
Short-term debt	209,166	345,908
Current portion of long-term debt	2,440	89
	-----	-----
Total current liabilities	712,829	814,824
Long-term Debt	878,213	879,103
Other Long-term Liabilities	330,938	346,769
Deferred Income Taxes	326,045	321,101
	-----	-----
Total liabilities	2,248,025	2,361,797
	-----	-----
Stockholders' Equity:		
Preferred Stock, shares issued: none in 1999 and 1998	--	--
Common Stock, shares issued: 149,506,964 in 1999 and 149,502,964 in 1998	149,507	149,503
Class B Common Stock, shares issued: 30,443,908 in 1999 and 30,447,908 in 1998	30,443	30,447
Additional paid-in capital	30,079	29,995
Unearned ESOP compensation	(22,354)	(25,548)
Retained earnings	2,513,275	2,189,693
Treasury--Common Stock shares, at cost: 41,491,253 in 1999 and 36,804,157 in 1998	(1,552,708)	(1,267,422)
Accumulated other comprehensive loss	(49,615)	(64,367)
	-----	-----
Total stockholders' equity	1,098,627	1,042,301
	-----	-----
Total liabilities and stockholders' equity	\$ 3,346,652	\$ 3,404,098
	=====	=====

The notes to consolidated financial statements are an integral part of these balance sheets.

HERSHEY FOODS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,	1999	1998	1997

In thousands of dollars			
Cash Flows Provided from (Used by)			
Operating Activities			
Net income	\$ 460,310	\$ 340,888	\$ 336,251
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	163,308	158,161	152,750
Deferred income taxes	(8,336)	82,241	16,915
Gain on sale of business, net of tax of \$78,769	(165,016)	--	--
Changes in assets and liabilities, net of effects from business divestiture:			
Accounts receivable--trade	77,918	(90,493)	(68,479)
Inventories	(136,535)	12,276	(33,538)
Accounts payable	(8,742)	10,005	12,967
Other assets and liabilities	(55,224)	(124,118)	85,074
Other, net	--	745	4,018
Net Cash Provided from Operating Activities	327,683	389,705	505,958

Cash Flows Provided from (Used by)			
Investing Activities			
Capital additions	(115,448)	(161,328)	(172,939)
Capitalized software additions	(25,394)	(42,859)	(29,100)
Proceeds from divestiture	450,000	--	--
Other, net	13,526	9,284	21,368
Net Cash Provided from (Used by) Investing Activities	322,684	(194,903)	(180,671)

Cash Flows Provided from (Used by)			
Financing Activities			
Net change in short-term borrowings	(136,742)	(36,543)	(217,018)
Long-term borrowings	1,696	--	550,000
Repayment of long-term debt	(393)	(25,187)	(15,588)
Cash dividends paid	(136,728)	(129,044)	(121,546)
Exercise of stock options	18,878	19,368	14,397
Incentive plan transactions	--	(22,458)	(35,063)
Repurchase of Common Stock	(318,024)	(16,151)	(507,654)
Net Cash (Used by) Financing Activities	(571,313)	(210,015)	(332,472)

Increase (Decrease) in Cash and Cash Equivalents	79,054	(15,213)	(7,185)
Cash and Cash Equivalents as of January 1	39,024	54,237	61,422
Cash and Cash Equivalents as of December 31	\$ 118,078	\$ 39,024	\$ 54,237
	=====	=====	=====
Interest Paid	\$ 77,049	\$ 89,001	\$ 64,937
Income Taxes Paid	218,665	123,970	181,377

The notes to consolidated financial statements are an integral part of these statements.

Net income					460,310			460,310	
Other comprehensive income (loss):									
Foreign currency translation adjustments						10,701		10,701	
Minimum pension liability adjustments, net of tax benefit						4,051		4,051	

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
	=====	=====	=====	=====	=====	=====	=====	=====	=====

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. Certain reclassifications have been made to prior year amounts to conform to the 1999 presentation.

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 generally accepted accounting principles 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

Sales are recorded at the time products are shipped and risk of loss is transferred.

Cash Equivalents

All highly liquid debt instruments purchased with a maturity of three months or less are classified as cash equivalents.

Commodities Futures Contracts

In connection with the purchasing of cocoa, sugar, corn sweeteners, natural gas and certain dairy products for anticipated manufacturing requirements, the Corporation enters into commodities futures contracts as deemed appropriate to reduce the effect of price fluctuations. In accordance with Statement of Financial Accounting Standards No. 80, Accounting for Futures Contracts, these futures contracts meet the hedge criteria and are accounted for as hedges. Accordingly, gains and losses are deferred and recognized in cost of sales as part of the product cost. Gains and losses on futures designated as hedges of anticipated purchases which are no longer likely to occur are recorded in income currently.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of buildings, machinery and equipment is computed using the straight-line method over the 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 \$431.7 million and \$508.0 million as of December 31, 1999 and 1998, respectively. The decrease in goodwill primarily reflected the divestiture of the Corporation's pasta business in January 1999.

Goodwill is amortized on a straight-line basis over 40 years. Other intangible assets are amortized on a straight-line basis over the estimated useful lives. The Corporation periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of goodwill 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.

Accumulated amortization of intangible assets resulting from business acquisitions was \$121.6 million and \$132.3 million as of December 31, 1999 and 1998, respectively. The decrease in accumulated amortization reflected the divestiture of the Corporation's pasta business in January 1999.

Comprehensive Income

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (SFAS No. 130). SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components. SFAS No. 130 requires that an enterprise (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position.

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 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, net of tax benefit."

Comprehensive income (loss) is reported on the Consolidated Statements of Stockholders' Equity and accumulated other comprehensive (loss) is reported on the Consolidated Balance Sheets.

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 exchange forward contracts are intended and effective as hedges of firm, identifiable, foreign currency commitments. Accordingly, gains and losses are deferred and accounted for as part of the underlying transactions. 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 which mature, are sold or terminated, are recorded currently in income. 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.

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.

Research and Development

The Corporation expenses research and development costs as incurred. Research and development expense was \$26.7 million, \$28.6 million and \$27.5 million in 1999, 1998 and 1997, respectively.

Advertising

The Corporation expenses advertising costs as incurred. Advertising expense was \$164.9 million, \$187.5 million and \$202.4 million in 1999, 1998 and 1997, respectively. Prepaid advertising as of December 31, 1999 and 1998, was \$5.8 million and \$12.1 million, respectively.

Computer Software

In 1997, the Corporation began capitalizing certain costs of computer software developed or obtained for internal use. The amount capitalized as of December 31, 1999 and 1998, was \$82.2 million and \$69.3 million, respectively. If such costs were capitalized in prior years, the effect would not have been material. Software assets are classified as other non-current assets and are amortized over periods up to five years. Accumulated amortization of capitalized software was \$15.1 million and \$2.8 million as of December 31, 1999 and 1998, respectively.

2.DIVESTITURE

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, \$373.1 million, and \$386.2 million for 1999, 1998 and 1997, respectively. Net income for the pasta business was \$1.5 million, \$25.9 million and \$25.2 million for 1999, 1998 and 1997, respectively.

3.RENTAL AND LEASE COMMITMENTS

Rent expense was \$45.5 million, \$39.6 million and \$31.8 million for 1999, 1998 and 1997, respectively. Rent expense pertains to all operating leases, which were principally related to certain administrative buildings, distribution facilities and transportation equipment. In July 1999, the Corporation entered into an operating lease agreement for an amount not to exceed \$65 million for the purpose of financing construction costs of a warehouse and distribution facility located on land owned by the Corporation near Hershey, Pennsylvania. Under the agreement, the lessor pays for the construction costs and thereafter leases the facility to the Corporation. The lease term is six years, including the construction period. The lease may be extended at the Corporation's option for up to four renewal periods of five years each. The lease provides for a substantial residual guarantee and includes an option to purchase the facility at original cost. The first phase of the distribution center is expected to open in the second quarter of 2000. Future minimum rental payments under non-cancelable

operating leases with a remaining term in excess of one year as of December 31, 1999, were: 2000, \$18.5 million; 2001, \$19.7 million; 2002, \$18.9 million; 2003, \$18.3 million; 2004, \$18.1 million; 2005 and beyond, \$42.9 million.

4. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 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, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

SFAS No. 133 is effective for fiscal years beginning after June 15, 2000, but may be implemented as of the beginning of any fiscal quarter after issuance. Retroactive application is not permitted. SFAS No. 133 must be applied to (a) derivative instruments and (b) certain derivative instruments embedded in hybrid contracts that were issued, acquired, or substantively modified after December 31, 1997. Changes in accounting methods will be required for derivative instruments utilized by the Corporation to hedge commodity price, foreign currency exchange rate and interest rate risks. Such derivatives currently include, but are not limited to, commodity futures contracts, foreign exchange forward contracts, and interest rate swaps and forward agreements.

The Corporation anticipates the adoption of SFAS No. 133 as of January 1, 2001. As of December 31, 1999, net deferred losses on derivatives of approximately \$38.2 million after tax would have been reported as a component of other comprehensive loss and classified as accumulated other comprehensive loss on the consolidated balance sheets upon adoption of SFAS No. 133. The adoption of SFAS No. 133 is not expected to have a material impact on the Corporation's results of operations.

5. 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, 1999 and 1998, because of the relatively short maturity of these instruments. The carrying value of long-term debt, including the current portion, was \$880.7 million as of December 31, 1999, compared to a fair value of \$856.9 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 \$879.2 million as of December 31, 1998, compared to a fair value of approximately \$1.0 billion.

As of December 31, 1999, the Corporation had foreign exchange forward contracts maturing in 2000 and 2001 to purchase \$18.0 million in foreign currency, primarily euros and British sterling, and to sell \$31.2 million in foreign currency, primarily Canadian dollars and Japanese yen, at contracted forward rates.

As of December 31, 1998, the Corporation had foreign exchange forward contracts maturing in 1999 and 2000 to purchase \$10.5 million in foreign currency, primarily British sterling and Dutch guilders, and to sell \$9.6 million in 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, 1999 and 1998, 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 October 1999, the Corporation entered into an interest rate swap agreement to effectively convert \$200 million of 6.7% Notes Due 2005 (Notes) to variable rate debt. The interest rate swap agreement is cancelable at the sole discretion of the counterparty effective April 2, 2001. At the same time, the Corporation entered into forward interest rate agreements to fix the interest rate on the Notes at 5.8% through April 2, 2001. Subsequently, if the counterparty chooses not to cancel the agreement, the interest rate on the Notes would be variable based on the London InterBank Offered Rate (LIBOR) until expiration on October 1, 2005.

As of December 31, 1998, the Corporation had agreements outstanding with an aggregate notional amount of \$75.0 million maturing in September 1999 to effectively convert a portion of its floating rate commercial paper borrowings to fixed rate debt. As of December 31, 1998, interest rates payable were at a weighted average fixed rate of 6.3% and interest rates receivable averaging 5.2% were based on 30-day commercial paper composite rates. Any interest rate differential on interest rate swaps and forward agreements is recognized as an adjustment to interest expense over the term of each agreement. The Corporation's risk related to interest rate swap and forward agreements is limited to the cost of replacing such agreements at prevailing market rates.

6. INTEREST EXPENSE

Interest expense, net consisted of the following:

For the years ended December 31,	1999	1998	1997

In thousands of dollars			
Long-term debt and lease obligations	\$66,323	\$67,538	\$48,737
Short-term debt	12,191	23,657	32,284
Capitalized interest	(1,214)	(2,547)	(1,883)
	-----	-----	-----
Interest expense, gross	77,300	88,648	79,138
Interest income	(3,029)	(2,991)	(2,883)
	-----	-----	-----
Interest expense, net	\$74,271	\$85,657	\$76,255
	=====	=====	=====

7. 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, 1999, the Corporation maintained a committed credit facility agreement with a syndicate of banks in the amount of \$500.0 million which could be borrowed directly or used to support the issuance of commercial paper. The Corporation has the option to increase the credit facility by \$1.0 billion with the concurrence of the banks. In December 1999, the short-term credit facility agreement was renewed for a total of \$200 million and the long-term committed credit facility agreement remained in effect for \$300 million, expiring in December 2002. 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 arrangements with domestic and international commercial banks, under which it could borrow in various currencies up to approximately \$25.0 million and \$23.0 million as of December 31, 1999 and 1998, respectively, at the lending banks' prime commercial interest rates or lower.

The Corporation had combined domestic commercial paper borrowings, and short-term foreign bank loans against its credit facilities and lines of credit of \$209.2 million as of December 31, 1999, and

\$345.9 million as of December 31, 1998. The weighted average interest rates on short-term borrowings outstanding as of December 31, 1999 and 1998, were 5.8% and 5.2%, respectively.

The credit facilities and lines of credit were supported by commitment fee arrangements. The average fee during 1999 was less than .1% per annum of the commitment. The Corporation's credit facility agreements contain a financial covenant which requires that a specified interest and fixed charge 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 included in accounts payable, were \$28.3 million and \$57.0 million as of December 31, 1999 and 1998, respectively.

8. LONG-TERM DEBT

Long-term debt consisted of the following:

December 31,	1999	1998

In thousands of dollars		
6.7% Notes due 2005	\$200,000	\$200,000
6.95% Notes due 2007	150,000	150,000
6.95% Notes due 2012	150,000	150,000
8.8% Debentures due 2021	100,000	100,000
7.2% Debentures due 2027	250,000	250,000
Other obligations, net of unamortized debt discount	30,653	29,192
	-----	-----
Total long-term debt	880,653	879,192
Less--current portion	2,440	89
	-----	-----
Long-term portion	\$878,213	\$879,103
	=====	=====

In October 1999, the Corporation entered into an interest rate swap agreement to effectively convert \$200 million of 6.7% Notes due 2005 to variable rate debt. The interest rate swap agreement is cancelable at the sole discretion of the counterparty effective April 2, 2001. At the same time, the Corporation entered into forward interest rate agreements to fix the interest rate on the Notes at 5.8% through April 2, 2001. Subsequently, if the counterparty chooses not to cancel the agreement, the interest rate on the Notes would be variable based on LIBOR until expiration on October 1, 2005.

Aggregate annual maturities during the next five years are: 2000, \$2.4 million; 2001, \$.7 million; 2002, \$.8 million; 2003, \$17.1 million; and \$.1 million in 2004. 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.

9. INCOME TAXES

The provision for income taxes was as follows:

For the years ended December 31,	1999	1998	1997

In thousands of dollars			
Current:			
Federal	\$256,054	\$119,706	\$177,145
State	15,998	10,498	20,252
Foreign	3,848	3,673	3,392
	-----	-----	-----
Current provision for income taxes	275,900	133,877	200,789
	-----	-----	-----
Deferred:			
Federal	(23,271)	73,422	9,370
State	16,280	10,568	5,103
Foreign	(1,345)	(1,749)	2,442
	-----	-----	-----
Deferred provision for income taxes	(8,336)	82,241	16,915
	-----	-----	-----
Total provision for income taxes	\$267,564	\$216,118	\$217,704
	=====	=====	=====

The tax effects of the significant temporary differences which comprised the deferred tax assets and liabilities were as follows:

December 31,	1999	1998

In thousands of dollars		
Deferred tax assets:		
Post-retirement benefit obligations	\$ 84,305	\$ 87,954
Accrued expenses and other reserves	103,232	96,843
Accrued trade promotion reserves	34,708	28,118
Other	23,054	21,530
	-----	-----
Total deferred tax assets	245,299	234,445
	-----	-----
Deferred tax liabilities:		
Depreciation	289,369	308,074
Other	201,672	188,967
	-----	-----
Total deferred tax liabilities	491,041	497,041
	-----	-----
Net deferred tax liabilities	\$245,742	\$262,596
	=====	=====
Included in:		
Current deferred tax assets, net	\$ 80,303	\$ 58,505
Non-current deferred tax liabilities, net	326,045	321,101
	-----	-----
Net deferred tax liabilities	\$245,742	\$262,596
	=====	=====

The following table reconciles the Federal statutory income tax rate with the Corporation's effective income tax rate:

For the years ended December 31,	1999	1998	1997
Federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (reduction) resulting from:			
State income taxes, net of Federal income tax benefits	2.3	3.0	3.4
Non-deductible acquisition costs	.6	.9	.9
Utilization of capital loss carryforwards	(.9)	--	--
Other, net	(.2)	(.1)	--
	----	----	----
Effective income tax rate	36.8%	38.8%	39.3%
	====	====	====

In January 1999, the Corporation received a Notice of Proposed Deficiency from the Internal Revenue Service (IRS) related to the years 1989 through 1996. The most significant issue pertains to the Corporate Owned Life Insurance (COLI) program which was implemented by the Corporation in 1989. The IRS proposed an assessment for the disallowance of interest expense deductions associated with the underlying life insurance policies. The total impact of the disallowance was approximately \$60.4 million, including interest as of December 31, 1999. The Corporation may be subject to additional assessments for federal and state tax and interest payments for years subsequent to 1996. The Corporation believes that it has fully complied with the tax law as it relates to its COLI program. The Corporation filed a protest of the proposed deficiency with the Appeals section of the IRS in April 1999 and continues to vigorously defend its position on this matter.

10. 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.

Effective December 31, 1998, the Corporation adopted Statement of Financial Accounting Standards No. 132, Employers' Disclosures about Pension and Other Post-Retirement Benefits (SFAS No. 132). The provisions of SFAS No. 132 revise employers' disclosures about pension and other post-retirement benefit plans. It does not change the measurement or recognition of these plans.

A summary of the changes in benefit obligations and plan assets as of December 31, 1999 and 1998 is presented below:

December 31,	Pension Benefits		Other Benefits	
	1999	1998	1999	1998

In thousands of dollars				
Change in benefits obligation				
Benefits obligation at beginning of year	\$ 692,422	\$602,081	\$ 251,040	\$ 206,695
Service cost	31,050	27,621	3,803	4,452
Interest cost	41,781	41,855	13,813	13,524
Amendments	16,404	(440)	(11,092)	(17,427)
Actuarial (gain) loss	(93,537)	72,944	(32,285)	54,698
Divestiture/Acquisition	(8,648)	--	--	(1,799)
Other	3,185	(2,440)	222	(228)
Benefits paid	(54,947)	(49,199)	(10,991)	(8,875)
Benefits obligation at end of year	627,710	692,422	214,510	251,040

Change in plan assets				
Fair value of plan assets at beginning of year	628,041	566,810	--	--
Actual return on plan assets	74,511	91,338	--	--
Divestiture	(5,993)	--	--	--
Employer contribution	6,253	20,634	10,991	8,875
Other	2,834	(1,542)	--	--
Benefits paid	(54,947)	(49,199)	(10,991)	(8,875)
Fair value of plan assets at end of year	650,699	628,041	--	--

Funded status	22,989	(64,381)	(214,510)	(251,040)
Unrecognized transition obligation	(308)	(91)	--	--
Unrecognized prior service cost	49,046	35,854	(24,842)	(33,202)
Unrecognized net actuarial (gain) loss	(105,839)	6,164	26,085	59,589
Intangible asset	--	(1,261)	--	--
Accumulated other comprehensive income	--	(6,750)	--	--
Prior service cost recognized due to curtailment	--	--	17,034	12,991
Unrecognized prior service cost due to amendment	--	--	(11,105)	(6,924)
(Accrued) benefits cost	\$ (34,112)	\$(30,465)	\$(207,338)	\$(218,586)
=====				
Weighted-average assumptions				
Discount rate	7.5%	6.4%	7.5%	6.4%
Expected long-term rate of return on assets	9.5	9.5	N/A	N/A
Rate of increase in compensation levels	4.8	4.8	N/A	N/A

For measurement purposes, a 6% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2000 and future years.

As of December 31, 1999, for pension plans with accumulated benefit obligations in excess of plan assets, the related projected benefit obligation and accumulated benefit obligation were \$36.4 million and \$35.0 million, respectively, with no plan assets.

As of December 31, 1998, 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 \$81.1 million, \$66.9 million and \$22.7 million, respectively.

A minimum pension liability adjustment is required when the actuarial present value of accumulated plan benefits exceeds plan assets and accrued pension liabilities. In 1999, accrued pension

liabilities exceeded the actuarial present value of accumulated plan benefits because the discount rate used to determine the present value of accumulated benefits increased from 6.4% to 7.5% and a plan amendment shifted benefits from an unfunded pension plan to a funded plan. Accordingly, a minimum pension liability adjustment of \$4.1 million, initially recorded in other comprehensive income in 1998, was reversed in 1999, net of deferred income taxes of \$2.7 million.

A summary of the components of net periodic benefits cost for the years ended December 31, 1999 and 1998 is presented below:

For the years ended December 31,	Pension Benefits		Other Benefits	
	1999	1998	1999	1998

In thousands of dollars				
Components of net periodic benefits cost				
Service cost	\$ 31,050	\$ 27,621	\$ 3,803	\$ 4,452
Interest cost	41,781	41,855	13,813	13,524
Expected return on plan assets	(57,836)	(53,399)	--	--
Amortization of prior service cost	2,956	2,941	(2,293)	(2,986)
Recognized net actuarial loss	341	717	1,042	--
Other	--	--	54	9

Corporate sponsored plans	18,292	19,735	16,419	14,999
Multi-employer plans	698	1,571	--	--
Administrative expenses	287	796	--	--

Net periodic benefits cost	\$ 19,277	\$ 22,102	\$ 16,419	\$ 14,999
=====				

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. During the first quarter of 1999, for all eligible employees under age 45, the Corporation provided annual contributions into the Employee Savings Stock Investment and Ownership Plan (ESSIOP) instead of providing coverage under the current retiree medical plan. This change resulted in the immediate recognition of a \$15.4 million pre-tax gain which is not included above as a component of net periodic benefits costs. The changes applied primarily to U.S. hourly employees working in Pennsylvania.

Effective December 1998, all U.S. full-time salaried employees, and all non-union hourly plant employees working outside Hershey, PA under age 45 were eligible for the ESSIOP contributions. This change resulted in the immediate recognition of a \$13.0 million pre-tax gain which is not included above as a component of net periodic benefits cost in 1998.

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)

In thousands of dollars		
Effect on total service and interest cost components	\$ 954	\$ (829)
Effect on post-retirement benefit obligation	11,152	(9,999)

11.EMPLOYEE STOCK OWNERSHIP TRUST

The Corporation's employee stock ownership trust (ESOP) serves as the primary vehicle for contributions to its existing ESSIOP 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 1999 and 1998, 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, 1999, the ESOP held 980,992 allocated shares and 1,114,224 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 1/16 per share less dividends received by the ESOP on unallocated shares. Compensation expense related to the ESOP for 1999, 1998 and 1997 was \$1.6 million, \$1.0 million, and \$1.4 million, respectively. Dividends paid on unallocated ESOP shares were \$1.2 million in both 1999 and 1998 and \$1.3 million in 1997. 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.

12. CAPITAL STOCK AND NET INCOME PER SHARE

As of December 31, 1999, 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, 1999 a combined total of 179,950,872 shares of both classes of common stock had been issued of which 138,459,619 shares were outstanding. No shares of the Preferred Stock were issued or outstanding during the three-year period ended December 31, 1999.

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 1999, 1998 and 1997, a total of 4,000 shares, 18,000 shares, and 13,000 shares, respectively, of Class B Stock were converted into Common Stock.

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 12,929,073 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, 1999, 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.

During 1999, 5,478,379 shares of Common Stock were repurchased for \$318.0 million, including 1,579,779 shares of the Corporation's Common Stock purchased from the Milton Hershey School Trust for \$100.0 million. A total of 15,339,498 shares of Common Stock have been repurchased for approximately \$605.6 million under share repurchase programs which were approved by the Corporation's Board of Director's in 1993, 1996 and 1999. Of the shares repurchased, 528,000 shares were retired, 1,320,781 shares were reissued to satisfy stock options obligations, Supplemental Retirement Contributions and ESOP obligations and the remaining 13,490,717 shares were held as Treasury Stock as of December 31, 1999. In August 1997, the Corporation purchased 9,900,990 shares of its Common Stock to be held as Treasury Stock from the Milton Hershey School Trust for \$500.0 million and in August 1995, 18,099,546 shares were purchased from the Milton Hershey School Trust for \$500.0 million. A total of 41,491,253 shares were held as Treasury Stock as of December 31, 1999.

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,	1999	1998	1997

In thousands except per share amounts			
Net income	\$460,310	\$340,888	\$336,251
	=====	=====	=====
Weighted average shares--basic	140,031	143,446	149,174
Effect of dilutive securities:			
Employee stock options	1,260	2,008	1,727
Performance and restricted stock units	9	109	115
	-----	-----	-----
Weighted average shares--diluted	141,300	145,563	151,016
	=====	=====	=====
Net income per share--basic	\$ 3.29	\$ 2.38	\$ 2.25
	=====	=====	=====
Net income per share--diluted	\$ 3.26	\$ 2.34	\$ 2.23
	=====	=====	=====

For the year ended December 31, 1999, 1.8 million stock options 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.

13. 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 awards by participants. As of December 31, 1999, 15.3 million shares were authorized 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,	1999	1998	1997

In thousands of dollars except per share amounts			
Net income	As reported \$460,310	\$340,888	\$336,251
	Pro forma 449,986	329,621	330,710
Net income per share--Basic	As reported \$ 3.29	\$ 2.38	\$ 2.25
	Pro forma 3.21	2.30	2.22
Net income per share--Diluted	As reported \$ 3.26	\$ 2.34	\$ 2.23
	Pro forma 3.18	2.26	2.19

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 1999, 1998 and 1997,

respectively: dividend yields of 1.4%, 1.6% and 1.9%, expected volatility of 23%, 21% and 20%, risk-free interest rates of 4.9%, 5.9% and 6.2%, and expected lives of 6.5 years, 6.5 years and 5.7 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. Under the Incentive Plan, options are granted in January and generally vest at the end of the second year and have a maximum term of ten years. Options granted under the HSY Growth program vest at the end of the fifth year and have a term of ten years.

A summary of the status of the Corporation's fixed stock options as of December 31, 1999, 1998, and 1997, and changes during the years ending on those dates is presented below:

Fixed Options	1999		1998		1997	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	7,665,270	\$38.91	6,713,920	\$31.73	5,902,220	\$27.40
Granted	197,450	\$59.24	1,739,050	\$61.22	1,485,250	\$44.64
Exercised	(701,596)	\$26.80	(751,600)	\$25.78	(656,350)	\$21.94
Forfeited	(255,200)	\$52.16	(36,100)	\$52.61	(17,200)	\$33.06
Outstanding at end of year	6,905,924	\$40.23	7,665,270	\$38.91	6,713,920	\$31.73
Options exercisable at year-end	4,015,624	\$29.78	4,480,670	\$28.45	3,013,670	\$24.38
Weighted-average fair value of options granted during the year (per share)	\$ 17.23		\$ 18.30		\$ 11.66	

The following table summarizes information about fixed stock options outstanding as of December 31, 1999:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding as of 12/31/99	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Exercisable as of 12/31/99	Weighted-Average Exercise Price
\$17 11/16-26 1/2	1,769,674	3.6	\$23.86	1,769,674	\$23.86
\$33 1/16-44 1/2	3,324,050	6.4	\$37.64	2,227,650	\$34.26
\$49 1/8-63 11/16	1,812,200	8.1	\$60.96	18,300	\$56.25
\$17 11/16-63 11/16	6,905,924	6.1	\$40.23	4,015,624	\$29.78

Performance 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 three-year performance cycles, 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 (credited to) charged against income for the performance-based plan was \$(1.9) million, \$6.6 million and \$9.1 million for 1999, 1998, and 1997, respectively. The compensation credit in 1999 resulted from a partial achievement of the current year

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,	1999	1998	1997
Shares granted	48,550	48,150	95,250
Weighted-average fair value at date of grant	\$59.48	\$61.54	\$45.17

Deferred performance stock units, deferred directors' fees and accumulated dividend amounts totaled 383,366 shares as of December 31, 1999.

No stock appreciation rights were outstanding as of December 31, 1999.

14.SUPPLEMENTAL BALANCE SHEET INFORMATION

Accounts Receivable--Trade

In the normal course of business, the Corporation extends credit to customers which satisfy pre-defined credit criteria. The Corporation believes that it has little concentration of credit risk due to the diversity of its customer base. Receivables, as shown on the consolidated balance sheets, were net of allowances and anticipated discounts of \$16.9 million and \$19.9 million as of December 31, 1999 and 1998, respectively.

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. LIFO cost of inventories valued using the LIFO method was \$469.2 million and \$342.9 million as of December 31, 1999 and 1998, respectively, and all inventories were stated at amounts that did not exceed realizable values. Total inventories were as follows:

December 31,	1999	1998

In thousands of dollars		
Raw materials	\$270,711	\$209,963
Goods in process	49,412	44,336
Finished goods	365,575	322,125
	-----	-----
Inventories at FIFO	685,698	576,424
Adjustment to LIFO	(83,496)	(83,175)
	-----	-----
Total inventories	\$602,202	\$493,249
	=====	=====

Property, Plant and Equipment

Property, plant and equipment balances included construction in progress of \$76.6 million and \$96.6 million as of December 31, 1999 and 1998, respectively. Major classes of property, plant and equipment were as follows:

December 31,	1999	1998

In thousands of dollars		
Land	\$ 50,830	\$ 30,871
Buildings	484,768	541,181
Machinery and equipment	2,036,670	2,130,735
	-----	-----
Property, plant and equipment, gross	2,572,268	2,702,787
Accumulated depreciation	(1,061,808)	(1,054,729)
	-----	-----
Property, plant and equipment, net	\$ 1,510,460	\$ 1,648,058
	=====	=====

Accrued Liabilities

Accrued liabilities were as follows:

December 31,	1999	1998

In thousands of dollars		
Payroll, compensation and benefits	\$ 98,527	\$ 87,666
Advertising and promotion	71,233	67,916
Other	122,737	138,833
	-----	-----
Total accrued liabilities	\$292,497	\$294,415
	=====	=====

Other Long-term Liabilities

Other long-term liabilities were as follows:

December 31,	1999	1998

In thousands of dollars		
Accrued post-retirement benefits	\$194,563	\$206,345
Other	136,375	140,424
	-----	-----
Total other long-term liabilities	\$330,938	\$346,769
	=====	=====

15. 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 Japan, the Philippines, Korea and China, 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 \$605.3 million, \$619.1 million and \$529.6 million in 1999, 1998 and 1997, respectively.

16. QUARTERLY DATA (Unaudited)

Summary quarterly results were as follows:

Year 1999	First	Second	Third	Fourth

In thousands of dollars except per share amounts				
Net sales	\$ 945,152	\$853,239	\$1,066,695	\$1,105,838
Gross profit	382,988	340,443	432,653	460,116
Net income	224,670(a)	50,055	87,578	98,007
Net income per share--Basic(b)	1.58	.36	.63	.71
Net income per share--Diluted(b)	1.57	.35	.62	.70

Year 1998	First	Second	Third	Fourth

In thousands of dollars except per share amounts				
Net sales	\$1,098,076	\$880,399	\$1,217,237	\$1,239,903
Gross profit	445,736	357,684	510,632	496,506
Net income	75,433	47,965	107,533	109,957
Net income per share--Basic	.53	.33	.75	.77
Net income per share--Diluted(b)	.52	.33	.74	.76

(a) Net income for the first quarter and year 1999 included an after-tax gain on the sale of the Corporation's pasta business of \$165.0 million. Net income 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.

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 generally accepted accounting principles 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 27, 1999. Their report expresses an opinion that the Corporation's financial statements are fairly stated in conformity with generally accepted accounting principles, and they have indicated to us that their audit was performed in accordance with generally accepted auditing standards 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.

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, 1999 and 1998, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1999, appearing on pages A-11 through A-30. 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 generally accepted auditing standards. 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, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen

New York, New York
January 28, 2000

HERSHEY FOODS CORPORATION

ELEVEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

All dollar and share amounts in thousands except market price and per share statistics

	10-Year Compound Growth Rate	1999	1998	1997
		-----	-----	-----
Summary of Operations				
Net Sales	5.1 %	\$ 3,970,924	4,435,615	4,302,236
Cost of Sales	4.9 %	\$ 2,354,724	2,625,057	2,488,896
Selling, Marketing and Administrative	4.9 %	\$ 1,057,840	1,167,895	1,183,130
Non-recurring Credits/(Charges)(o)		\$ 243,785	--	--
Interest Expense, Net	13.8 %	\$ 74,271	85,657	76,255
Provision for Income Taxes	8.5 %	\$ 267,564	216,118	217,704
Income from Continuing Operations Before Accounting Changes	10.4 %	\$ 460,310	340,888	336,251
Net Cumulative Effect of Accounting Changes		\$ --	--	--
Net Income	10.4 %	\$ 460,310	340,888	336,251
Income Per Share:(a)				
From Continuing Operations Before Accounting Changes				
--Basic	13.2 %	\$ 3.29(i)	2.38	2.25
--Diluted	13.1 %	\$ 3.26	2.34	2.23
Net Cumulative Effect of Accounting Changes		\$ --	--	--
Net Income--Basic	13.2 %	\$ 3.29(i)	2.38	2.25
Net Income--Diluted	13.1 %	\$ 3.26	2.34	2.23
Weighted Average Shares Outstanding--Basic(a)		140,031	143,446	149,174
Weighted Average Shares Outstanding--Diluted(a)		141,300	145,563	151,016
Dividends Paid on Common Stock	7.0 %	\$ 109,175	103,616	98,390
Per Share(a)	10.5 %	\$ 1.00	.920	.840
Dividends Paid on Class B Common Stock	10.5 %	\$ 27,553	25,428	23,156
Per Share(a)	10.5 %	\$.905	.835	.760
Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales		7.4%(c)	7.7%	7.8%
Depreciation	9.5 %	\$ 135,574	138,489	135,016
Advertising	3.1 %	\$ 164,894	187,505	202,408
Promotion	4.4 %	\$ 395,849	469,709	451,580
Payroll	4.6 %	\$ 534,854	563,045	524,827
Year-end Position and Statistics				
Capital Additions	(3.3)%	\$ 115,448	161,328	172,939
Total Assets	6.3 %	\$ 3,346,652	3,404,098	3,291,236
Long-term Portion of Debt	15.1 %	\$ 878,213	879,103	1,029,136
Stockholders' Equity	(.2)%	\$ 1,098,627	1,042,301	852,806
Operating Return on Average Stockholders' Equity(b)		27.6%	36.0%	33.4%
Operating Return on Average Invested Capital(b)		14.8%	17.4%	17.5%
Full-time Employees		13,900	14,700	14,900
Stockholders' Data(a)				
Outstanding Shares of Common Stock and Class B Common Stock at Year-end		138,460	143,147	142,932
Market Price of Common Stock at Year-end	10.2 %	\$ 47 7/16	62 3/16	61 15/16
Range During Year		\$64 7/8-45 3/4	76 3/8-59 11/16	63 7/8-42 1/8

See Notes to the Eleven-Year Consolidated Financial Summary on page A-35.

	1996	1995	1994	1993	1992
Summary of Operations					
Net Sales	3,989,308	3,690,667	3,606,271	3,488,249	3,219,805
Cost of Sales	2,302,089	2,126,274	2,097,556	1,995,502	1,833,388
Selling, Marketing and Administrative	1,124,087	1,053,758	1,034,115	1,035,519	958,189
Non-recurring Credits/(Charges)(o)	(35,352)	151	(106,105)	80,642	--
Interest Expense, Net	48,043	44,833	35,357	26,995	27,240
Provision for Income Taxes	206,551	184,034	148,919	213,642	158,390
Income from Continuing Operations Before Accounting Changes	273,186	281,919	184,219	297,233	242,598
Net Cumulative Effect of Accounting Changes	--	--	--	(103,908)	--
Net Income	273,186	281,919	184,219	193,325	242,598
Income Per Share:(a)					
From Continuing Operations Before Accounting Changes					
--Basic	1.77(j)	1.70(k)	1.06(l)	1.65(m)	1.34
--Diluted	1.75	1.69	1.05	1.65	1.34
Net Cumulative Effect of Accounting Changes					
--Basic and Diluted	--	--	--	(.58)	--
Net Income--Basic	1.77(j)	1.70(k)	1.06(l)	1.07(m)	1.34
Net Income--Diluted	1.75	1.69	1.05	1.07	1.34
Weighted Average Shares Outstanding--Basic(a)	154,334	166,036	174,367	179,929	180,775
Weighted Average Shares Outstanding--Diluted(a)	155,690	166,721	174,740	180,495	181,160
Dividends Paid on Common Stock	93,884	91,190	89,660	84,711	77,174
Per Share(a)	.760	.685	.625	.570	.515
Dividends Paid on Class B Common Stock	20,879	18,900	17,301	15,788	14,270
Per Share(a)	.685	.620	.5675	.5175	.4675
Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales	7.7%(d)	7.6%	7.3%(e)	7.4%(f)	7.5%
Depreciation	119,443	119,438	114,821	100,124	84,434
Advertising	174,199	159,200	120,629	130,009	137,631
Promotion	429,208	402,454	419,164	444,546	398,577
Payroll	491,677	461,928	472,997	469,564	433,162
Year-end Position and Statistics					
Capital Additions	159,433	140,626	138,711	211,621	249,795
Total Assets	3,184,796	2,830,623	2,890,981	2,855,091	2,672,909
Long-term Portion of Debt	655,289	357,034	157,227	165,757	174,273
Stockholders' Equity	1,161,021	1,082,959	1,441,100	1,412,344	1,465,279
Operating Return on Average Stockholders' Equity(b)	27.5%	22.2%	18.5%	17.8%	17.3%
Operating Return on Average Invested Capital(b)	17.8%	17.1%	15.6%	15.0%	14.4%
Full-time Employees	14,000	13,300	14,000	14,300	13,700
Stockholders' Data(a)					
Outstanding Shares of Common Stock and Class B Common Stock at Year-end	152,942	154,532	173,470	175,226	180,373
Market Price of Common Stock at Year-end	43 3/4	32 1/2	24 3/16	24 1/2	23 1/2
Range During Year	51 3/4-31 15/16	33 15/16-24	26 3/4-20 9/16	27 15/16-21 3/4	24 3/16-19 1/8

	1991	1990	1989
Summary of Operations			
Net Sales	2,899,165	2,715,609	2,420,988
Cost of Sales	1,694,404	1,588,360	1,455,612
Selling, Marketing and Administrative	814,459	776,668	655,040
Non-recurring Credits/(Charges)(o)	--	35,540	--
Interest Expense, Net	26,845	24,603	20,414
Provision for Income Taxes	143,929	145,636	118,868
Income from Continuing Operations Before			

Accounting Changes Net Cumulative Effect of Accounting Changes	219,528	215,882	171,054
	--	--	--
Net Income	219,528	215,882	171,054
Income Per Share:(a) From Continuing Operations Before Accounting Changes			
--Basic	1.21	1.19(n)	.95
--Diluted	1.21	1.19	.95
Net Cumulative Effect of Accounting Changes			
--Basic and Diluted	--	--	--
Net Income--Basic	1.21	1.19(n)	.95
Net Income--Diluted	1.21	1.19	.95
Weighted Average Shares Outstanding--Basic(a)	180,767	180,766	180,824
Weighted Average Shares Outstanding-- Diluted(a)	181,112	180,987	180,984
Dividends Paid on Common Stock	70,426	74,161(g)	55,431
Per Share(a)	.470	.495(g)	.370
Dividends Paid on Class B Common Stock	12,975	13,596(g)	10,161
Per Share(a)	.425	.445(g)	.3325
Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales	7.6%	7.2%(h)	7.1%
Depreciation	72,735	61,725	54,543
Advertising	117,049	146,297	121,182
Promotion	325,465	315,242	256,237
Payroll	398,661	372,780	340,129
Year-end Position and Statistics			
Capital Additions	226,071	179,408	162,032
Total Assets	2,341,822	2,078,828	1,814,101
Long-term Portion of Debt	282,933	273,442	216,108
Stockholders' Equity	1,335,251	1,243,537	1,117,050
Operating Return on Average Stockholders' Equity(b)	17.0%	16.6%	16.1%
Operating Return on Average Invested Capital(b)	13.8%	13.4%	13.2%
Full-time Employees	14,000	12,700	11,800
Stockholders' Data(a) Outstanding Shares of Common Stock and Class B Common Stock at Year-end	180,373	180,373	180,373
Market Price of Common Stock at Year-end	22 3/16	18 3/4	17 15/16
Range During Year	22 1/4-17 9/16	19 13/16-14 1/8	18 7/16-12 3/8

Notes to the Eleven-Year Consolidated Financial Summary

- (a) All shares and per share amounts have been adjusted for the two-for-one stock split effective September 13, 1996.
- (b) Operating Return on Average Stockholders' Equity and Operating Return on Average Invested Capital have been computed using Net Income, excluding the 1993 Net Cumulative Effect of Accounting Changes, and the after-tax impacts of the 1990 Restructuring Gain, Net, the 1993 Gain on Sale of the Investment Interest in Freia Marabou a.s (Freia), the 1994 Restructuring Charge, the net 1995 Restructuring Credit, the 1996 Loss on Sale of Businesses, and the 1999 Gain on Sale of Business.
- (c) Calculated percent excludes the 1999 Gain on Sale of Business. Including the gain, Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales was 11.6%.
- (d) Calculated percent excludes the 1996 Loss on Sale of Businesses. Including the loss, Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales was 6.8%.
- (e) Calculated percent excludes the 1994 Restructuring Charge. Including the charge, Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales was 5.1%.
- (f) Calculated percent excludes the 1993 Gain on Sale of Investment Interest in Freia. Including the gain, Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales was 8.5%.
- (g) Amounts included a special dividend for 1990 of \$11.2 million or \$.075 per share of Common Stock and \$2.1 million or \$.0675 per share of Class B Common Stock.
- (h) Calculated percent excludes the 1990 Restructuring Gain, Net. Including the gain, Income from Continuing Operations Before Accounting Changes as a Percent of Net Sales was 7.9%.
- (i) Income Per Share from Continuing Operations Before Accounting Changes--Basic and Net Income Per Share--Basic for 1999 included a \$1.18 per share gain on the sale of the pasta business. Excluding the impact of this gain, Income Per Share from Continuing Operations Before Accounting Changes--Basic and Net Income Per Share--Basic would have been \$2.11.
- (j) Income Per Share from Continuing Operations Before Accounting Changes--Basic and Net Income Per Share--Basic for 1996 included a \$.23 per share loss on the sale of the Gubor and Sperlari businesses. Excluding the impact of this loss, Income Per Share from Continuing Operations Before Accounting Changes--Basic and Net Income Per Share--Basic would have been \$2.00.
- (k) Income Per Share from Continuing Operations Before Accounting Changes--Basic and Net Income Per Share--Basic for 1995 included a net \$.01 per share credit associated with adjustments to accrued restructuring reserves. Excluding the impact of this net credit, Income Per Share from Continuing Operations Before Accounting Changes--Basic and Net Income Per Share--Basic would have been \$1.69.
- (l) Income Per Share from Continuing Operations Before Accounting Changes--Basic and Net Income Per Share--Basic for 1994 included a \$.46 per share restructuring charge. Excluding the impact of this charge, Income Per Share from Continuing Operations Before Accounting Changes--Basic and Net Income Per Share--Basic would have been \$1.52.
- (m) Income Per Share from Continuing Operations Before Accounting Changes--Basic and Net Income Per Share--Basic for 1993 included a \$.23 per share gain on the sale of the investment interest in Freia. Excluding the impact of this gain, Income Per Share from Continuing Operations Before Accounting Changes--Basic would have been \$1.43.
- (n) Income Per Share from Continuing Operations Before Accounting Changes--Basic and Net Income Per Share--Basic for 1990 included an \$.11 per share Restructuring Gain, Net. Excluding the impact of this gain, Income Per Share from Continuing Operations Before Accounting Changes--Basic and Net Income Per Share--Basic would have been \$1.08.
- (o) Includes the Gain on Sale of Business in 1999; Loss on Sale of Businesses in 1996; Restructuring Credit in 1995; Restructuring Charge in 1994; Gain on Sale of Investment Interest in 1993 and Restructuring Gain, Net in 1990.

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, 1999. Certain subsidiaries listed on Exhibit 21 of the Corporation's 1998 Form 10-K were merged or divested during 1999.

NAME OF SUBSIDIARY -----	JURISDICTION OF INCORPORATION -----
Hershey Chocolate & Confectionery Corporation	Delaware
Hershey Chocolate of Virginia, Inc.	Delaware

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated January 28, 2000, included or incorporated by reference in this Form 10-K for the year ended December 31, 1999, 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 13, 2000

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM HERSHEY FOODS CORPORATION'S CONSOLIDATED CONDENSED BALANCE SHEET AS OF DECEMBER 31, 1999 AND CONSOLIDATED STATEMENT OF INCOME FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY TO SUCH FINANCIAL STATEMENTS.

0000047111
 HERSHEY FOODS CORPORATION
 1,000

YEAR		
	DEC-31-1999	
	DEC-31-1999	118,078
		0
	352,750	0
	602,202	
	1,279,980	2,572,268
	1,061,808	
	3,346,652	
	712,829	878,213
	0	0
		179,950
		918,677
3,346,652		3,970,924
	3,970,924	2,354,724
	3,168,779	0
	0	0
	74,271	
	727,874	
	267,564	
460,310		0
	0	0
		0
	460,310	
		3.29
		3.26

BALANCE IS NET OF RESERVES FOR DOUBTFUL ACCOUNTS AND CASH DISCOUNTS.

TOTAL INCLUDES THE GAIN ON THE SALE OF BUSINESS OF \$243,785.

EXCLUDING THE GAIN ON SALE OF BUSINESS, NET INCOME WAS \$295,294, OR \$2.11 PER SHARE - BASIC AND \$2.09 PER SHARE - DILUTED.