

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-01-11** | Period of Report: **1994-11-27**
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FILER

DEAN FOODS CO

CIK: **27500** | IRS No.: **360984820** | State of Incorporation: **DE** | Fiscal Year End: **0527**
Type: **10-Q** | Act: **34** | File No.: **001-08262** | Film No.: **95500945**
SIC: **2020** Dairy products

Mailing Address
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FRANKLIN PARK IL 60131

Business Address
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FRANKLIN PARK IL 60131
7086781680

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 of 15(d) of the
----- Securities Exchange Act of 1934

For the quarterly period ended November 27, 1994 or

----- Transition report pursuant to Section 13 of 15(d) of the
Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 0-1118

DEAN FOODS COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE

36-0984820

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

3600 North River Road, Franklin Park, Illinois

60131

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code 708 678-1680

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

The number of shares of the Registrant's Common Stock, par value \$1 per
share, outstanding as of the date of this report was 39,923,912.

Total number of pages 20.

A. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of the Registrant, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the unaudited condensed consolidated financial statements have been included herein. Certain information and footnote disclosures normally included in the financial statements have been omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the Registrant's 1994 Annual Report on Form 10-K.

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ITEM 1.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE QUARTERS AND SIX MONTHS ENDED

NOVEMBER 27, 1994 AND NOVEMBER 28, 1993

(Unaudited)

(In Thousands Except for Per Share Amounts)

<TABLE>
<CAPTION>

	Second Quarters Ended		Six Months Ended	
	November 27, 1994	November 28, 1993	November 27, 1994	November 28, 1993
<S>	<C>	<C>	<C>	<C>
Net sales	\$662,848	\$577,113	\$1,277,131	\$1,136,764
Cost and expenses:				
Costs of products sold	504,879	449,284	977,752	892,010

Delivery, selling and administrative expenses	118,546	96,642	227,203	191,290
Interest expense	5,637	3,373	10,380	6,691
Other income, net	(157)	(781)	(893)	(1,391)
	-----	-----	-----	-----
	628,905	548,518	1,214,442	1,088,600
	-----	-----	-----	-----
Income before income taxes and cumulative effect of changes in accounting principles	33,943	28,595	62,689	48,164
Provision for income taxes	13,917	11,140	25,703	20,123
	-----	-----	-----	-----
Income before cumulative effect of changes in accounting principles	20,026	17,455	36,986	28,041
Cumulative effect of changes in accounting principles, net of taxes	--	--	--	1,179
	-----	-----	-----	-----
Net income	\$ 20,026	\$ 17,455	\$ 36,986	\$ 29,220
	=====	=====	=====	=====
Earnings per common share:				
Earnings before cumulative effect of changes in accounting principles	\$.50	\$.44	\$.93	\$.71
Cumulative effect of changes in accounting principles	--	--	--	.03
	-----	-----	-----	-----
Earnings per common share	\$.50	\$.44	\$.93	\$.74
	=====	=====	=====	=====
Dividends per share (Declared and paid)	\$.17	\$.16	\$.34	\$.32
	=====	=====	=====	=====
Weighted average common shares outstanding			39,850	39,713
			=====	=====

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements.

NOVEMBER 27, 1994 and MAY 29, 1994

(In Thousands)

<TABLE>
<CAPTION>

	November 27, 1994	May 29, 1994
	----- (Unaudited)	-----
<S>	<C>	<C>
ASSETS -----		
CURRENT ASSETS:		
Cash and temporary cash investments	\$ 14,615	\$ 10,967
Accounts and notes receivable, less allowance for doubtful accounts of \$4,214 and \$3,875, respectively	188,203	169,395
Inventories	338,756	233,324
Other current assets	46,926	46,496
	-----	-----
Total Current Assets	588,500	460,182
	-----	-----
PROPERTIES:		
Property, plant and equipment, at cost	942,433	906,411
Accumulated depreciation	390,247	363,200
	-----	-----
	552,186	543,211
	-----	-----
OTHER ASSETS	112,011	105,761
	-----	-----
Total Assets	\$1,252,697	\$1,109,154
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY -----		
CURRENT LIABILITIES:		
Notes payable to banks	\$ 138,000	\$ 122,000
Current installments of long-term obligations	6,712	6,960
Accounts payable and accrued expenses	276,443	227,348
Dividends payable	6,862	6,462
Federal and state income taxes	6,430	4,497
	-----	-----
Total Current Liabilities	434,447	367,267
	-----	-----
LONG-TERM OBLIGATIONS (Less current installments included above)	185,632	136,150
	-----	-----
DEFERRED CREDITS	81,586	80,963
	-----	-----
SHAREHOLDERS' EQUITY:		
Preferred stock	-	-
Common stock	41,185	41,050
Capital in excess of par value	8,607	5,911
Retained earnings	531,408	507,981
Less-Treasury stock-at cost	30,168	30,168
	-----	-----

Total Shareholders' Equity	551,032	524,774
	-----	-----
Total Liabilities and Shareholders' Equity	\$1,252,697	\$1,109,154
	=====	=====

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED

NOVEMBER 27, 1994 AND NOVEMBER 28, 1993

(Unaudited)

(In Thousands)

<TABLE>

<CAPTION>

	Six Months Ended	
	November 27, 1994	November 28, 1993
	-----	-----
<S>	<C>	<C>
Net cash used by operations	\$ (3,340)	\$ (2,249)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(37,782)	(43,867)
Proceeds from disposition of property, plant and equipment	1,091	5,092
Acquisitions of business, net of cash acquired	(11,581)	(17,301)
	-----	-----
Net cash used in investing activities	(48,272)	(56,076)
	-----	-----
Cash flows from financing activities:		
Issuance of notes payable to banks, net	66,000	47,000
Issuance of long-term obligations	310	-
Repayment of long-term obligations	(1,076)	(844)
Unexpected industrial revenue bond proceeds	202	489
Cash dividends paid	(13,007)	(12,308)
Issuance of common stock	2,831	1,102
	-----	-----
Net cash provided by financing activities	55,260	35,439
	-----	-----
Increase (decrease) in cash and temporary cash investments	3,648	(22,886)
Cash and temporary cash investments -		

beginning of period	10,967	41,572
	-----	-----
Cash and temporary cash investments - end of period	\$ 14,615	\$ 18,686
	=====	=====

</TABLE>

See accompanying Notes to Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INVENTORIES

The following is a tabulation of inventories by class at November 27, 1994, November 28, 1993 and May 29, 1994 (In Thousands).

<TABLE>

<CAPTION>

<S>

	<C> November 27, 1994	<C> November 28, 1993	<C> May 29, 1994
	-----	-----	-----
	(Unaudited)		
Raw materials and supplies	\$ 45,095	\$ 47,398	\$ 45,356
Materials in process	103,230	73,920	55,725
Finished goods	208,696	165,749	151,358
	-----	-----	-----
	357,021	287,067	252,439
Less: Excess of current cost over stated value of last-in, first-out inventories	(18,265)	(17,251)	(19,115)
	-----	-----	-----
Total inventories	\$338,756	\$269,816	\$233,324
	=====	=====	=====

</TABLE>

Inventories at November 28, 1993 and May 29, 1994 have been reclassified to conform with the November 27, 1994 presentation.

See PART II, ITEM 1 for a discussion of pending legal proceedings.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A.) Liquidity and Capital Resources

As of November 27, 1994, there has been no material overall change in the Registrant's liquidity or its capital resources from those described in the Management's Discussion and Analysis contained in the Registrant's Annual Report on Form 10-K for the fiscal year ended May 29, 1994. Borrowings outstanding under bank lines of credit at the end of fiscal 1994 were used principally to fund 1994 business acquisitions. The Registrant entered into a \$150 million bank revolving credit agreement in the first quarter 1995 with \$50 million of short-term borrowings classified as long-term debt reflecting the commitment under said agreement. Cash and temporary cash investments were \$14.6 million at November 27, 1994, a \$3.6 million increase over the balance at May 29, 1994.

Working capital at November 27, 1994, was \$154.1 million compared to \$92.9 million at May 29, 1994. The increase in working capital reflects:

- 1.) Increases in inventories and accounts payable and accrued expenses, largely due to the normal seasonal pack in the Registrant's vegetable and pickle operations and
- 2.) Increased accounts and notes receivable principally the result of increased sales.

The increase in inventories at November 27, 1994 compared to November 28, 1993 principally was the result of the acquisition of a vegetable business in the latter half of fiscal 1994.

The change in short-term borrowing levels at November 27, 1994 compared to May 29, 1994 affected working capital. Under the bank revolving credit agreement described above, \$50 million of short-term borrowings at May 29, 1994 was classified as long-term obligations at November 27, 1994. Higher short-term borrowings at November 27, 1994 were the result of higher inventories associated with the normal pack of seasonally grown crops.

The Registrant's debt-to-capital ratio was 25.2% at November 27, 1994, compared with 20.6% at May 29, 1994. Long-term obligations at November 27, 1994 totaled \$185.6 million compared to \$136.2 million at May 29, 1994. The increased long-term obligations resulted from the classification of the long-term portion of the bank revolving credit

B.) Results of Operations

Overall sales for the second quarter and for the six month period ended November 27, 1994 increased 14.9% and 12.3% respectively over the same periods a year ago. Consolidated after-tax earnings for the second quarter and for the six month period ended November 27, 1994 increased 15% and 27% respectively over the earnings of the comparable periods a year ago. Earnings for the six months ended November 28, 1993 included a charge of \$1.5 million related to the tax provisions of the Revenue Reconciliation Act of 1993 and a net after-tax credit of \$1.2 million related to the Registrant's adoption of new accounting principles for income taxes and postretirement benefits other than pensions.

Sales of the Registrant's Dairy Products operations for the second quarter (\$374.8 million) and for the six months (\$746.0 million) increased 5% and 3% respectively over sales of the comparable periods a year ago. The increased sales principally were the result of the sales contribution of businesses acquired in fiscal year 1994 and the first quarter of the current fiscal year. Increases in unit sales volumes were offset by lower average selling prices during the current fiscal year reflecting lower raw milk costs this year.

Dairy Product's operating earnings declined in the second quarter principally due to the seasonal aspect and margin pressures on the Registrant's ice cream operations and a \$1.7 million charge in the second quarter related to costs associated with the closure of two small fluid milk plants to align production capacities with the sales levels in the associated market areas. Operating earnings for the six months were slightly below last year because of lower second quarter earnings this year. Raw milk supplies are plentiful and raw milk costs are expected to remain below year ago levels.

Sales of the Registrant's Specialty Food Products operations for the second quarter (\$282.0 million) and for the six month period (\$518.3 million) ended November 27, 1994 increased 33% and 28% respectively over sales of the comparable periods a year ago. The increased sales principally were the result of:

- 1.) The sales of a vegetable operation acquired during the third quarter of fiscal 1994,
- 2.) Higher selling prices for frozen vegetables reflecting market conditions, and
- 3.) Increased sales of the Registrant's pickle operations.

Specialty Foods Products earnings both for the second quarter and the six months improved significantly over the earnings for the comparable periods a year ago, principally the result of improved earnings of the Registrant's vegetable operations. The increased earnings principally were the result of:

- 1.) The earnings of a vegetable operation acquired during the third quarter of fiscal 1994,
- 2.) Higher selling prices for frozen vegetables reflecting market conditions, and
- 3.) Improved plant processing costs as a result of normal growing and harvest conditions.

Margins a year ago were unfavorably impacted by weather-related costs, crop shortages and competitive market conditions. Margins on the Registrant's pickle operations improved this year, the result of improved pricing and more favorable crop related costs as compared to last year.

Delivery, selling and administrative expenses for the second quarter and the six months ended November 27, 1994, increased 23% and 45% respectively over comparable periods a year ago. The principal reasons for the increased expenses this year are:

- 1.) Marketing and promotional expenses associated with a vegetable business acquired in fiscal year 1994,
- 2.) Expenses associated with businesses acquired in fiscal year 1994 and first quarter fiscal 1995, and
- 3.) Increased expenses associated with the increased unit sales volumes this year.

Interest expense for the second quarter (\$5.6 million) and six month period (\$10.4 million) ended November 27, 1994 increased 67% and 55% respectively over interest expense of the comparable periods a year ago. The increased interest expense was the result of:

- 1.) The interest on borrowings associated with business acquisitions during fiscal year 1994 and first quarter this year,
- 2.) Increased level of borrowings to meet seasonal crop requirements associated with the increased sales of the Registrant's vegetable and pickle operations, and

- 3.) Higher prevailing interest rates this year as compared with rates during the corresponding periods a year ago.

The effective income tax rate for the second quarter was 41.0% compared with a

rate of 39.0% for the same period last year. The increased effective tax rate this year is principally the result of a reduction in certain non-taxable benefits which existed last year and new IRS deduction guidelines. The effective tax rate for the six month period ended November 27, 1994 was 41.0% compared to 41.8% for the same period a year ago.

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PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

There has been no material change in the legal proceedings reported under Item 3 - Legal Proceedings, of the Registrant's Form 10-K Annual Report, for the fiscal year ended May 29, 1994.

ITEM 6. Exhibits and Reports on Form 8-K

a.) Exhibits

Item 10 - Material Contracts

Dean Foods Company 1989 Stock Awards Plan (As Amended Effective October 4, 1994)

Item 27 - Financial Data Schedules

b.) Reports on Form 8-K

None were filed during the quarter for which this report is filed.

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SIGNATURES

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.

DEAN FOODS COMPANY

(Registrant)

DATE: January 11, 1995

TIMOTHY J. BONDY
Vice President, Finance

DATE: January 11, 1995

DALE I. HECOX

DEAN FOODS COMPANY
1989 STOCK AWARDS PLAN
(As Amended Effective October 4, 1994)

1. Purpose. The purpose of the Dean Foods Company 1989 Amended Stock Awards Plan (the "Plan") is to promote the long-term financial interests of the Company and its Affiliates by (a) attracting and retaining personnel, (b) motivating personnel by means of growth-related incentives, (c) providing incentive compensation opportunities that are competitive with those of other major corporations and (d) furthering the identity of interests of participants with those of the stockholders of the Company.

2. Definitions. The following definitions are applicable to the Plan:

"Affiliate" means (a) any subsidiary and (b) any other entity in which the Company has a direct or indirect equity interest which is designated an "Affiliate" by the Committee.

"Board of Directors" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute.

"Committee" means the Compensation Committee or, if the Board of Directors so determines, another committee of three or more directors of the Company who are "disinterested persons" as such term is used in Rule 16b-3 and are "outside directors" as such term is used in Section 162(m) of the Code.

"Common Stock" means Common Stock, \$1.00 par value, of the Company or such other securities as may be substituted therefor pursuant to paragraph 5(c).

"Company" means Dean Foods Company, a Delaware corporation, and its successors.

"eligible employee" means any full-time employee of the Company or an Affiliate.

The "fair market value" of the Common Stock shall be determined in accordance with procedures established by the Committee.

"fiscal year" means the Company's fiscal year.

"participant" means any employee of the Company or an Affiliate who has been granted an award pursuant to the Plan.

"Rule 16b-3" means such rule adopted under the Securities Exchange Act of 1934, as amended, or any successor rule.

"subsidiary" means any corporation fifty percent or more of the voting stock of which is owned, directly or indirectly, by the Company.

3. Limitation on Aggregate Shares/Individual Five-Year Limitation on Option, SAR and Performance Shares Awards. Subject to adjustment as provided in paragraph 5(c), the number of shares of Common Stock which may be issued upon the exercise or payment of awards granted under the Plan shall not exceed, in the aggregate, 3,200,000 shares; it being understood that to the extent any awards expire unexercised or unpaid or are cancelled,

terminated or forfeited in any manner without the issuance of shares of Common Stock thereunder, such shares shall again be available under the Plan unless such availability would prevent the Plan from complying with Rule 16b-3. Such 3,200,000 shares of Common Stock may be either authorized and unissued shares, treasury shares, or a combination thereof, as the Committee shall determine.

Subject to adjustment as provided in Paragraph 5(c), the number of shares of Common Stock with respect to which options and stock appreciation rights may be awarded, and the maximum number of shares of Common Stock potentially issuable under performance shares awards awarded, during the period of five fiscal years ending in 1999 to any eligible employee may not exceed, in the aggregate, 250,000 shares.

4. Awards. The Committee may grant to eligible employees, in accordance with this paragraph 4 and the other provisions of the Plan, stock options, stock appreciation rights ("SARs"), restricted stock, performance shares awards and other awards.

(a) Options.

(i) Options granted under the Plan may be incentive stock options ("ISOs") within the meaning of Section 422A of the Code or any successor provision, or in such other form, consistent with the Plan, as the Committee may determine; except that, so long as so provided in such Section, no ISO may be granted under the Plan after August 1, 1999 or to any employee of an Affiliate which is not a subsidiary corporation (as such term is used in subsection (b) of such Section) of the Company.

(ii) The option price per share of Common Stock shall be fixed by the Committee at (a) in the case of ISOs, not less than 100% of the fair market value of a share of Common Stock on the date of grant and

not less than the par value of a share of Common Stock and (b) in the case of other options, not less than 85% of the fair market value of a share of Common Stock on the date of grant and not less than the par value of a share of Common Stock.

(iii) Options shall be exercisable at such time or times as the Committee shall determine at or subsequent to grant.

(iv) An option shall be exercised in whole or in part by written notice to the Company (to the attention of the Secretary) at any time prior to its stated expiration and payment in full of the option price for the shares as to which the option is being exercised. Payment of the option price may be made, at the discretion of the optionee, and to the extent permitted by the Committee, (A) in cash (including check, bank draft, or money order), (B) in Common Stock already owned by the optionee (valued at the fair market value thereof on the date of exercise), (C) by a combination of cash and Common Stock, or (D) with any other consideration.

(b) SARs.

(i) An SAR shall entitle its holder to receive from the Company, at the time of exercise of such right, an amount equal to the excess of the fair market value (at the date of exercise) of a share of Common Stock over a specified price fixed by the Committee multiplied by the number of shares as to which the holder is exercising the SAR. SARs may be in tandem with any previously or contemporaneously granted option or independent of any option. The specified price of a tandem SAR shall be the option price of the related option. The amount payable may be paid by the Company in Common Stock (valued at its fair market value on the date of exercise), cash or a combination thereof, as the Committee may determine, which determination may take into consideration any preference expressed by the holder.

(ii) An SAR shall be exercised by written notice to the Company (to the attention of the Secretary) at any time prior to its stated expiration. To the extent

a tandem SAR is exercised, the related option will be cancelled and, to the extent the related option is exercised, the tandem SAR will be cancelled.

(c) Restricted Stock.

(i) The Committee may award to any eligible employee shares of Common Stock, subject to this paragraph 4(c) and such other terms and conditions as the Committee may prescribe (such shares being called "restricted stock"). Each certificate for restricted stock shall be registered in the name of the participant and deposited, together with

a stock power endorsed in blank, with the Company.

(ii) Restricted Stock may be awarded without any consideration other than services rendered and/or (to the extent permitted by applicable corporate law on the date of award) services to be rendered.

(iii) There shall be established for each restricted stock award a restriction period (the "restriction period") of such length as shall be determined by the Committee. Shares of restricted stock may not be sold, assigned, transferred, pledged or otherwise encumbered, except as hereinafter provided, during the restriction period. Except for such restrictions on transfer and such other restrictions as the Committee may impose, the participant shall have all the rights of a holder of Common Stock as to such restricted stock. The Committee, in its sole discretion, may permit or require the payment of cash dividends to be deferred and, if the Committee so determines, reinvested in additional restricted stock or otherwise invested or accruing a yield. At the expiration of the restriction period, the Company shall redeliver to the participant (or the participant's legal representative or designated beneficiary) the certificates deposited pursuant to this paragraph.

(iv) Except as provided by the Committee at or subsequent to the time of grant, upon a termination of employment for any reason during the restriction period all shares still subject to restriction shall be forfeited by the participant.

(d) Performance Shares Awards.

(i) A performance shares award shall entitle its holder to receive from the Company, following the expiration of a period of at least one fiscal year specified by the Committee (the "performance measurement period"), cash or Common Stock or a combination thereof as determined by the Committee (either at the time of grant or thereafter) in an aggregate amount based on the level of achievement during the performance measurement period of one or more Company financial performance criteria. The aggregate amount received by a participant shall be determined by a formula for such participant established by the Committee not later than the ninetieth day of the performance measurement period. The formula shall establish a range between a minimum level of achievement before any amount will be received and a level of achievement at or above which the maximum potential amount will be received. Initially, the financial performance criterion shall be earnings per share, but the Committee may subsequently use, either in substitution therefor or in addition thereto, total shareholder return (i.e., appreciation in the market value of a share of Common Stock plus dividends paid), return on stockholders' equity and/or return on invested capital.

(ii) Performance shares awards may be awarded without any consideration other than services rendered and/or (to the extent permitted by applicable corporate law on the date of award) services to be rendered.

(iii) The Committee may impose restrictions on the transfer of shares of Common Stock issued as a result of achieving formula levels of performance. Except for such restrictions on transfer, the recipient shall have all the rights of a holder of Common Stock as to such shares.

(iv) Except as provided by the Committee at or subsequent to the time of grant, upon the termination of employment for any reason during the performance measurement period the performance shares award shall be forfeited by the participant.

(e) Other Awards.

(i) Other awards may be granted under the Plan, including, without limitation, convertible debentures, other convertible securities and other forms of award measured in whole or in part by the value of shares of Common Stock, the performance of the participant, or the performance of the Company, any Affiliate or any operating unit thereof. Such awards may be payable in Common Stock, cash or a combination thereof, and shall be subject to such restrictions and conditions, as the Committee shall determine. At the time of such an award, the Committee shall, if applicable, determine a performance period and performance goals to be achieved during the performance period, subject to such later revisions as the Committee shall deem appropriate to reflect significant unforeseen events such as changes in laws, regulations or accounting practices, unusual or nonrecurring items or occurrences. Following the conclusion of each performance period, the Committee shall determine the extent to which performance goals have been attained or a degree of achievement between maximum and minimum levels during the performance period in order to evaluate the level of payment to be made, if any.

(ii) The purchase price per share of Common Stock under other awards involving the right to purchase Common Stock (including for this purpose the right to acquire Common Stock upon the conversion of convertible securities) shall be fixed by the Committee at not less than 85% of the fair market value of a share of Common Stock on the date of award and not less than the par value of a share of Common Stock. Other awards not involving the right to purchase Common Stock may be awarded without any consideration other than services rendered and/or (to the extent permitted by applicable corporate law on the date of award) services to be rendered.

(iii) A participant may elect to defer all or a portion of any such award in accordance with procedures established by the Committee.

Deferred amounts will be subject to such terms and conditions and shall accrue such yield thereon (which may be measured by the fair market value of the Common Stock and dividends thereon) as the Committee may determine. Payment of deferred amounts may be in cash, Common Stock or a combination thereof, as the Committee may determine. Deferred amounts shall be considered an award under the Plan. The Committee may establish a trust or trusts to hold deferred amounts or any portion thereof for the benefit of participants.

(f) Cash Payments. SARs and options which are not ISOs may, in the Committee's discretion, provide that in connection with exercises thereof the holders will receive cash payments based on formulas designed to reimburse

holders for their income tax liability resulting from such exercise and the payment made pursuant to this paragraph 4(f).

(g) Surrender. If so provided by the Committee at or subsequent to the time of grant, an award may be surrendered to the Company on such terms and conditions, and for such consideration, as the Committee shall determine.

(h) Foreign Alternatives. Without amending and notwithstanding the other provisions of the Plan, in the case of any award to be held by any participant who is employed outside the United States or who is a foreign national, the Committee may specify that such award shall be made on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to further the purposes of the Plan.

5. Miscellaneous Provisions.

(a) Administration. The Plan shall be administered by the Committee. Subject to the limitations of the Plan, the Committee shall have the sole and complete authority: (i) to select participants, (ii) to make awards in such forms and amounts as it shall determine, (iii) to impose such limitations, restrictions and conditions upon such awards as it shall deem appropriate, (iv) to interpret the Plan and to adopt, amend and rescind administrative guidelines and other rules and regulations relating to the Plan, (v) to correct any defect or omission or to reconcile any inconsistency in the Plan or in any award granted hereunder and (vi) to make all other determinations and to take all other actions necessary or advisable for the implementation and administration of the Plan. The Committee's determinations on matters within its authority shall be conclusive and binding upon the Company and all other persons. All expenses associated with the Plan shall be borne by the Company, subject to such allocation to its Affiliates and operating units as it deems appropriate. The Committee may, to the extent that any such action will not prevent the Plan from complying with Rule 16b-3 or Section 162(m) of the Code, delegate any

of its authority hereunder to such persons as it deems appropriate.

(b) Non-Transferability. Subject to the provisions of paragraph 5(f), no award under the Plan, and no interest therein, shall be transferable by a participant otherwise than by will or the laws of descent and distribution. All awards shall be exercisable or received during a participant's lifetime only by the participant or the participant's legal representative. Any purported transfer contrary to this provision will nullify the award.

(c) Adjustments Upon Certain Changes. In the event of any reorganization, recapitalization, reclassification, merger, consolidation, or sale of all or substantially all of the Company's assets followed by liquidation, which is effected in such a way that holders of Common Stock are entitled to receive securities or other assets with respect to or in exchange for Common Stock (an "Organic Change"), the Committee shall make appropriate changes to insure that each outstanding award involving the right to acquire Common Stock thereafter represents the right to acquire, in lieu of or in addition to the shares of Common Stock immediately theretofore acquirable upon exercise or payment, such securities or assets as may be issued or payable with respect to or in exchange for an equivalent number of shares of Common Stock, and appropriate changes in other outstanding awards; and in the event of any stock dividend, stock split or combination of shares, the Board of Directors shall make appropriate changes in the number of shares authorized by the Plan to be delivered thereafter and in the maximum number of shares with respect to which options, SARs and performance shares awards may be awarded to any eligible employee during the period of five fiscal years ending in 1999, and the Committee shall make appropriate changes in the numbers of shares covered by, or with respect to which payments are measured under, outstanding awards and the exercise prices and reference prices specified therein (and in the event of a spinoff, the Committee may make similar changes), in order to prevent the dilution or enlargement of award rights. However, no right to purchase or receive a fraction

of a share shall be created; and if, as a result of any such change, a fractional share would result or the right to purchase or receive the same would result, the number of shares in question shall be decreased to the next lower whole number of shares. The Committee may provide in the agreement evidencing any award for adjustments to such award in order to prevent the dilution or enlargement of rights thereunder or for acceleration of benefits thereunder and/or cash payments in lieu of benefits thereunder in the event of a change in control (or tender offer or accumulation of Common Stock), merger, consolidation, reorganization, recapitalization, sale or exchange of all or substantially all of the assets or dissolution of the Company.

(d) Tax Withholding. The Committee shall have the power to withhold,

or require a participant to remit to the Company, an amount sufficient to satisfy any withholding or other tax due with respect to any amount payable and/or shares issuable under the Plan, and the Committee may defer such payment or issuance unless indemnified to its satisfaction. Subject to the consent of the Committee, a participant may make an irrevocable election to have shares of Common Stock otherwise issuable under an award withheld, tender back to the Company shares of Common Stock received pursuant to an award or deliver to the Company shares of Common Stock already owned by the participant having a fair market value sufficient to satisfy all or part of the participant's estimated tax obligations associated with the transaction. Such election must be made by a participant prior to the date on which the relevant tax obligation arises. The Committee may disapprove of any election and may limit, suspend or terminate the right to make such elections.

(e) Listing and Legal Compliance. The Committee may suspend the exercise or payment of any award if it determines that securities exchange listing or registration or qualification under any securities laws is required in connection therewith and has not been completed on terms acceptable to the Committee.

(f) Beneficiary Designation. To the extent permitted by the Committee, participants may name, from time to time, beneficiaries (who may be named contingently or successively) to whom benefits under the Plan are to be paid in the event of their death before they receive any or all of such benefits. Each designation will revoke all prior designations by the same participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the participant in writing with the Committee during the participant's lifetime. In the absence of any such designation, benefits remaining unpaid at a participant's death shall be paid to the participant's estate.

(g) Rights of Participants. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any participant's employment at any time, nor confer upon any participant any right to continue in the employ of the Company or any Affiliate for any period of time or to continue his or her present or any other rate of compensation. No employee shall have a right to be selected as a participant, or, having been so selected, to be selected again as a participant.

(h) Amendment, Suspension and Termination of Plan. The Board of Directors or the Committee may suspend or terminate the Plan or any portion thereof at any time and may amend it from time to time in such respects as the Board of Directors or the Committee may deem advisable; provided, however, that no such amendment shall be made without stockholder approval to the extent such approval is required by law, agreement or the rules of any exchange upon which the Common Stock is listed. No such amendment, suspension or termination shall impair the rights of participants under outstanding awards without the

consent of the participants affected thereby or make any change that would disqualify the Plan, or any other plan of the Company intended to be so qualified, from the exemption provided by Rule 16b-3.

The Committee may amend or modify any award in any manner to the extent that the Committee would have had the authority under the Plan to initially

grant the award as so amended or modified. No such amendment or modification shall impair the rights of the participant under such award without the consent of such participant.

6. Effective Date. The effective date of the Plan shall be August 2, 1989, the date of its adoption by the Board of Directors; provided, however, that no award shall be granted under the Plan unless the holders of at least a majority of the outstanding shares of Common Stock voting at the Company's 1989 Annual Meeting of Stockholders approve and ratify the Plan.

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This schedule contains summary financial information extracted from the Registrants' Quarterly Report on Form 10-Q for the quarterly period ended November 27, 1994.

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