

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended JULY 3, 1999

Commission file number: 1-5256

V. F. CORPORATION
(Exact name of registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

23-1180120
(I.R.S. employer
identification number)

628 GREEN VALLEY ROAD, SUITE 500
GREENSBORO, NORTH CAROLINA 27408
(Address of principal executive offices)

(336) 547-6000
(Registrant's telephone number, including area code)

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 and (2) has been subject to such filing requirements for the past 90 days. YES X NO

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On July 31, 1999, there were 118,883,706 shares of Common Stock outstanding.
VF CORPORATION

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VF CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

THREE MONTHS ENDED		SIX MONTHS ENDED	
-----		-----	
JULY 3	JULY 4	JULY 3	JULY 4

	1999	1998	1999	1998
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
NET SALES	\$ 1,364,830	\$ 1,350,319	\$ 2,723,074	\$ 2,676,524
COSTS AND OPERATING EXPENSES				
Cost of products sold	902,895	894,363	1,793,669	1,767,343
Marketing, administrative and general expenses	314,193	298,527	624,737	608,439
Other operating expense	3,032	1,361	6,006	1,760
	-----	-----	-----	-----
	1,220,120	1,194,251	2,424,412	2,377,542
OPERATING INCOME	144,710	156,068	298,662	298,982
OTHER INCOME (EXPENSE)				
Interest income	1,214	1,457	3,227	3,259
Interest expense	(18,379)	(15,699)	(35,044)	(30,595)
Miscellaneous, net	1,073	151	904	507
	-----	-----	-----	-----
	(16,092)	(14,091)	(30,913)	(26,829)
INCOME BEFORE INCOME TAXES	128,618	141,977	267,749	272,153
INCOME TAXES	49,036	55,196	102,601	107,266
	-----	-----	-----	-----
NET INCOME	\$ 79,582	\$ 86,781	\$ 165,148	\$ 164,887
	=====	=====	=====	=====
EARNINGS PER COMMON SHARE				
Basic	\$ 0.65	\$ 0.70	\$ 1.35	\$ 1.33
Diluted	0.64	0.69	1.33	1.31
CASH DIVIDENDS PER COMMON SHARE	\$ 0.21	\$ 0.20	\$ 0.42	\$ 0.40

See notes to consolidated financial statements.

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VF CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS)

	JULY 3 1999	JANUARY 2 1999	JULY 4 1998
	-----	-----	-----
<S>	<C>	<C>	<C>
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 83,465	\$ 63,208	\$ 70,211
Accounts receivable, less allowances:			
July 3 - \$52,721; Jan 2 - \$52,011;			
July 4 - \$48,179	835,939	705,734	854,915
Inventories:			
Finished products	623,667	552,729	525,292
Work in process	220,682	185,929	193,994
Materials and supplies	187,227	215,349	180,741
	-----	-----	-----
	1,031,576	954,007	900,027
Other current assets	149,409	125,203	149,299
	-----	-----	-----
Total current assets	2,100,389	1,848,152	1,974,452
PROPERTY, PLANT & EQUIPMENT	1,773,145	1,711,131	1,647,119
Less accumulated depreciation	972,438	935,040	896,571
	-----	-----	-----
	800,707	776,091	750,548
INTANGIBLE ASSETS	967,182	951,562	929,460
OTHER ASSETS	318,686	260,861	251,910
	-----	-----	-----
	\$ 4,186,964	\$ 3,836,666	\$ 3,906,370
	=====	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Short-term borrowings	\$ 562,040	\$ 244,910	\$ 419,166
Current portion of long-term debt	833	969	802
Accounts payable	314,597	341,126	327,175
Accrued liabilities	436,960	446,001	471,520
	-----	-----	-----
Total current liabilities	1,314,430	1,033,006	1,218,663

LONG-TERM DEBT

520,220	521,657	517,682
---------	---------	---------

OTHER LIABILITIES

191,851	181,750	170,991
---------	---------	---------

REDEEMABLE PREFERRED STOCK

52,886	54,344	55,313
--------	--------	--------

DEFERRED CONTRIBUTIONS TO EMPLOYEE

STOCK OWNERSHIP PLAN	(17,283)	(20,399)	(23,291)
	-----	-----	-----
	35,603	33,945	32,022

COMMON SHAREHOLDERS' EQUITY

Common Stock	119,196	119,466	121,528
Additional paid-in capital	829,256	801,511	791,833
Accumulated other comprehensive income	(61,039)	(25,639)	(39,522)
Retained earnings	1,237,447	1,170,970	1,093,173
	-----	-----	-----
Total common shareholders' equity	2,124,860	2,066,308	1,967,012

	\$ 4,186,964	\$ 3,836,666	\$ 3,906,370
	=====	=====	=====

</TABLE>

See notes to consolidated financial statements.

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VF CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED	
	JULY 3 1999	JULY 4 1998
	-----	-----
OPERATIONS	<C>	<C>
Net income	\$ 165,148	\$ 164,887
Adjustments to reconcile net income to cash provided by operations:		
Depreciation	65,931	65,198
Amortization of intangible assets	16,681	16,115
Other, net	(25,110)	(4,566)
Changes in current assets and liabilities:		
Accounts receivable	(118,672)	(210,526)
Inventories	(19,679)	(25,770)
Accounts payable	(36,657)	(14,252)
Other, net	(43,374)	(35,792)
	-----	-----
Cash provided (used) by operations	4,268	(44,706)
INVESTMENTS		
Capital expenditures	(90,051)	(105,503)
Business acquisitions	(117,133)	(235,303)
Other, net	(6,622)	18,480
	-----	-----
Cash invested	(213,806)	(322,326)
FINANCING		
Increase in short-term borrowings	303,885	382,667
Proceeds from long-term debt	0	1,000
Payment of long-term debt	(1,085)	(532)
Purchase of Common Stock	(45,571)	(58,580)
Cash dividends paid	(52,052)	(50,481)
Proceeds from issuance of stock	23,479	38,361
Other, net	1,139	714
	-----	-----
Cash provided by financing	229,795	313,149
	-----	-----

NET CHANGE IN CASH AND EQUIVALENTS	20,257	(53,883)
CASH AND EQUIVALENTS - BEGINNING OF YEAR	63,208	124,094
	-----	-----
CASH AND EQUIVALENTS - END OF PERIOD	\$ 83,465	\$ 70,211
	=====	=====

</TABLE>

See notes to consolidated financial statements.

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VF CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended July 3, 1999 are not necessarily indicative of results that may be expected for the year ending January 1, 2000. For further information, refer to the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended January 2, 1999.

NOTE B - ACQUISITIONS

During the first quarter of 1999, the Company acquired a majority interest in the business of its former licensee for the Wrangler and JanSport brands in Chile, Peru and Bolivia. The Company also acquired the operating assets of Fibrotek Industries, Inc. and the common stock of Todd Uniform, Inc. and of Horace Small Holdings Corporation. These acquisitions for an aggregate cost of \$117.1 million have been accounted for as purchases, and accordingly, operating results have been included in the financial statements from the dates of acquisition. The net assets of these companies are included based on preliminary allocations of the purchase prices, with approximately \$47 million representing intangible assets. Final asset and liability valuations are not expected to have a material effect on the financial statements.

The following pro forma results of operations assume that these businesses had been acquired at the beginning of 1998 (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	Second Quarter		Six Months	
	1999	1998	1999	1998
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net sales	\$1,364,830	\$1,395,815	\$2,769,208	\$2,778,592
Net income	79,582	85,719	164,507	162,981
Earnings per common share:				
Basic	\$ 0.65	\$ 0.69	\$ 1.35	\$ 1.32
Diluted	0.64	0.68	1.33	1.29

</TABLE>

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NOTE C - BUSINESS SEGMENT INFORMATION

<TABLE>
<CAPTION>

	Second Quarter		Six Months	
	1999	1998	1999	1998
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
(In thousands)				
Net sales:				
Apparel	\$ 1,033,043	\$ 1,049,837	\$ 2,144,884	\$ 2,138,351
All Other	331,787	300,482	578,190	538,173
	-----	-----	-----	-----
Consolidated net sales	\$ 1,364,830	\$ 1,350,319	\$ 2,723,074	\$ 2,676,524
	=====	=====	=====	=====
Segment profit:				
Apparel	\$ 138,145	\$ 160,234	\$ 305,726	\$ 317,526
All Other	42,904	31,679	64,907	49,321

Total segment profit	181,049	191,913	370,633	366,847
Interest, net	(17,165)	(14,242)	(31,817)	(27,336)
Amortization of intangible assets	(8,429)	(8,071)	(16,681)	(16,115)
Corporate and other expenses	(26,837)	(27,623)	(54,386)	(51,243)
Consolidated income before income taxes	\$ 128,618	\$ 141,977	\$ 267,749	\$ 272,153

</TABLE>

NOTE D - EARNINGS PER SHARE

Earnings per share are computed as follows (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	Second Quarter		Six Months	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Basic earnings per share:				
Net income	\$ 79,582	\$ 86,781	\$165,148	\$164,887
Less Preferred Stock dividends and redemption premium	1,802	1,554	3,682	3,139
Net income available for Common Stock	\$ 77,780	\$ 85,227	\$161,466	\$161,748
Weighted average Common Stock outstanding	119,447	121,643	119,418	121,447
Basic earnings per share	\$ 0.65	\$ 0.70	\$ 1.35	\$ 1.33
Diluted earnings per share:				
Net income	\$ 79,582	\$ 86,781	\$165,148	\$164,887
Increased ESOP expense if Preferred Stock were converted to Common Stock	264	290	530	579
Net income available for Common Stock and dilutive securities	\$ 79,318	\$ 86,491	\$164,618	\$164,308

</TABLE>

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<TABLE>

	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Weighted average Common Stock outstanding	119,447	121,643	119,418	121,447
Additional Common Stock resulting from dilutive securities:				
Preferred Stock	2,741	2,867	2,758	2,878
Stock options and other	1,294	1,495	1,267	1,404
Weighted average Common Stock and dilutive securities outstanding	123,482	126,005	123,443	125,729
Diluted earnings per share	\$ 0.64	\$ 0.69	\$ 1.33	\$ 1.31

</TABLE>

NOTE E - COMPREHENSIVE INCOME

Comprehensive income consists of net income from operations, plus certain changes in assets and liabilities that are not included in net income but are instead reported within a separate component of shareholders' equity under generally accepted accounting principles. The Company's comprehensive income was as follows (in thousands):

<TABLE>
<CAPTION>

	Second Quarter		Six Months	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Net income as reported	\$ 79,582	\$ 86,781	\$ 165,148	\$ 164,887

Other comprehensive income:

Foreign currency translation adjustments, net of income taxes	(15,787)	(230)	(35,400)	(3,412)
	-----	-----	-----	-----
Comprehensive income	\$ 63,795	\$ 86,551	\$ 129,748	\$ 161,475
	=====	=====	=====	=====

</TABLE>

The significant change in foreign currency translation adjustments in the 1999 periods is due to the strengthening of the U.S. dollar in relation to the currencies of most European countries where the Company has operations.

NOTE F - CAPITAL

At July 3, 1999, there were 300,000,000 authorized shares of Common Stock, no par value - stated capital \$1 per share. At July 3, 1999, there were 119,195,507 shares outstanding, excluding 18,385,851 treasury shares. At January 2, 1999 and July 4, 1998, there were 119,466,101 and 121,528,272 shares outstanding, excluding 17,367,269 and 15,021,670 treasury shares, respectively. For financial accounting purposes, treasury shares presented above include shares of VF Common Stock held in trust for deferred compensation plans, as follows: 248,899 shares at July 3, 1999 and 232,899 shares at January 2, 1999.

There are 25,000,000 authorized shares of Preferred Stock, \$1 par value. Of these shares, 2,000,000 were designated as Series A, of which none have been issued, and 2,105,263 shares were designated and issued as 6.75% Series B Preferred Stock, of which 1,712,895 shares were outstanding at July 3, 1999, 1,760,119 at January 2, 1999 and 1,791,504 at July 4, 1998.

NOTE G - REVOLVING CREDIT AGREEMENT

Subsequent to the end of the second quarter, the Company entered into a new \$750.0 million unsecured revolving credit agreement, which replaces the prior agreement that was scheduled to expire in October 1999. Terms are substantially the same as the prior credit agreement.

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VF CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Consolidated sales increased 1% for the second quarter and 2% for the six months ended July 3, 1999, compared with the comparable periods of 1998. During the quarter, the Company announced the discontinuation of the Jantzen women's sportswear business; provisions for inventory losses and other costs approximated \$12 million (\$.06 per share).

Sales in the Company's "growth" category businesses - - jeanswear, domestic intimate apparel, workwear and daypacks, where investments are focused to achieve sales increases - - advanced by \$51 million or 5% for the 1999 quarter and \$109 million or 5% for the six month period, including acquisitions for both periods. Domestic jeanswear sales declined 6% for the quarter and 2% for the six month period, primarily due to a shift in timing of shipments, versus prior year comparisons, of seasonal jeans products from the second to the third quarter. In addition, jeanswear consolidation efforts created short-term shipping difficulties, which were resolved by the end of the quarter. Domestic intimate apparel sales advanced 4% for the quarter and 6% for the six month period, with continuing growth in the Vassarette brand and private label businesses. International jeans sales and workwear sales advanced in 1999, due to businesses acquired since the end of the 1998 quarter. Sales in the Company's "maintenance" category businesses - - knitwear, international intimates, playwear and swimwear, where efforts are focused on increased profit ability - - declined by \$36 million or 14% for the second quarter and \$62 million or 11% for the six month period due to declines in knitwear sales and elimination of unprofitable playwear product lines.

Gross margins were 33.8% of sales in the quarter and 34.1% in the six months, compared with 33.8% and 34.0% in the 1998 periods. Gross margins improved in most businesses due to the continuing shift to lower cost sourcing, lower raw material costs and improved operating efficiencies. Overall, however, gross margin percentages were basically flat for the quarter and six month periods due to the effects of costs related to closing the Jantzen women's sportswear business in the second quarter of 1999.

Marketing, administrative and general expenses were 23.0% of sales during the quarter and 22.9% in the six months, compared with 22.1% and 22.7% in the 1998 periods. The increases in marketing, administrative and general expenses for the 1999 periods relate to increased spending for information systems, partially offset by lower advertising spending.

Other operating expense consists of amortization of intangible assets, offset by net royalty income. Amortization of intangible assets increased in 1999 due to the recent acquisitions, and royalty income declined in 1999 from the conversion of certain formerly licensed businesses to owned operations.

Net interest expense increased in 1999 due to higher short-term borrowings.

The effective income tax rate for the six months of 1999 was 38.3%, based on the expected rate for the year, compared with 39.4% in the prior year. The expected rate for 1999 is consistent with the rate for the full year 1998.

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FINANCIAL CONDITION AND LIQUIDITY

The financial condition of the Company is reflected in the following:

<TABLE>
<CAPTION>

	July 3 1999	January 2 1999	July 4 1998
	-----	-----	-----
	(Dollars in millions)		
<S>	<C>	<C>	<C>
Working capital	\$ 786.0	\$ 815.1	\$ 755.8
Current ratio	1.6 to 1	1.8 to 1	1.6 to 1
Debt to total capital	33.7%	27.1%	32.3%

</TABLE>

Accounts receivable balances at the end of the second quarter of 1999 include those of businesses acquired. Receivables are higher than at the end of 1998 due to seasonal sales patterns.

Inventories at the end of the second quarter of 1999 include those of businesses acquired. Excluding these acquisitions, inventories are slightly higher than at the end of 1998 due to seasonal sales patterns and also 5% higher than at the end of the second quarter of 1998 due in part to the timing of domestic jeanswear shipments (as previously discussed).

Intangible assets increased during 1999 due to four business acquisitions during the first quarter.

The increase in short-term borrowings since the end of 1998 relates to higher seasonal working capital requirements and to the 1999 business acquisitions.

During the first six months of 1999, the Company repurchased 1,000,000 shares of its Common Stock in open market transactions for a total cost of \$45.6 million. At July 3, 1999, there were 1.0 million shares remaining under the existing authorization. Subsequent to that date, the Board of Directors authorized the Company to purchase up to an additional 10.0 million shares.

YEAR 2000 READINESS STATEMENT

The Year 2000 issue relates to computer systems that will not properly recognize date-sensitive information when the year changes to 2000. A Year 2000 issue that is not properly addressed could result in a system failure or miscalculations. While the Company's products are not directly affected by the Year 2000 problem, its computer systems and equipment, as well as the systems and equipment of its vendors, service providers and customers, may be affected.

Senior management of the Company has established a task force to address Year 2000 issues and regularly reviews its progress with the Board of Directors. The task force activities relate to four broad business categories: (1) infrastructure; (2) applications software; (3) processors embedded in machinery and equipment used in the Company's manufacturing, distribution and administrative operations; and (4) significant third party vendors, service providers and customers. Actions common to evaluation of Year 2000 issues in each of these business categories include:

- * Inventorying all date-sensitive systems and equipment
- * Assessing compliance and assigning priorities to items identified as not being compliant
- * Repairing or replacing items identified as not being compliant
- * Testing converted systems and equipment

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Infrastructure: This category relates to mainframe, personal computer and network hardware, as well as operating system software. Substantially all hardware and related operating systems are fully compliant at July 3, 1999; the

balance is expected to be fully compliant by the end of the third quarter of 1999. The testing phase is ongoing as hardware or system software is remediated, upgraded or replaced and is substantially complete.

Applications software: This refers to computer software programs, whether internally developed or purchased from outside parties. Approximately 96% of such software systems are compliant at July 3, 1999. All remaining software is expected to be fully compliant by the end of the third quarter of 1999. The testing phase is scheduled to be completed for all critical applications during the third quarter of 1999.

Processors: The Company has completed the inventory and assessment of all processors embedded in the Company's critical manufacturing, distribution and administrative equipment. Substantially all of the hardware or software has been remediated, upgraded or replaced as Year 2000 issues were noted. The upgrade of all remaining processors will be completed during the third quarter. The testing phase is ongoing and is scheduled to be completed during the third quarter of 1999.

Third Parties: The Company has initiated formal communications with all of its significant vendors, service providers and financial institutions to determine the extent to which the Company is vulnerable to those third parties' failure to remediate their own Year 2000 issues. Substantially all of the Company's significant vendors, service providers and financial institutions have responded to the Company's survey. Of those that have responded, 97% of the Company's significant vendors and service providers and 98% of the financial institutions have indicated that they either are compliant or expect to be compliant by the end of the third quarter of 1999. The majority of the remainder is expected to be compliant by the end of 1999. The communication and evaluation process is ongoing.

In addition, contingency plans to mitigate the possible disruption of business operations are being developed as the testing phase and third party assessments are completed. Contingency plans will be substantially completed during the third quarter of 1999 and will continue to be evaluated and modified as additional information becomes available.

The Company expects all internal systems to be compliant by the end of the third quarter. However, it is possible that all Year 2000 problems may not be identified or corrected or that third parties with which the Company has significant relationships will not resolve all of their Year 2000 issues. The Company expects that the most reasonably likely Year 2000 worst case scenario is that its manufacturing infrastructure would not be able to provide an uninterrupted flow of product due to suppliers' systems failures or disruptions in utility or government services. Based on our contingency planning efforts, by the end of the third quarter we will determine which suppliers appear to be at risk of noncompliance. Responsive actions will include accelerating purchases of supplies, accelerating production of inventory or, if necessary, arranging for alternative suppliers to reduce this risk. Because the Company conducts business with numerous vendors and has numerous manufacturing facilities around the world, the Company believes that significant interruptions of normal operations are unlikely and, in any event, would likely be short-term nature. Nevertheless, if there were serious systems failures by the Company or its third party relationships, they could have a material adverse effect on the Company's financial position or results of operations.

The estimated total cost of resolving the Year 2000 issues, including internal personnel and outside vendors and consultants, is approximately \$27 million over the period 1997 through 1999, of which \$25 million has been spent through July 3, 1999. These costs are being expensed as incurred.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

Certain statements included herein are "forward-looking statements" within the meaning of the federal securities laws. This includes any statements concerning plans and objectives of management relating to the Company's operations or economic performance, and assumptions related thereto. In addition, the Company and its representatives may from time to time make other oral or written statements that are also forward-looking statements.

These forward-looking statements are made based on management's expectations and beliefs concerning future events impacting the Company and therefore involve a number of risks and uncertainties. Management cautions that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Important factors that could cause the actual results of operations or financial condition of the Company to differ include, but are not necessarily limited to, the overall level of consumer spending for apparel; changes in trends in the segments of the market in which the Company competes; the financial strength of the retail industry; actions of competitors that may impact the Company's business; the Company's ability, and the ability of its suppliers and customers,

to adequately address the Year 2000 computer issue; and the impact of unforeseen economic changes in the markets where the Company competes, such as changes in interest rates, currency exchange rates, inflation rates, recession, and other external economic and political factors over which the Company has no control.

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PART II - OTHER INFORMATION

Item 6 - Exhibits and Reports on Form 8-K

- (a) Exhibit 10 - 1996 Stock Compensation Plan, as amended
Exhibit 27 - Financial data schedule as of July 3, 1999
- (b) Reports on Form 8-K - There were no reports on Form 8-K filed for the three months ended July 3, 1999.

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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.

V.F. CORPORATION

(Registrant)

By: /s/ Robert K. Shearer

Robert K. Shearer
Vice President - Finance
(Chief Financial Officer)

Date: August 16, 1999

By: /s/ Peter E. Keene

Peter E. Keene
Vice President - Controller
(Chief Accounting Officer)

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V.F. CORPORATION
1996 STOCK COMPENSATION PLAN,
AS AMENDED

ARTICLE I

PURPOSE

1.1 PURPOSE. The purpose of the V.F. Corporation 1996 Stock Compensation Plan (this "Plan") is to strengthen the ability of V.F. Corporation (the "Company") to attract, motivate, and retain employees and directors of superior ability and to more closely align the interests of such employees and directors with those of the Company's shareholders by relating compensation to increases in shareholder value.

ARTICLE II

GENERAL DEFINITIONS

2.1 "AGREEMENT" The written instrument evidencing the grant to a Participant of an Award. Each Participant may be issued one or more Agreements from time to time, evidencing one or more Awards.

2.2 "AWARD" Any award granted under this Plan.

2.3 "BOARD" The Board of Directors of the Company.

2.4 "CHANGE IN CONTROL" A change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of regulation 14A, as in effect on the Effective Date hereof, promulgated under the Securities Exchange Act of 1934, as amended (the

"Exchange Act"); provided that, without limitation, such a Change in Control shall be deemed to have occurred if (i) any "Person" (as such term is used in Section 13(d) and Section 14(d) of the Exchange Act), except for (A) those certain trustees under Deeds of Trust dated August 21, 1951 and under the Will of John E. Barbey, deceased (a "Trust" or the "Trustee"), and (B) any employee benefit plan of the Company or any Subsidiary, or any entity holding voting securities of the Company for or pursuant to the terms of any such plan (a "Benefit Plan" or the "Benefit Plans"), is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities; (ii) there occurs a contested proxy solicitation of the Company's shareholders that results in the contesting party obtaining the ability to vote securities representing 30% or more of the combined voting power of the Company's then outstanding securities; (iii) there occurs a sale, exchange, transfer or other disposition of substantially all of the assets of the Company to another entity, except to an entity controlled directly or indirectly by the Company, or a merger, consolidation or other reorganization of the Company in which the Company is not the surviving entity, or a plan of liquidation or dissolution of the Company other than pursuant to bankruptcy or insolvency laws is adopted; or (iv) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

Notwithstanding the foregoing, a Change in Control shall not be deemed to have occurred for purposes of this Plan (x) in the event of a sale, exchange, transfer or other disposition of substantially all of the assets of the Company to, or a merger, consolidation or other reorganization involving the Company and officers of the Company, or any entity in which such officers have, directly or indirectly, at least a 5% equity or ownership interest or (y) in a transaction otherwise commonly referred to as a "management leveraged buyout".

Clause (i) above to the contrary notwithstanding, a Change in Control shall not be deemed to have occurred if a Person becomes the beneficial owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities solely as

the result of an acquisition by the Company or any Subsidiary of voting securities of the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 20% or more of the combined voting power of the Company's then outstanding securities; provided, however, that if a Person becomes the beneficial owner of 20% or more of the combined voting power of the Company's then outstanding securities by reason of share purchases by the Company or any Subsidiary and shall, after such share purchases by the Company or a Subsidiary, become the beneficial owner, directly or indirectly, of any additional voting securities of the Company, then a Change in Control of the Company shall be deemed to have occurred with respect to such Person under clause (i). Notwithstanding the foregoing, in no event shall a Change in Control of the Company be deemed to occur under clause (i) with respect to any Trust or Benefit Plan.

Clauses (i) and (ii) to the contrary notwithstanding, the Board may, by resolution adopted by at least two-thirds of the directors who were in office at the date a Change in Control occurred, declare that a Change in Control described in clause (i) or (ii) has become ineffective for purposes of this Plan if the following conditions then exist: (x) the declaration is made within 120 days of the Change in Control; and (y) no person, except for (A) the Trusts, and (B) the Benefit Plans, either is the beneficial owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's outstanding securities or has the ability or power to vote securities representing 10% or more of the combined voting power of the Company's then outstanding securities. If such a declaration shall be properly made, the Change in Control shall be ineffective ab initio.

2.5 "CODE" The Internal Revenue Code of 1986, as amended, and applicable regulations and rulings issued thereunder.

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2.6 "COMMITTEE" The Committee, appointed by the Board, to administer the Plan in accordance with the provisions in Article IV.

2.7 "COMMON STOCK" The common stock of the Company as described in the Company's Articles of Incorporation, or such other stock as shall be substituted therefor.

2.8 "COMPANY" V.F. Corporation, or any successor to the Company.

2.9 "DATE OF GRANT" The date on which the granting of an Award is authorized by the Committee, unless another date is specified by the Committee or by a provision in this Plan applicable to the Award.

2.10 "DIRECTOR" A member of the Board who is not an Employee.

2.11 "DISPOSITION" Any sale, transfer, encumbrance, gift, donation, assignment, pledge, hypothecation, or other disposition, whether similar or dissimilar to those previously enumerated, whether voluntary or involuntary, and whether during the Participant's lifetime or upon or after his or her death, including, but not limited to, any disposition by operation of law, by court order, by judicial process, or by foreclosure, levy, or attachment.

2.12 "EMPLOYEE" Any employee of the Company or a Subsidiary.

2.13 "EXCHANGE ACT" The Securities Exchange Act of 1934, as amended, and applicable regulations and rulings issued thereunder.

2.14 "FAIR MARKET VALUE" The average of the reported high and low sales price of the Common Stock (rounded up to the nearest one-tenth of a dollar) on the date on which Fair Market Value is to be determined (or if there was no reported sale on such date, the next

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preceding date on which any reported sale occurred) on the principal exchange or in such other principal market on which the Common Stock is trading.

2.15 "INCENTIVE STOCK OPTION" A Stock Option intended to satisfy the requirements of Section 422(b) of the Code.

2.16 "LIMITED STOCK APPRECIATION RIGHT" OR "LIMITED RIGHT" The rights specified in Article VIII.

2.17 "NON-QUALIFIED STOCK OPTION" A Stock Option other than an Incentive Stock Option.

2.18 "PARTICIPANT" An Employee or Director selected by the Committee to receive an Award.

2.19 "PERFORMANCE OBJECTIVE" A performance objective established pursuant to Section 9.3 hereof.

2.20 "RESTRICTED STOCK" Common Stock which is subject to restrictions and awarded to Participants under Article IX of this Plan and any Common Stock purchased with or issued in respect of dividends and distributions on the Restricted Stock.

2.21 "RESTRICTED STOCK UNITS" Stock Units which are subject to a risk of forfeiture and other restrictions and awarded to Participants under Article IX of this Plan, including Stock Units resulting from deemed reinvestment of dividend equivalents on Restricted Stock Units.

2.22 "RETIREMENT" Employment separation and commencement of pension benefits under the V.F. Corporation Pension Plan (or any successor plan thereto) on account of early, normal or late retirement thereunder.

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2.23 "RULE 16b-3" Rule 16b-3 under the Exchange Act or any successor thereto.

2.24 "SECURITIES ACT" The Securities Act of 1933, as amended, and applicable regulations and rulings issued thereunder.

2.25 "STOCK OPTION" An award of a right to purchase Common Stock pursuant to Article VII.

2.26 "STOCK UNITS" An unfunded obligation of the Company, the terms of which are set forth in Section 9.6.

2.27 "SUBSIDIARY" A "subsidiary corporation" as defined in Section 424(f) of the Code that is a subsidiary of the Company.

ARTICLE III

SHARES OF COMMON STOCK SUBJECT TO THE PLAN

3.1 COMMON STOCK AUTHORIZED. Subject to the provisions of this Article and Article XI, the total aggregate number of shares of Common Stock that may be issued, pursuant to Awards, shall not exceed 12,000,000 shares (plus additional shares, if any, which, as of the effective date of this Plan or thereafter, are available or become available for award under the Company's 1991 Stock Option Plan and the 1995 Key Employee Restricted Stock Plan); provided, however, that in no event shall the number of shares of Restricted Stock and Restricted Stock Units to be awarded either as Service Awards or Performance Awards under this Plan exceed 1,200,000.

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3.2 LIMITATION OF SHARES. For purposes of the limitations specified in Section 3.1, the following principles apply: (a) a decrease in the number of shares which thereafter may be issued or transferred for purposes of Section 3.1 shall result from (i) the delivery of shares of Common Stock upon exercise of a Stock Option or payment of cash in settlement of a Limited Stock Appreciation Right in any manner, and (ii) the expiration of the risk of forfeiture on Restricted Stock or Restricted Stock Units, including the conversion of Restricted Stock to Stock Units under Section 9.6; (b) shares of Common Stock with respect to which Stock Options and Limited Stock Appreciation Rights expire, are canceled without being exercised, or are otherwise terminated may be regranted under this Plan; and (c) if any shares of Common Stock related to an Award are not issued or, for any reason, cease to be issuable or are forfeited, such shares of Common Stock shall no longer be charged against the limitation provided for in Section 3.1 and shall be available again for grant of Awards.

3.3 SHARES AVAILABLE. At the discretion of the Board or the Committee, the shares of Common Stock to be delivered under this Plan shall be made available either from authorized and unissued shares of Common Stock or shares of Common Stock controlled by the Company, or both; provided, however, that absent such determination by the Board or the Committee to the contrary, in whole or in part, the shares shall consist of the Company's authorized but unissued Common Stock.

ARTICLE IV

ADMINISTRATION OF THE PLAN

4.1 COMMITTEE. The Plan generally shall be administered by the Organization and Compensation Committee of the Board, or such other Board

committee as may be designated by the Board to administer the Plan, subject to this Article IV. The Committee shall consist of two or more Directors. The members of the Committee shall serve at the pleasure of the Board, which shall have the power, at any time and from time to time, to remove members from the Committee or to add members thereto. Vacancies on the Committee, however caused, shall be

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filled by action of the Board. In appointing members of the Committee, the Board may consider whether a member is or will qualify as a "Non-Employee Director" within the meaning of Rule 16b-3(b)(3) under the Exchange Act and an "outside director" within the meaning of Treasury Regulation 1.62-27(e)(3) under Code Section 162(m), but such members are not required to so qualify at the time of appointment or during their term of service on the Committee. At any time that a member of the Committee does not so qualify, any action of the Committee relating to an award granted or to be granted to a Participant who is then subject to Section 16 of the Exchange Act in respect of the Company, or relating to an award intended by the Committee to constitute "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder, may be taken either (i) by a subcommittee, designated by the Committee, composed solely of two or more Directors who so qualify as a "Non-Employee Director" or "outside director" (whichever may apply), or (ii) by the Committee but with each such member who does not so qualify as a "Non-Employee Director" or "outside director" (whichever may apply) abstaining or recusing himself or herself from such action, provided that at least two Directors serving on the Committee remain qualified to act. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-qualified member(s), shall be the action of the Committee for purposes of the Plan. The foregoing notwithstanding, the Board may perform any function of the Committee under the Plan, including transactions with respect to Directors. In any case in which the Board is performing a function of the Committee under the Plan, each reference to the Committee herein shall be deemed to refer to the Board, except where the context otherwise requires.

4.2 POWERS. The Committee has discretionary authority to determine the Employees and Directors to whom, and the time or times at which, Awards shall be granted. The Committee also has authority to determine the amount of shares of Common Stock that shall be subject to each Award and the terms, conditions, and limitations of each Award, subject to the express provisions of this Plan. The Committee shall have the discretion to interpret this Plan and to make all other determinations necessary for Plan administration. The Committee has authority to prescribe, amend and rescind any rules and regulations relating to this Plan, subject to the express

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provisions of this Plan. All Committee interpretations, determinations, and actions shall be in the sole discretion of the Committee and shall be binding on all parties. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Agreement in the manner and to the extent it shall deem expedient to carry it into effect, and it shall be the sole and final judge of such expediency.

4.3 AGREEMENTS. Awards shall be evidenced by an Agreement and may include any terms and conditions not inconsistent with this Plan, as the Committee may determine.

4.4 NO LIABILITY. No member of the Board, the Committee or any of its delegates shall be liable for any action or determination made in good faith with respect to this Plan, any Award or any Agreement.

ARTICLE V

ELIGIBILITY

5.1 PARTICIPATION. Participants shall be selected by the Committee from the Employees and Directors. Such designation may be by individual or by class.

5.2 INCENTIVE STOCK OPTION ELIGIBILITY. A Director shall not be eligible for the grant of an Incentive Stock Option. In addition, no Employee shall be eligible for the grant of an Incentive Stock Option who owns (within the meaning of Section 422(b) of the Code), or would own immediately before the grant of such Incentive Stock Option, directly or indirectly, stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any Subsidiary.

5.3 LIMIT ON AWARDS. Awards granted to any Employee shall not exceed in the aggregate during any calendar year (a) 250,000 Stock Options (with or

Rights and inclusive of any Limited Rights granted pursuant to Section 11.2) and (b) 50,000 shares of Restricted Stock (subject in each case to adjustment as provided in Article XI).

ARTICLE VI

FORMS OF AWARDS

6.1 AWARD ELIGIBILITY. The forms of Awards under this Plan are Stock Options as described in Article VII, Limited Stock Appreciation Rights as described in Article VIII, and Restricted Stock and Restricted Stock Units as described in Article IX. The Committee may, in its discretion, permit holders of Awards under this Plan to surrender outstanding Awards in order to exercise or realize the rights under other Awards.

ARTICLE VII

STOCK OPTIONS

7.1 EXERCISE PRICE. The exercise price of Common Stock under each Stock Option shall be not less than 100 percent of the Fair Market Value of the Common Stock on the Date of Grant.

7.2 TERM. Stock Options may be exercised as determined by the Committee, provided that Incentive Stock Options may in no event be exercised later than 10 years from the Date of Grant or granted later than 10 years after the applicable date under Section 422(b)(2) of the Code. During the Participant's lifetime, only the Participant may exercise an Incentive Stock Option. The Committee may amend the terms of an Incentive Stock Option at any time to include provisions that have the effect of changing such Incentive Stock Option to a

Non-qualified Stock Option, or vice versa (to the extent any such change is permitted by applicable law).

7.3 METHOD OF EXERCISE. Upon the exercise of a Stock Option, the exercise price shall be payable in full in cash or an equivalent acceptable to the Committee. No fractional shares shall be issued pursuant to the exercise of a Stock Option, and no payment shall be made in lieu of fractional shares. At the discretion of the Committee and provided such payment can be effected without causing the Participant to incur liability under Section 16(b) of the Exchange Act, the exercise price may be paid by assigning and delivering to the Company shares of Common Stock or a combination of cash and such shares equal in value to the exercise price. Any shares so assigned and delivered to the Company in payment or partial payment of the exercise price shall be valued at the closing market price of the Common Stock on the principal exchange or in such other principal market on which the Common Stock is trading on the exercise date. In addition, at the request of the Participant and to the extent permitted by applicable law, the Company in its discretion may selectively approve arrangements with a brokerage firm under which such brokerage firm, on behalf of the Participant, shall pay to the Company the exercise price of the Stock Options being exercised, and the Company, pursuant to an irrevocable notice from the Participant, shall promptly deliver the shares being purchased to such firm.

7.4 LIMITATION OF INCENTIVE STOCK OPTIONS. With respect to Incentive Stock Options, the aggregate Fair Market Value (determined at the Date of Grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all stock option plans of the Company and its Subsidiaries) shall not exceed \$100,000, or such other amount as may be prescribed under the Code. If any Stock Option intended to be an Incentive Stock Option fails to so qualify, including under the requirement set forth in this Section 7.4, such Stock Option shall be deemed to be a Non-qualified Stock Option and shall be exercisable in accordance with the Plan and the Stock Option's terms.

ARTICLE VIII

LIMITED STOCK APPRECIATION RIGHTS

8.1 GRANT. The grant of Limited Stock Appreciation Rights under this

Plan shall be subject to the terms and conditions of this Article VIII and shall contain such additional terms and conditions, not inconsistent with the express provisions of this Plan, as the Committee shall deem desirable. A Limited Right is a stock appreciation right which is effective only upon a Change in Control (as defined in Section 2.4) and is payable only in cash. The amount of payment to which any grantee of such a Limited Right shall be entitled upon exercise shall be equal to the difference between the exercise price per share of any Common Stock covered by a Stock Option in connection with, whether or not in tandem, such Limited Right and the "Market Price" of a share of Common Stock. For purposes of this Section 8.1, the term "Market Price" shall mean the greater of (i) the highest price per share of Common Stock paid in connection with the Change in Control and (ii) the highest price per share of Common Stock reflected in the NYSE Transactions Report during the sixty day period prior to the Change in Control. If the Limited Rights are exercised, the tandem Stock Options shall cease to be exercisable to the extent of the Common Stock with respect to which such Limited Rights are exercised.

ARTICLE IX

RESTRICTED STOCK

9.1 TYPES OF AWARD. The Committee, in its discretion, is authorized to grant Awards of Restricted Stock and Restricted Stock Units (together, "Restricted Awards") either as Service Awards or Performance Awards. As used herein, the term "Service Award" refers to any Restricted Award described in Section 9.2 and the term "Performance Award" refers to any

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Restricted Award described in Section 9.3. Restricted Stock shall be nontransferable until such time as all of the restrictions underlying the Award have been satisfied. Subject to Section 3.1, the Committee in its discretion may grant up to 5% of the number of shares of Common Stock available for grant under this Plan as Service Awards or Performance Awards without regard to any minimum vesting requirement set forth in Section 9.2 or 9.3 except Service Awards shall have a minimum vesting requirement of one year.

9.2 SERVICE AWARD. The Committee may grant shares of Restricted Stock or Restricted Stock Units to a Participant subject to forfeiture upon an interruption in the Participant's continuous service with the Company or a Subsidiary within a specified period (which shall not be less than three years) specified by the Committee. The period during which Restricted Stock Units are subject to a risk of forfeiture may be shorter than the period during which settlement of the Restricted Stock Units is deferred.

9.3 PERFORMANCE AWARD. The Committee may grant Restricted Stock or Restricted Stock Units to a Participant upon the attainment of a Performance Objective as follows: Not later than the applicable deadline under Treasury Regulation 1.162-27(e), the Committee, in its sole discretion, may establish (a) a Performance Award for a Participant for a specified period (which shall not be less than one year) during which performance will be measured (the "Performance Period"), and (b) with respect to such Participant one or more Performance Objectives to be satisfied prior to the Participant's becoming entitled to settlement of such Performance Award for such Performance Period. Any Performance Objective shall be comprised of specified corporate, business group or divisional levels of performance, over the Performance Period, relating to one or more of the following performance criteria: earnings per share; net earnings; pretax earnings; operating income; net sales; market share; balance sheet measurements; cash return on assets; book value; shareholder return, or return on average common equity. In establishing the level of Performance Objective to be attained, the Committee may disregard or offset the effect of such factors as extraordinary and/or nonrecurring items as determined by the Company's outside accountants in accordance with generally accepted accounting principles and changes in accounting standards as may be required by the Financial Accounting Standards Board. Performance Awards may also be granted in the sole discretion of the Committee, if the Company's performance during a specified Performance Period, as measured by one or more of the criteria enumerated in this Section 9.3, as compared to comparable measures of performance of peer companies, equals or exceeds

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Performance Objectives established by the Committee not later than the applicable deadline under Treasury Regulation 1.162-27(e). No Performance Award shall be settled or paid out to a Participant for a Performance Period prior to written certification by the Committee of attainment of the Performance Objective(s) applicable to such Participant. Notwithstanding attainment of the applicable Performance Objective or any provisions of this Plan to the contrary, the Committee shall have the power, in its sole discretion, to (a) exercise

negative discretion to reduce the Performance Award to a Participant for any Performance Period to zero or such other amount as it shall determine; (b) impose service requirements which must be fulfilled by the Participant during the Performance Period or subsequent to the attainment of the Performance Objective; and (c) provide for accelerated settlement or payment of a Performance Award upon a Change in Control or specified terminations of employment.

9.4 DELIVERY. If a Participant, with respect to a Service Award, continuously remains in the employ of the Company or a Subsidiary for the period specified by the Committee, or, with respect to a Performance Award, if and to the extent that the Participant fulfills the requirements of the Performance Objective and any service requirements as may be imposed by the Committee, the shares awarded to such Participant as Restricted Stock shall be delivered to such Participant without any restrictions promptly after the applicable event, and the risk of forfeiture applicable to Restricted Stock Units shall end and such Restricted Stock units shall then and thereafter be settled in accordance with the terms of such Restricted Stock Units (including any elective deferral of settlement permitted by the Committee). The foregoing notwithstanding, the Committee may determine that any restrictions and/or deferral period applicable to a Restricted Award shall be deemed to end or have ended on an accelerated basis at the time of the Participant's death while employed or serving as a Director or upon the Participant's termination of employment or service due to disability or following a Change in Control.

9.5 SHAREHOLDER RIGHTS. Except as otherwise provided in this Plan, each Participant shall have, with respect to all shares of Restricted Stock, all the rights of a shareholder of the Company, including the right to vote the Restricted Stock; provided, however, that all

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distributions payable with respect to the Restricted Stock shall be retained by the Company and reinvested in additional shares of Common Stock to be issued in the name of the Participant. Any shares of Common Stock acquired as a result of reinvestment of such distributions shall also be Restricted Stock subject to the terms and conditions of this Plan. A Participant shall have no rights of a shareholder relating to Restricted Stock Units or Stock Units until such time as shares are issued or delivered in settlement of such Restricted Stock Units or Stock Units.

9.6 DEFERRAL OF RECEIPT OF RESTRICTED STOCK. A Stock Unit, whether or not restricted, shall represent the conditional right of the Participant to receive delivery of one share of Common Stock at a specified future date, subject to the terms of the Plan and the applicable Agreement. Until settled, a Stock Unit shall represent an unfunded and unsecured obligation of the Company with respect to which a Participant has rights no greater than those of a general creditor of the Company. Unless otherwise specified by the Committee, each Stock Unit will carry with it the right to crediting of an amount equal to dividends and distributions paid on a share of Common Stock ("dividend equivalents"), which amounts will be deemed reinvested in additional Stock Units, at the Fair Market Value of Common Stock at the dividend payment date. Such additional Stock Units will be subject to the same risk of forfeiture, other restrictions, and deferral of settlement as the original Stock Units to which such additional Stock Units directly or indirectly relate. Unless the Committee determines to settle Stock Units in cash, Stock Units shall be settled solely by issuance or delivery of shares of Common Stock. The Committee may, in its sole discretion, permit Participants to convert their Restricted Stock into an equivalent number of stock units as of the date on which all applicable restrictions pertaining to the Restricted Stock would either lapse or be deemed satisfied (the "Vesting Date"). Any such request for conversion must (a) be made by the Participant at least six months prior to the Vesting Date and (b) specify a deferral date which is no earlier than the earlier of (i) the Participant's termination of employment or (ii) the first anniversary of the Vesting Date.

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ARTICLE X

FORFEITURE AND EXPIRATION OF AWARDS

10.1 TERMINATION OF EMPLOYMENT OR SERVICE. Subject to the express provisions of this Plan and the terms of any applicable Agreement, the Committee, in its discretion, may provide for the forfeiture or continuation of any Award for such period and upon such terms and conditions as are determined by the Committee in the event that a Participant ceases to be an Employee or Director. In the absence of Committee action or except as otherwise provided in an Agreement, the following rules shall apply:

(a) with respect to Stock Options granted to Employees, in the

event of Retirement, the Stock Options shall continue to vest according to the original schedule, but no Stock Options may be exercised after the expiration of the earlier of the remaining term of such Stock Options or 36 months (12 months in the case of Incentive Stock Options) following the date of Retirement; in the event of permanent and total disability, the Stock Options shall continue to vest according to the original schedule, but no Stock Options may be exercised after the expiration of the earlier of the remaining term of such Stock Option or 12 months following the date of permanent and total disability; in the event of death, Stock Options held at the time of death by the Participant may be exercised by the estate or beneficiary of such Participant until the expiration of the earlier of the remaining term of such Stock Options or three years from the date of death; in the event of the Participant's voluntary separation of employment, the Stock Options shall terminate and be forfeited as of the date of separation of employment; in the event of the Participant's involuntary separation of employment, the Stock Option shall be exercisable until the end of the period of the Participant's receipt of installments of severance pay, if any, from the Company; in the event of an involuntary separation of employment without severance pay or if severance pay is paid in a lump sum, the Stock Options shall not be exercisable after the date of separation of employment;

(b) with respect to Limited Rights granted to Employees, in the event of Retirement or permanent and total disability, the Limited Rights shall continue in effect for six months following separation of service, and such Limited Rights may be exercised during such six month period; in the event of the Participant's death or voluntary separation of service, the

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Limited Rights shall terminate as of the date of separation from employment; provided that Limited Rights pursuant to Section 8.1 may be exercised in accordance with their terms by the holder thereof who separated from employment following a Change in Control, without respect to the separation of employment of such holder; and

(c) with respect to Restricted Awards granted to Employees, in the event of a Participant's voluntary or involuntary separation before the expiration of the employment period specified by the Committee, with respect to Service Awards, or before the fulfillment of the Performance Objective and any other restriction imposed by the Committee, with respect to Performance Awards, any shares of Restricted Stock shall be returned to the Company and any Restricted Award shall be deemed to have been forfeited by the Participant as of the date of such separation.

10.2 LEAVE OF ABSENCE. With respect to an Award, the Committee may, in its sole discretion, determine that any Participant who is on leave of absence for any reason shall be considered to still be in the employ of the Company, provided that rights to such Award during a leave of absence shall be limited to the extent to which such rights were earned or vested when such leave of absence began.

ARTICLE XI

ADJUSTMENT PROVISIONS

11.1 SHARE ADJUSTMENTS. If the number of outstanding shares of Common Stock is increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional, new, or different shares or other securities are distributed with respect to such shares of Common Stock or other securities, through merger, consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other distribution with respect to such shares of Common Stock or other securities, an appropriate adjustment in order to preserve the benefits or

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potential benefits intended to be made available to the Participants may be made, in the discretion of the Committee, in all or any of the following (i) the maximum number and kind of shares provided in Section 3.1 and the number of Awards that may be granted to an Employee in the specified period under Section 5.3; (ii) the number and kind of shares or other securities subject to then outstanding Awards; and (iii) the price for each share or other unit of any other securities subject to then outstanding Awards. The Committee may also make any other adjustments, or take such action as the Committee, in its discretion, deems appropriate in order to preserve the benefits or potential benefits intended to be made available to the Participants. Any fractional share resulting from such adjustment may be eliminated.

11.2 CORPORATE CHANGES. Subject to Article XIII, upon (i) the dissolution or liquidation of the Company; (ii) a reorganization, merger, or

consolidation (other than a merger or consolidation effecting a reincorporation of the Company in another state or any other merger or consolidation in which the shareholders of the surviving Company and their proportionate interests therein immediately after the merger or consolidation are substantially identical to the shareholders of the Company and their proportionate interests therein immediately prior to the merger or consolidation) of the Company with one or more corporations, following which the Company is not the surviving Company (or survives only as a subsidiary of another Company in a transaction in which the shareholders of the parent of the Company and their proportionate interests therein immediately after the transaction are not substantially identical to the shareholders of the Company and their proportionate interests therein immediately prior to the transaction); (iii) the sale of all or substantially all of the assets of the Company; or (iv) the occurrence of a Change in Control, subject to the terms of any applicable Agreement, the Committee serving prior to the date of the applicable event may, to the extent permitted in Section 3.1 of this Plan, in its discretion and without obtaining shareholder approval, take any one or more of the following actions with respect to any Participant:

(a) accelerate the exercise dates of any or all outstanding Awards;

(b) grant Limited Rights to holders of outstanding Stock Options;

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(c) eliminate any and all restrictions with respect to outstanding Restricted Awards;

(d) pay cash to any or all holders of Stock Options in exchange for the cancellation of their outstanding Stock Options and cash out all outstanding stock units;

(e) grant new Awards to any Participants; or

(f) make any other adjustments or amendments to outstanding Awards or determine that there shall be substitution of new Awards by such successor employer Company or a parent or subsidiary company thereof, with appropriate adjustments as to the number and kind of shares or units subject to such awards and prices.

11.3 BINDING DETERMINATION. Adjustments under Sections 11.1 and 11.2 shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding, and conclusive.

ARTICLE XII

GENERAL PROVISIONS

12.1 NO RIGHT TO EMPLOYMENT. Nothing in this Plan or in any instrument executed pursuant to this Plan shall confer upon any Participant any right to continue in the employ of the Company or a Subsidiary or affect the Company's or a Subsidiary's right to terminate the employment of any Participant at any time with or without cause or any right to continue to serve as a Director of the Company or affect any party's right to remove such Participant as a Director.

12.2 SECURITIES REQUIREMENTS. The Company shall not be obligated to issue or transfer shares of Common Stock pursuant to an Award unless all applicable requirements imposed by federal and state laws, regulatory agencies, and securities exchanges upon which the Common Stock may be listed have been fully complied with. As a condition precedent to the issuance of shares pursuant to the grant or exercise of an Award, the Company may require the Participant to take any reasonable action to meet such requirements.

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12.3 NO RIGHT TO STOCK. No Participant and no beneficiary or other person claiming under or through such Participant shall have any right, title, or interest in any shares of Common Stock allocated or reserved under this Plan or subject to any Award except as to such shares of Common Stock, if any, that have been issued or transferred to such Participant.

12.4 WITHHOLDING. The Company or a Subsidiary, as appropriate, shall have the right to deduct from all Awards paid in cash any federal, state, or local taxes as required by law to be withheld with respect to such cash payments. In the case of Awards paid in Common Stock, the Participant or other person receiving such Common Stock may be required to pay to the Company or a Subsidiary, as appropriate, the amount of any such taxes which the Company or

Subsidiary is required to withhold with respect to such Common Stock. Also, at the discretion of the Committee and provided such withholding can be effected without causing the Participant to incur liability under Section 16(b) of the Exchange Act, the Participant may (i) direct the Company or Subsidiary to withhold from the shares of Common Stock to be issued or transferred to the Participant the number of shares necessary to satisfy the Company's or Subsidiary's obligation to withhold taxes, such determination to be based on the shares' Fair Market Value as of the date on which tax withholding is to be made, (ii) deliver sufficient shares of Common Stock (based upon the Fair Market Value at the date of withholding) to satisfy the withholding obligations, or (iii) deliver sufficient cash to satisfy the withholding obligations. Participants who elect to use such a stock withholding feature must make the election at the time and in the manner prescribed by the Committee.

12.5 NO DISPOSITION. No Award under this Plan may be the subject of any Disposition (excluding shares of Common Stock with respect to which all restrictions have lapsed), other than by will or the laws of descent or distribution. Any attempted Disposition in violation of this provision shall be void and ineffective for all purposes. Notwithstanding the foregoing, the Committee may, in its sole discretion, permit a Participant to transfer a Non-qualified Stock Option (and any related limited right) to (a) a member or members of the Participant's immediate

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family, (b) a trust, the beneficiaries of which consist exclusively of members of the Participant's immediate family, (c) a partnership, the partners of which consist exclusively of members of the Participant's immediate family, or (d) any similar entity created for exclusive benefit of members of the Participant's immediate family.

12.6 SEVERABILITY; CONSTRUCTION. If any provision of this Plan is held to be illegal or invalid for any reason, then the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and this Plan shall be construed and enforced as if the illegal or invalid provision had never been included herein. Headings and subheadings are for convenience only and not to be conclusive with respect to construction of this Plan.

12.7 GOVERNING LAW. All questions arising with respect to the provisions of this Plan shall be determined by application of the laws of the Commonwealth of Pennsylvania, except as may be required by applicable federal law.

12.8 OTHER DEFERRALS. The Committee may permit selected Participants to elect to defer payment of Awards in accordance with procedures established by the Committee including, without limitation, procedures intended to defer taxation on such deferrals until receipt (including procedures designed to avoid incurrence of liability under Section 16(b) of the Exchange Act). Any deferred payment, whether elected by the Participant or specified by an Agreement or by the Committee, may require forfeiture in accordance with stated events, as determined by the Committee.

ARTICLE XIII

AMENDMENT AND TERMINATION

13.1 AMENDMENTS; SUSPENSION; TERMINATION. The Board may at any time amend, suspend (and if suspended, may reinstate) or terminate this Plan; provided,

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however, that after the shareholders have approved this Plan in accordance with Section 14.1, the Board may not, without approval of the shareholders of the Company, amend this Plan so as to (a) increase the number of shares of Common Stock subject to this Plan except as permitted in Article XI or (b) reduce the exercise price for shares of Common Stock covered by Stock Options granted hereunder below the applicable price specified in Article VII of this Plan or (c) materially increase benefits under this Plan (within the meaning of Rule 16b-3 of the Securities and Exchange Commission as in effect prior to August 15, 1996); and provided further, that the Board may not modify, impair or cancel any outstanding Award in a manner that materially and adversely affects a Participant without the consent of such Participant.

ARTICLE XIV

DATE OF PLAN ADOPTION

14.1 DATE OF PLAN ADOPTION. This Plan has been adopted by the Board effective December 3, 1996, subject to shareholder approval. Options may be

granted under the Plan prior to such shareholder approval, but if the requisite shareholder approval is not obtained, then the Plan shall become null and void ab initio and of no further force or effect and such Awards shall be canceled. This Plan shall continue in effect with respect to Awards granted before termination of this Plan and until such Awards have been settled, terminated or forfeited.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS INCLUDED IN FORM 10-Q FOR JULY 3, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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