
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

February 18, 2005

Date of Report (Date of earliest event reported)

Hershey Foods Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

1-183

(Commission File Number)

23-0691590

(IRS Employer Identification No.)

100 Crystal A Drive, Hershey, Pennsylvania 17033

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (717) 534-6799

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Page 1 of 6 Pages
Exhibit Index - Page 6

INFORMATION TO BE INCLUDED IN REPORT

Item 1.01 Entry into a Material Definitive Agreement

Base Salaries. On February 14, 2005, the Compensation and Executive Organization Committee ("Committee") of the Board of Directors of Hershey Foods Corporation (the "Company") approved the base salaries of the executive officers named in the Company's 2004 Proxy Statement ("Named Executive Officers")

other than R. H. Lenny, Chairman of the Board, President and Chief Executive Officer, and on February 15, 2005, the Committee recommended to the Company's independent directors as a group the base salary for Mr. Lenny, as follows:

Name	Base Salary
R. H. Lenny	\$1,070,000
R. Brace	\$ 380,000
F. Cerminara	\$ 428,000
B. H. Snyder	\$ 422,100
D. J. West	\$ 450,000

The independent directors as a group approved the recommended base salary for Mr. Lenny on February 15, 2005. Base salaries are effective as of January 1, 2005.

2004 Annual Incentive Program (AIP) Award. On February 14, 2005, the Committee approved AIP awards for 2004 under the Company's Key Employee Incentive Plan (the "Incentive Plan") for the Named Executive Officers other than Mr. Lenny, and on February 15, 2005, the Committee recommended to the independent directors as a group an AIP award for Mr. Lenny, payable in cash, as follows:

Name	Annual Incentive Award
R. H. Lenny	\$2,425,000
R. Brace	\$ 309,173
F. Cerminara	\$ 446,674
B. H. Snyder	\$ 416,842
D. J. West	\$ 445,884

The independent directors as a group approved the recommended award for Mr. Lenny on February 15, 2005.

Page 2 of 6 Pages
Exhibit Index – Page 6

Also on February 14, 2005, the Committee approved the target grants for a 2005 AIP award for executive officers other than Mr. Lenny, and on February 15, 2005, the Committee recommended to the independent directors as a group a target grant for Mr. Lenny's 2005 AIP award. For executive officers other than Mr. Lenny, the final award is the product of the executive officer's base salary, the applicable target percentage and a performance score calculated as the sum of a corporate performance score and an individual score. The corporate performance objectives for executive officers other than Mr. Lenny are based on earnings per share-diluted, consolidated net sales and consolidated economic return on invested capital. The range of the target percentages of base salary used in the 2005 AIP target grants for executive officers other than Mr. Lenny is 50% to 70%. For Mr. Lenny, the Committee recommended to the independent directors that his final award be based on his performance against certain corporate and individual objectives. Mr. Lenny's 2005 AIP corporate objectives are based on consolidated net sales, operating income, earnings per share-diluted, consolidated economic return on invested capital and free cash flow. The Committee recommended that Mr. Lenny's target maximum award for 2005 be set at the maximum award level available to executive officers under the Incentive Plan, and waived the maximum AIP award specified in Mr. Lenny's March 12, 2001 Employment Agreement. At the end of the performance period, the Committee will review Mr. Lenny's actual performance against his 2005 objectives and recommend to the independent directors an award which, based upon such performance, may be at or below the target maximum award. The independent directors as a group approved the Committee's recommended 2005 AIP target grant for Mr. Lenny on February 15, 2005.

Performance Stock Unit (PSU) Awards for the 2002-2004 Cycle. On February 14, 2005, the Committee approved PSU awards under the Incentive Plan for the Named Executive Officers other than Mr. Lenny, and on February 15, 2005, the Committee recommended to the independent directors as a group a PSU award under the Incentive Plan for Mr. Lenny, as follows:

Name	Performance Stock Unit Award
R. H. Lenny	\$3,105,699
R. Brace	\$ 575,691
F. Cerminara	\$ 848,386
B. H. Snyder	\$ 499,942
D. J. West	\$ 515,092

The independent directors as a group approved the recommended PSU award for Mr. Lenny on February 15, 2005. The Committee approved the deferral of Mr. Lenny's PSU award in units representing shares of Company Common Stock and approved deferral of awards to Messrs. Brace, Cerminara and Snyder in cash under the terms of the Company's Deferred Compensation Plan.

Page 3 of 6 Pages
Exhibit Index – Page 6

Also on February 14, 2005, the Committee approved contingent target grants of PSUs under the Incentive Plan for executive officers other than Mr. Lenny, and on February 15, 2005, the Committee recommended to the independent directors as a group a contingent target grant of PSUs under the Incentive Plan for Mr. Lenny, for the 2005-2007 PSU performance cycle. PSU grants are based upon a percentage of the executive officer's base salary and are earned based upon the Company's performance relative to certain performance objectives over the three-year cycle. The performance objectives for the 2005-2007 performance cycle are as follows: the Company's earnings per share-diluted growth (three-year compound annual growth rate) measured against the earnings per share-diluted growth (three-year compound annual growth rate) of a peer group of 16 food, beverage and consumer packaged goods companies and the cumulative three-year improvement in the Company's economic return on invested capital measured against an internal target. The independent directors as a group approved the Committee's recommended contingent target PSU grant for Mr. Lenny on February 15, 2005.

Stock Option Grants. The Committee approved stock option grants under the Incentive Plan for the executive officers other than Mr. Lenny, and recommended to the independent directors as a group a stock option grant to Mr. Lenny, all such grants to be effective February 15, 2005. The independent directors as a group ratified the grant of stock options to Mr. Lenny on February 15, 2005.

Stock options were granted subject to certain Terms and Conditions approved by the Committee on February 14, 2005 (and with respect to Mr. Lenny's grant, were ratified by the independent directors as a group on February 15, 2005), which Terms and Conditions are attached hereto and filed as Exhibit 10.1. Unless and until amended by the Committee, all future grants of stock options under the Incentive Plan will be subject to these Terms and Conditions.

The Committee also approved on February 14, 2005 amendments to the Company's Long-Term Incentive Program Participation Agreement ("LTIP Agreement"). The LTIP Agreement is entered into between the Company and any officer of the Company that is eligible to participate in the PSU portion of the Incentive Plan. The purpose of the LTIP Agreement is to provide for enhanced confidentiality requirements, an agreement not to compete with the Company if the officer becomes eligible for supplemental retirement benefits under the Company's Supplemental Executive Retirement Plan, and an arbitration program to be the sole and exclusive method for resolving disputes. Mr. Lenny's rights and obligations under the LTIP Agreement are subject to his Employment Agreement with the Company dated as of March 12, 2001. A copy of the LTIP Agreement is attached hereto and filed as Exhibit 10.2.

Finally, on February 15, 2005, the independent directors as a group approved the Committee's recommendation to revise its policy regarding Mr. Lenny's use of the Company's aircraft for non-business purposes. The new policy removes dollar limitations applicable to such use and encourages such use by Mr. Lenny to ensure confidentiality of information while traveling and to allow Mr. Lenny more time to concentrate on the Company's business, maximizing efficiency.

Additional information regarding the compensation of the Company's executive officers will be provided in the Company's Proxy Statement for the 2005 Annual Meeting of Stockholders, which will be filed in March 2005.

Page 4 of 6 Pages
Exhibit Index – Page 6

Item 9.01 Financial Statements and Exhibits

- (c) Exhibits
 - 10.1 Terms and Conditions of Stock Option Grant
 - 10.2 Long-Term Incentive Program Participation Agreement

SIGNATURE

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

Date: February 18, 2005

HERSHEY FOODS CORPORATION

By: /s/David J. West
David J. West
Senior Vice President,
Chief Financial Officer

Page 5 of 6 Pages
Exhibit Index - Page 6

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Terms and Conditions of Stock Option Grant
10.2	Long-Term Incentive Program Participation Agreement

Page 6 of 6 Pages
Exhibit Index - Page 6

**TERMS AND CONDITIONS OF THE [GRANT YEAR]
NONQUALIFIED STOCK OPTION GRANT
UNDER THE
KEY EMPLOYEE INCENTIVE PLAN**

1. The Optionee, by accepting the option to purchase shares of the Corporation's Common Stock (the "Options") granted to him/her on **[option grant date]**, (the "Grant Date"), accepts and agrees to these terms and conditions and the terms and conditions of the Key Employee Incentive Plan (the "Plan"), which Plan is incorporated herein by reference.

2. The Options shall not be exercisable until vested. The Options shall be exercisable during the period **[first anniversary of option grant date]** through **[the date immediately preceding the 10th anniversary of the option grant date]** (the "Exercise Period"), subject to the vesting schedule described in the next sentence and the provisions regarding termination set forth in paragraphs 3 and 4 below and in the Plan. Of the total Options granted to the Optionee on the Grant Date ("Total Grant"), twenty-five percent (25%) of the Total Grant will become vested on the first anniversary of the Grant Date; an additional twenty-five percent (25%) of the Total Grant will become vested on the second anniversary of the Grant Date; an additional twenty-five percent (25%) of the Total Grant will become vested on the third anniversary of the Grant Date; and an additional twenty-five percent (25%) of the Total Grant will become vested on the fourth anniversary of the Grant Date. During the Exercise Period, vested Options may be exercised in whole or in part and on one or more than one occasion. The purchase price of any shares as to which the Options shall be exercised shall be paid in full at the time of such exercise.

3. In the event Optionee's employment with the Corporation is terminated for any reason other than the occurrence of an event described in paragraph 4 below, or a "Corporate Event" or "Change in Control" as described in this paragraph 3, whether voluntarily or involuntarily, the Options shall terminate immediately upon termination of Optionee's employment and may not be exercised after such termination of employment.

If Optionee's employment with the Corporation is terminated solely due to a "Corporate Event," Optionee shall have the right to exercise vested Options on or prior to the 90th day following the Optionee's termination of employment or, if such 90th day is not a New York Stock Exchange trading day, the first day after such 90th day that is a New York Stock Exchange trading day ("Corporate Event Exercise Deadline"). Optionee shall have the right to exercise any Options that vest on or prior to the Corporate Event Exercise Deadline at the time or after such Options vest but on or before the Corporate Event Exercise Deadline. In no event, however, may Options be exercised after **[the date immediately preceding the 10th anniversary of the option grant date]**, the date the Options expire. For purposes of this grant, a Corporate Event shall mean a corporate action, such as the sale of a subsidiary or business unit, a corporate restructuring, or other material, non-recurring event which results in the displacement or elimination of a significant number of jobs and which is required to be disclosed as a separate matter in the Corporation's financial statements.

Upon the occurrence of a Change in Control (as that term is defined in the Plan), the Options shall become fully vested and exercisable notwithstanding the vesting schedule set forth in paragraph 2 above. If Optionee's employment is terminated by the Corporation within two (2) years following the Change in Control for any reason other than for Cause (as that term is defined in the Plan) or if Optionee's employment is terminated by the Optionee within such two year period for Good Reason (as that term is defined in the Plan), Optionee shall have one (1) year from the date of termination of employment to exercise his/her Options. In no event, however, may Options be exercised after **[the date immediately preceding the 10th anniversary of the option grant date]**, the date the Options expire.

4. If Optionee retires after the Grant Date and during the calendar year in which the Grant Date occurs, the Total Grant will be reduced on a pro-rata basis to reflect Optionee's period of employment during the calendar year in which the Grant Date occurs (the "Adjusted Grant"). The Adjusted Grant shall equal the Total Grant multiplied by a fraction the numerator of which equals the number of calendar months during such year preceding the month during which Optionee's retirement date occurs and the denominator of which equals 12; provided, however, that any fractional share resulting from such calculation shall be eliminated by rounding the Adjusted Grant down to the nearest whole number.

The foregoing provisions of this paragraph 4 notwithstanding, if a Change in Control occurs following the Grant Date, and Optionee retires after the occurrence of the Change in Control but prior to the first day of the twelfth (12th) calendar month following the month during which the Grant Date occurs, the Total Grant shall not be reduced as aforesaid, but rather the Total Grant of Options shall be deemed to have become fully vested and exercisable upon the occurrence of the Change in Control.

In the event Optionee retires, dies or becomes totally disabled, subject to the vesting provisions of paragraph 2 and paragraph 3, if a Change in Control shall have occurred, and the possible adjustment of the Total Grant to an Adjusted Grant as provided in this paragraph 4, Optionee (or his/her estate in the case of death) shall have five (5) years from the date of retirement, death, or disability to exercise his/her Options, provided such five (5) year period cannot extend beyond **[the date immediately preceding the 10th anniversary of the option grant date]**.

5. The Options shall be exercisable through Charles Schwab & Co. ("Schwab"), the broker selected by the Corporation to provide services for stock options, or by such other method as shall be established by the Corporation from time to time. For information about Schwab's services and how to exercise stock options, call 1-800-654-2593 or go online to Schwab Equity Award Center™ at <http://equityawardcenter.schwab.com> for assistance.

6. The Compensation and Executive Organization Committee of the Board of Directors (the "Committee"), or any successor committee performing similar functions, may from time to time impose certain limitations or restrictions on the exercise of the Options by employees who are subject to employee minimum stockholding requirements established by the Committee. Such limitations, restrictions and minimum stockholding requirements are subject to change at the discretion of the Committee.

7. Except to the extent that the Plan permits exercise in limited circumstances by persons other than the Optionee, the Options may not be assigned, transferred, pledged or hypothecated in any way whether by operation of law or otherwise, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Options contrary to the provisions hereof or of the Plan, and the levy of any execution, attachment or similar process upon the Options, shall be null and void and without effect and shall cause the Options to terminate.

8. By accepting the Options granted herewith, Optionee acknowledges and agrees, subject to paragraph 12 below, that the Options are granted under and governed by the terms and conditions set forth in this document and in the Plan. Any dispute or disagreement which shall arise under, as a result of, or in any way relate to the interpretation, construction or administration of the Plan or the Options granted thereunder shall be determined in all cases and for all purposes by the Committee, or any successor committee, and any such determination shall be final, binding and conclusive for all purposes.

9. In selling the Corporation's Common Stock (the "Shares") upon Optionee's exercise of his/her Options, the Corporation is fulfilling in full its contractual obligation to Optionee by making such transfer, and the Corporation shall have no further obligations or duties with respect thereto and is discharged and released from the same. The Corporation makes no representations to Optionee regarding the market price of the Shares or the information which is available to Optionee regarding the Shares of the Corporation.

10. The Optionee may be restricted by the Corporation in its sole judgment from exercising any of the Options to the extent necessary to comply with insider trading or other provisions of federal or state securities laws.

11. The grant of Options and all terms and conditions related thereto, including those of the Plan, shall be governed by the laws of the Commonwealth of Pennsylvania. The Plan shall control in the event there is a conflict between the Plan and these terms and conditions.

12. The terms and conditions set forth in this document shall not, unless expressly stated otherwise, modify or supersede the terms and conditions of any other plan or agreement applicable to employee benefit plans of the Corporation.

HERSHEY FOODS CORPORATION

Long-Term Incentive Program Participation Agreement

The undersigned is an executive employee of Hershey Foods Corporation or one of its subsidiaries (hereinafter collectively referred to as "Hershey"). I understand that I have been selected to participate in the Key Employee Incentive Plan (the "Plan"), including the Long-Term Incentive Program ("LTIP") under the Plan. I understand, acknowledge and agree that the purpose of this Agreement is to provide for enhanced confidentiality requirements, an agreement not to compete with Hershey if I become eligible for supplemental retirement benefits, and an arbitration program to be the sole and exclusive method for resolving disputes. I understand and acknowledge that by this Agreement, both I and Hershey, in order to avoid delay and expense, are mutually waiving the right of access to a judicial forum for resolving disputes covered by the arbitration program. I hereby accept the opportunity to participate in the Plan, including the LTIP, and in consideration of my selection by Hershey to be a participant in the Plan and being eligible to receive benefits under the Plan, I agree to the following:

1. Participation.

I understand and agree that participating in the LTIP at any time is no guarantee I will be selected to participate in the LTIP or any other aspect of the Plan in any future years. I understand and agree that participation in the Plan and the LTIP is voluntary; specifically, I understand that I am under no obligation to participate in the LTIP or any other aspect of the Plan, and that I may retain my job if I decline to so participate. I understand and agree that if I elect to participate in the Plan and the LTIP, then, depending on my job performance, the financial performance of Hershey and the achievement of certain goals and objectives, I will be eligible to receive Annual Incentive Program Awards, Performance Stock Unit Awards and Stock Options, in accordance with the terms of the Plan, as it may be amended from time to time.

2. Confidentiality.

I acknowledge that due to the nature of my employment and the position of trust that I hold with Hershey, I will have special access to, learn, be provided with, and in some cases will prepare and create for Hershey, trade secrets and other confidential and proprietary information relating to Hershey's business, including, but not limited to, information about Hershey's manufacturing processes; manuals, recipes and ingredient percentages; engineering drawings; product and process research and development; new product information; cost information; supplier data; strategic business information; marketing, financial and business development information, plans, forecasts, reports and budgets; customer information; new product strategies, plans and project activities; and acquisition and divestiture strategies, plans and project activities. I acknowledge and agree that such information, whether or not in written form, is the exclusive property of Hershey, that it has been and will continue to be of critical importance to the business of Hershey, and that the disclosure of it to, or use by, competitors or others will cause Hershey substantial and irreparable harm. Accordingly, I will not, either during my

employment or at any time after the termination (whether voluntary or involuntary) of my employment with Hershey, use, reproduce or disclose any trade secrets or other confidential information relating to the business of Hershey which is not generally available to the public, except as may be specially authorized and necessary in discharging my assigned duties as an employee of Hershey. I understand and agree that my obligations under this Agreement shall be in addition to, rather than in lieu of, any obligations I may already have under any Confidentiality Agreement or other agreement with Hershey relating to confidential information or under any applicable statute or at common law.

3. Unfair Competition.

I understand and acknowledge that Hershey is engaged in the business of developing, producing, marketing, selling and distributing confectionery, snack, better-for-you and balanced nutrition products and chocolate-related grocery products. I acknowledge that the scope of Hershey's business and operations is world-wide. I acknowledge that due to the nature of my employment with Hershey, I have special access to, contact with, and information about, Hershey's business activities as described above and to its customers, suppliers, agents, licensees and licensors. I acknowledge that Hershey has incurred considerable expense and invested considerable time and resources in developing relationships with customers, suppliers, agents, licensees and licensors, and that those relationships are critical to the success of Hershey's business.

Accordingly, both (a) during the term of my employment with Hershey, and (b) for a period of three (3) years following the termination of my employment for any reason, provided at the time of such termination I am eligible to receive benefits under Hershey's Supplemental Executive Retirement Plan, I shall not, without the prior written consent of Hershey, directly or indirectly serve or act as an officer, director, employee, consultant, adviser, agent or representative for the domestic or worldwide confectionery, snack, better-for-you, balanced nutrition or chocolate-related grocery businesses of any entity or individual that is in competition with Hershey's confectionery, snack, better-for-you, balanced nutrition or chocolate-related grocery businesses.

4. Survival of Obligations.

Both I and Hershey understand and agree that our respective rights and obligations under, and the terms and conditions of, this Agreement (and the Mutual Agreement to Arbitrate Claims appended hereto) shall apply and continue during, and survive the termination (for any reason) of, my employment with Hershey.

5. Arbitration and Mediation.

Both I and Hershey promise to arbitrate any claim covered by the Mutual Agreement to Arbitrate Claims which is attached hereto and incorporated in full herein by reference.

Both I and Hershey further agree, before seeking arbitration of any claim, to engage in good faith efforts to resolve the dispute through nonbinding mediation. Mediation shall be conducted by, and in accordance with procedures for the mediation of employment disputes of, one of the American Arbitration

Association, the Judicial Arbitration + Mediation Services, Inc. (JAMS/Endispute) or the Center for Public Resources (CPR) as Hershey and I may agree (and if such agreement is not possible, then the mediation procedures of CPR shall apply), together with any other procedures as may be agreed upon by me and Hershey.

6. Savings Clause and Severability.

a. All provisions of this Agreement (and of the Mutual Agreement to Arbitrate Claims appended hereto) are severable, and if any of them is determined to be invalid or unenforceable for any reason, the remaining provisions and portions shall be unaffected thereby and shall remain in full force to the fullest extent permitted by law.

b. Without limiting the foregoing, I specifically agree that each of the covenants set forth in Paragraph 3 of this Agreement is severable; that if any of them is held invalid or unenforceable by reason of length of time, area covered or activity covered, or any combination thereof, or for any other reason, the court or arbitrator shall adjust, reduce or otherwise reform any such covenant to the extent necessary to cure any invalidity and to protect the interests of Hershey to the fullest extent of the law; that the area, time period and scope of activity restricted shall be the maximum area, time period and scope of activity the court or arbitrator deems valid and enforceable; and that, as reformed, such covenant shall then be enforced.

c. Without limiting the foregoing, I also specifically agree that if any part of the Mutual Agreement to Arbitrate Claims is determined to be invalid or unenforceable for any reason, then the invalid or unenforceable portion shall be severed and the agreement to submit any claim to binding arbitration shall be interpreted and enforced as if the invalid or unenforceable portion did not appear.

7. Miscellaneous.

a. Any notice to Hershey shall be in writing and shall be sent by certified mail to Hershey Foods Corporation, 100 Crystal A Drive, Hershey, PA 17033-0810, Attention: Senior Vice President, Chief People Officer (or to any successor office). Any notice to me shall be in writing and shall be sent to me by certified mail at the latest address listed for me in Hershey's employment records, unless I specifically notify Hershey in writing that notice shall be delivered to me at a different address. Notice shall be deemed delivered when personally delivered or a properly addressed notice is deposited with the U.S. Postal Service for delivery by certified mail.

b. I understand and agree that neither this Agreement nor the Mutual Agreement to Arbitrate Claims shall be construed in any way as an agreement or guarantee of employment for any period of time and that I remain an employee-at-will for all purposes.

c. The rights and obligations under this Agreement and the Mutual Agreement to Arbitrate Claims shall inure to the benefit of, shall be binding upon, and may be enforced by and for the benefit of, Hershey Foods Corporation, any subsidiary or affiliate of Hershey Foods Corporation, and their successors and assigns.

3

d. Any waiver by either Hershey or me of any breach, or the failure to enforce any of the terms or conditions, of this Agreement or the Mutual Agreement to Arbitrate Claims, shall not in any way affect, limit, or waive any rights thereafter to enforce, and compel strict compliance with, every term and condition of this Agreement and the Mutual Agreement to Arbitrate Claims.

e. This Agreement and the Mutual Agreement to Arbitrate Claims constitute the entire agreement between Hershey and me with respect to the matters addressed herein and therein, there being no representations, warranties, commitments, or other agreements, except as set forth herein and therein. This Agreement and the Mutual Agreement to Arbitrate Claims may be amended only by an instrument in writing executed by me and an authorized officer of Hershey.

f. The substantive law governing this Agreement shall be the law of the Commonwealth of Pennsylvania. The law of arbitrability shall be that set forth in the Federal Arbitration Act. If for any reason the Federal Arbitration Act is inapplicable, then the law of arbitrability shall be that of the Commonwealth of Pennsylvania.

4

Long-Term Incentive Program Participation Agreement

Mutual Agreement To Arbitrate Claims

I recognize that differences may arise between Hershey Foods Corporation (the "Company") and me during or following my employment with the Company, and that those differences may or may not be related to my employment. I understand and agree that by entering into this Mutual Agreement to Arbitrate Claims ("Arbitration Agreement"), I anticipate gaining the benefits of a speedy, impartial dispute-resolution procedure.

I understand that any reference in this Arbitration Agreement to the Company will be a reference also to all subsidiary and affiliated entities, all benefit plans, the benefit plans' sponsors, fiduciaries, administrators, affiliates and agents, and all successors and assigns of any of them.

A. Claims Covered by the Arbitration Agreement.

The Company and I mutually consent to the resolution by arbitration of all claims or controversies ("claims"), past, present, or future, whether or not arising out of my employment (or its termination), that the Company may have against me or that I may have against the Company or against its officers, directors, employees or agents in their capacity as such. The only claims that are arbitrable are those that, in the absence of this Arbitration Agreement, would have been justiciable under applicable state or federal law. The claims covered by this Arbitration Agreement include, but are not limited to, claims arising out of, connected with or relating to the Long-Term Incentive Program Participation Agreement and this Arbitration Agreement; claims for wages or other compensation due; claims for breach of any contract or covenant (express or implied); tort claims; claims for discrimination (including, but not limited to, race, sex, sexual orientation, religion, national origin, age, marital status, or medical condition, handicap or disability); claims for benefits (except claims under an employee

benefit or pension plan that either specifies that its claims procedure shall culminate in an arbitration procedure different from this one or is underwritten by a commercial insurer which decides claims); and claims for violation of any federal, state, or other governmental law, statute, regulation, or ordinance, except as otherwise provided in this Arbitration Agreement.

B. Claims Not Covered by the Arbitration Agreement.

Claims I may have for workers' compensation or unemployment compensation benefits are not covered by this Agreement.

Also not covered are claims by the Company for injunctive and/or other equitable relief, including but not limited to those for unfair competition and/or the use and/or unauthorized disclosure of trade secrets or confidential information, as to which I understand and agree that the Company may seek and obtain relief from a court of competent jurisdiction. In such an injunctive/equitable proceeding, I understand and agree that the court is entitled to and will award to the prevailing party costs and actual attorneys' fees incurred.

C. Required Notice of All Claims.

The Company and I agree that the aggrieved party must give written notice of any claim to the other party. Written notice to the Company, or its officers, directors, employees or agents, shall be sent pursuant to the notice provision of the Agreement to which this Arbitration Agreement is appended.

The written notice shall identify and describe the nature of all claims asserted and the facts upon which such claims are based.

D. Representation.

Any party may be represented by an attorney or other representative selected by the party.

E. Discovery.

Each party shall have the right to take the deposition of one individual and any expert witness designated by another party. Each party also shall have the right to make requests for production of documents to any party. The subpoena right specified below shall be applicable to discovery pursuant to this paragraph. Additional discovery may be had only where the arbitrator selected pursuant to this Arbitration Agreement so orders, upon a showing of substantial need.

F. Designation of Witnesses.

At least 30 days before the arbitration, the parties must exchange lists of witnesses, including any expert, and copies of all exhibits intended to be used at the arbitration.

G. Subpoenas.

Each party shall have the right to subpoena witnesses and documents for the arbitration.

H. Arbitration Procedures.

The arbitration will be held under the auspices of one of the American Arbitration Association, Judicial Arbitration + Mediation Services, Inc. or Center for Public Resources, with the designation of such sponsoring organization to be made by the party that did not initiate the claim.

The arbitration shall be confidential and closed to the public. Any evidence proffered in the arbitration shall be held in strict confidence and not disclosed to any third party.

The Company and I agree that, except as provided in this Agreement, the arbitration shall be in accordance with the then-current dispute arbitration procedures of the sponsoring organization for the type of claim involved. The arbitration shall take place in or near the location in which I am or was last employed by the Company.

The Arbitrator shall be selected as follows. The sponsoring organization shall give each party a list of 7 arbitrators. Each party may strike all names on the list it deems unacceptable. If only one common name remains on the lists of all parties, that individual shall be designated as the Arbitrator. If more than one common name remains on the lists of all parties, the parties shall strike names alternately from the list of common names until only one remains. The party who did not initiate the claim shall strike first. If no common name exists on the lists of all parties, the sponsoring organization shall furnish an additional list and the process shall be repeated. If no arbitrator has been selected after two lists have been distributed, then the parties shall strike alternately from a third list, with the party initiating the claim striking first, until only one name remains. That person shall be designated as the Arbitrator.

The Arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the Commonwealth of Pennsylvania or federal law, or both, as applicable to the claim(s) asserted. The Arbitrator is without jurisdiction to apply any different substantive law, or law of remedies. The Federal Rules of Evidence shall apply. The Arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Arbitration Agreement, including but not limited to any claim that all or any part of this Arbitration Agreement is void or voidable. The arbitration shall be final and binding upon the parties, except as provided in this Arbitration Agreement.

The Arbitrator shall have jurisdiction to hear and rule on pre-hearing disputes and is authorized to hold pre-hearing conferences by telephone or in person, as the Arbitrator deems necessary. The Arbitrator shall have the authority to entertain a motion to dismiss and/or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure.

Either party, at its expense, may arrange for and pay the cost of a court reporter to provide a stenographic record of proceedings.

Either party, upon request at the close of hearing, shall be given leave to file a post-hearing brief. The time for filing such a brief shall be set by the Arbitrator.

The Arbitrator shall render a proposed award and opinion in the form typically rendered in labor arbitrations.

Either party shall have the right, within 20 days of issuance of the Arbitrator's proposed award and opinion, to file with the Arbitrator a motion to reconsider (accompanied by a supporting brief), and the other party shall have 20 days from the date of the motion to respond. The Arbitrator thereupon shall reconsider the issues raised by the motion and, promptly, either confirm or change the decision, which (except as provided by this Arbitration Agreement) shall then be final and conclusive upon the parties. The costs of such a motion for reconsideration and written opinion of the Arbitrator shall be borne by the party prevailing on the motion, unless the Arbitrator orders otherwise.

I. Arbitration Fees and Costs.

The Company and I shall equally share the fees and costs of the Arbitrator; provided, however, that my maximum contribution will be no more than 20% of the amount at issue. Each party will deposit funds or post other appropriate security for its share of the Arbitrator's fee, in an amount and manner determined by the Arbitrator, 10 days before the first day of hearing. Each party shall pay for its own costs and attorneys' fees, if any. However, if any party prevails on a statutory claim which affords the prevailing party attorneys' fees, or if there is a written agreement providing for fees, the Arbitrator may award fees to the prevailing party as provided by statute or agreement.

J. Exclusivity, Waiver and Binding Effect.

The procedure set out in this Arbitration Agreement is the exclusive procedure for resolving claims covered hereunder. The resolution of any claim covered by this Arbitration Agreement pursuant to the procedure set out herein shall be final and binding on the parties to the fullest extent permitted by law. Both I and the Company expressly waive any right to resolve any claim covered by this Arbitration Agreement through any other means, including by filing a lawsuit in court for trial by the court or before a jury. Both I and the Company are precluded from bringing or raising in court or before another forum any claim which could have been brought or raised hereunder, unless the right to pursue a statutory claim or remedy is expressly preserved by law. Neither I nor the Company shall seek to enjoin any proceeding hereunder on the basis that any award resulting therefrom would not be enforceable.

K. Interstate Commerce.

I understand and agree that the Company is engaged in transactions involving interstate commerce.

L. Consideration.

The promises by the Company and by me to arbitrate differences, rather than litigate them before courts or other bodies, provide consideration for each other. In addition, my participation in this Long-Term Incentive Program provides further consideration for this Arbitration Agreement.

IN WITNESS WHEREOF, by signing my name below, I am acknowledging that I am entering into this Long-Term Incentive Program Participation Agreement and Mutual Agreement to Arbitrate Claims voluntarily and with a full understanding of all of their terms and conditions, and, intending to be legally bound, I am agreeing to such terms and conditions.

Long-Term Incentive Program Participant

Date: _____

IN WITNESS WHEREOF, Hershey Foods Corporation and/or its employing subsidiary, intending to be legally bound, has or have caused this Agreement to be signed by its or their authorized officer.

Burton H. Snyder
Senior Vice President,
General Counsel and Secretary

Date: _____

