

Lucky Stores, Inc.

6300 Clark Avenue
Dublin, California 94568

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS June 6, 1985

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Lucky Stores, Inc. will be held at the Masonic Auditorium, 1111 California Street, San Francisco, California on Thursday, June 6, 1985 at 10:00 a.m. (local time), or as soon thereafter as a quorum shall be present, for the following purposes:

1. To elect a Board of Directors to serve until the next annual meeting of shareholders and until their successors are duly elected and qualified;
2. To transact any other business that may properly come before the Meeting or any adjournment thereof.

Only shareholders of record on the books of the Company at the close of business April 8, 1985 will be entitled to vote at the Meeting.

Shareholders are cordially invited to attend the Meeting.

IF YOU WILL NOT BE ABLE TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, SIGN AND DATE THE ACCOMPANYING PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.

Dated: May 4, 1985.

By order of the Board of Directors,

Christopher McLain
Secretary

PLEASE NOTE THAT THE MEETING WILL BE HELD AT 10:00 A.M.

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**PROXY STATEMENT
OF
LUCKY STORES, INC.**

This statement is furnished in connection with the solicitation of proxies for use at the Annual Meeting of Shareholders of Lucky Stores, Inc. and at any and all adjournments thereof. The Meeting will be held on June 6, 1985 at 10:00 a.m. (local time) at the Masonic Auditorium, 1111 California Street, San Francisco, California for the purposes set forth in the above Notice of the Meeting dated May 4, 1985. The solicitation is made by the Company. A shareholder who executes a proxy retains the right to revoke it at any time before it is voted by filing with the Company a written revocation, by executing a subsequent proxy, or by voting the shares in person at the Meeting. A proxy, when executed and not so revoked, will be voted in accordance with the specifications it contains. Unless it contains instructions to the contrary, it will be voted for the election of directors as stated below (see Election of Directors).

If a shareholder participates in the Company's Dividend Reinvestment Plan, then, under the terms and conditions of the plan, any proxy given by that shareholder will also govern the voting of all full shares held for the shareholder's account under the plan, unless contrary instructions are received as provided in the plan.

The mailing address of the principal executive offices of the Company is 6300 Clark Avenue, P. O. Box BB, Dublin, California 94568. The approximate date upon which this statement and the accompanying form of proxy are first sent to the shareholders is May 4, 1985. The Company's 1984 Annual Report has been mailed separately. It was first sent to the shareholders on April 24, 1985.

The cost of soliciting proxies in the accompanying form will be borne by the Company. In addition to solicitation by mail, proxies may be solicited in person or by telephone or telegraph by directors, officers and employees of the Company. Brokers, nominees, fiduciaries and other custodians will be reimbursed for their reasonable expenses incurred in sending proxy material to principals and obtaining their instructions. The Company has retained the services of Georgeson & Co., Inc., Wall Street Plaza, New York, New York to assist the Company in its communications with brokers and nominees; a fee of \$6,500, plus out-of-pocket expenses, will be paid for those services.

VOTING SECURITIES

Only shareholders of record at the close of business on April 8, 1985 will be entitled to vote at the Meeting. On that date there were outstanding 51,146,057 shares of the Company, all entitled to one vote per share on all matters: 50,912,416 common shares and 233,641 preference shares. In electing directors, if any shareholder has given notice at the Meeting of an intention

to vote cumulatively, each shareholder shall be entitled to vote cumulatively, casting a number of votes equal to the number of directors to be elected multiplied by the number of shares held by that shareholder; these votes may be distributed among any number of the candidates, as the shareholder wishes. The authority to vote in the election of directors includes the authority to vote cumulatively.

As of March 1, 1985 Tampa Wholesale Company, a Florida corporation (c/o Frank V. Giunta, 576 Riviera Drive, Tampa, Florida), owned of record 225,641 or 96.6% of the Company's outstanding preference shares; to the knowledge of the Company, Frank V. Giunta and Grace Greco Giunta, the Estate of Joseph Greco, deceased, the Estate of Mac A. Greco, Sr., deceased, and John J. Greco (all of which individuals and decedents are or were related by blood or marriage) collectively owned approximately 81% of the shares of Tampa Wholesale Company, with the remainder being owned directly or beneficially by various members of their families. The address of Tampa Wholesale Company is the address of all of those individuals and estates, except that the address for John J. Greco and his children is 14524 North Rome Avenue, Tampa, Florida.

As of March 1, 1985 all officers and directors of the Company as a group owned beneficially 766,139 common shares of the Company, constituting 1.5% of the Company's outstanding common shares. That number includes shares held in the name of spouses, children or relatives, or in a fiduciary capacity, as to which beneficial ownership is disclaimed, and 122,440 shares with respect to which such persons have the right to acquire beneficial ownership through the exercise of options exercisable on or before April 30, 1985. See "Election of Directors" for information concerning beneficial ownership of securities by nominees for the Board of Directors.

ELECTION OF DIRECTORS

The By-Laws of the Company provide for a board of not less than 13 nor more than 17 directors, the exact number thereof to be fixed by the Board of Directors or the shareholders. The Board has fixed that number at 14, effective the date of the Meeting. A full board is to be elected at the Meeting, each director to serve until the next annual meeting of shareholders and until election and qualification of a successor. In accordance with policies of the Board respecting length of service on the Board, Wayne H. Fisher and James A. Petit will not stand for reelection at the Meeting. It is intended that shares represented by proxies in the accompanying form be voted for the election of the 14 incumbent directors, whose names are set forth below. If any nominee should be unable to serve, it is intended that those shares be voted for such person as the Board of Directors may designate to replace that nominee, unless the number of directors shall have been reduced so that no vacancy exists. The Company has no reason to expect that any nominee will be unable to serve.

According to the records of the Company, as of March 1, 1985 the securities of the Company beneficially owned by each nominee, directly or indirectly, are as set forth in the following table. The table also shows the business experience of each nominee during at least the past five years.

<u>Name</u> <u>(Age)</u>	<u>Principal Occupation</u> <u>and Business</u> <u>Experience</u>	<u>Director</u> <u>Since</u>	<u>Common</u> <u>Shares</u> <u>Beneficially</u> <u>Owned⁽¹⁾</u>	<u>% of</u> <u>Common</u> <u>Shares</u>
Gerald A. Awes (70)	Retired. Honorary Chairman of the Board of Directors. Formerly: Chairman of the Executive Committee; Chief Executive Officer	1956	46,988	0.092%
William H. Dyer, Jr. (66)	Retired. Formerly Chief Executive Officer	1956	122,427	0.241%
Don C. Frisbee (61)	Chairman of the Board, Chief Executive Officer and Director of PacifiCorp, Port- land, Oregon. Director of Precision Castparts Corp. and Weyerhaeuser Company	1970	825	0.002%
Stanley Hiller, Jr. (60)	Partner in Hiller Investment Company, private invest- ments, Menlo Park, California. Formerly: Chairman and Chairman of the Executive Committee of Baker Interna- tional Corporation; Chairman of The Bekins Company. Di- rector of Baker International Corporation, The Boeing Company and Crocker National Corporation	1980	2,600	0.005%

<u>Name (Age)</u>	<u>Principal Occupation and Business Experience</u>	<u>Director Since</u>	<u>Common Shares Beneficially Owned⁽¹⁾</u>	<u>% of Common Shares</u>
Walter E. Hoadley (68)	Senior Research Fellow of Hoover Institution. Formerly Executive Vice President and Chief Economist of Bank of America N.T. & S.A. Director of Armstrong World Industries, Inc., Pacific Gas Transmission, PLM Financial Services, Inc., Selected American Shares, Inc., Selected Money Market Fund, Inc., Selected Special Shares, Inc. and Selected Tax Exempt Bond Fund, Inc.	1981	1,102	0.002%
John H. Hoefer (69)	Partner in John H. Hoefer & Associates, real estate holding company, Belvedere, California. Formerly Chairman of the Board of Chiat/Day, inc. Advertising, San Francisco, California	1973	14,166	0.028%
Melvin B. Lane (62)	Vice Chairman of Lane Publishing Co., Menlo Park, California	1980	1,000	0.002%
Mary E. Lanigar (65)	Retired. Formerly partner in Arthur Young & Company, certified public accountants, San Francisco, California. Director of Castle & Cooke, Inc., The Pacific Lumber Company, Transamerica Corporation and Wells Fargo & Company	1975	1,049	0.002%
John M. Lillie (48)	President and Chief Operating Officer. Formerly Executive Vice President. Director of Activision, Inc. and Spectra Physics, Inc.	1980	44,170 ²	0.087%

<u>Name (Age)</u>	<u>Principal Occupation and Business Experience</u>	<u>Director Since</u>	<u>Common Shares Beneficially Owned⁽¹⁾</u>	<u>% of Common Shares</u>
Ivan Owen (63)	Senior Vice President and Chief Financial Officer	1956	85,979 ⁽²⁾	0.169%
Forrest A. Plant (60)	Partner in the law firm of Diepenbrock, Wulff, Plant & Hannegan, Sacramento, California	1972	5,319	0.010%
S. Donley Ritchey (51)	Chairman of the Board of Directors and Chief Execu- tive Officer. Formerly President. Director of Pacific Telesis Group, Pacific Bell and Crocker National Corporation	1975	58,824 ⁽²⁾	0.116%
Dwight E. Stanford (70)	Retired. Attorney. Formerly President of Leisure Time Sports, operator of bowling centers, San Diego, California	1960	116,192	0.228%
Joseph A. Woods, Jr. (59)	Partner in the law firm of Donahue, Gallagher, Thomas & Woods, Oakland, California	1970	12,524	0.025%

⁽¹⁾ Includes shares held in the name of spouses, children or relatives, or in a fiduciary capacity, as to which beneficial ownership is disclaimed.

⁽²⁾ Includes shares with respect to which such persons have the right to acquire beneficial ownership through the exercise of options on or before April 30, 1985: Mr. Lillie, 28,150 shares; Mr. Owen, 18,050 shares; Mr. Ritchey, 24,410 shares.

The Company has employed the law firm of Donahue, Gallagher, Thomas & Woods in its latest fiscal year and proposes to do so during the current fiscal year; during its latest fiscal year the Company paid legal fees totaling \$2,341,723 to Donahue, Gallagher, Thomas & Woods, which payments constituted in excess of 5% of that firm's gross revenues during that firm's latest fiscal year. The Company has employed the law firm of Diepenbrock, Wulff, Plant & Hannegan in its latest fiscal year and proposes to do so during the current fiscal year.

The Audit Committee of the Board of Directors is composed of the following directors: Mary E. Lanigar (Chairman), William H. Dyer, Jr., Walter E. Hoadley, John H. Hoefer and James A. Petit. The Audit Committee, which met four times during the Company's latest fiscal year, is charged with the responsibility of recommending the engaging of the Company's independent accountants, reviewing the reports of the Company's independent accountants, authorizing the services provided by the independent accountants and the fees therefor, reviewing the independence of the accountants, reviewing the Company's procedures for internal auditing and the adequacy of its system of internal accounting controls, and reporting to the Board of Directors with respect thereto.

The Management Compensation Committee of the Board of Directors is composed of the following directors: Forrest A. Plant (Chairman), Wayne H. Fisher, Walter E. Hoadley and Dwight E. Stanford. The Management Compensation Committee, which met four times during the Company's latest fiscal year, is charged with the responsibility of reviewing and making recommendations to the Board of Directors respecting base salaries of the Company's officers, division presidents and other employees with a base salary of more than \$100,000 per annum, with the approval of all base salaries of the Company's division vice presidents and persons holding equivalent positions, and with the administration of the Company's Stock Option Plans, Extra Compensation Plan and Bonus Plan for Store Management.

The Board Organization and Membership Committee of the Board of Directors is composed of the following directors: Don C. Frisbee (Chairman), Gerald A. Awes, Melvin B. Lane, Mary E. Lanigar and Forrest A. Plant. The Board Organization and Membership Committee, which met twice during the Company's latest fiscal year, is charged with the responsibility of studying and making recommendations to the Board of Directors respecting matters related to the effective functioning of the Board, including Board membership and organization, nomination of candidates for Board service, the sufficiency and timeliness of information provided to the Board, and the structure and composition of committees of the Board. The Board Organization and Membership Committee will consider shareholder recommendations of nominees for the Board of Directors. Shareholders wishing to suggest nominees for consideration in the filling of future vacancies should do so by writing to the Secretary of the Company at the principal executive offices and should include information respecting the background and qualifications of the proposed nominees.

The Finance Committee of the Board of Directors is composed of the following directors: Stanley Hiller, Jr. (Chairman), Wayne H. Fisher, Don C. Frisbee and Dwight E. Stanford. The Finance Committee, which met twice during the Company's latest fiscal year, is charged with the responsibility of reviewing and making recommendations respecting matters related to the Company's financial condition, strategies and policies and its requirements for funds, with

evaluating the Company's financial planning, including the annual capital budget and periodic financial forecasts, and with counseling with management on dividend policy respecting the Company's common shares.

The Executive Committee of the Board of Directors is composed of the following directors: Wayne H. Fisher (Chairman), Gerald A. Aves, William H. Dyer, Jr., John M. Lillie and S. Donley Ritchey. The Executive Committee met once during the Company's latest fiscal year. When the Board of Directors is not in session, the Executive Committee may exercise the powers vested in the Board (except certain enumerated major powers such as to declare dividends, amend the By-Laws and fill vacancies in the Board). In practice, the function of the Committee is to act on matters, arising between Board meetings, that have special time value but do not appear to warrant a special Board meeting.

The Retirement Committee is composed of the following directors: Melvin B. Lane (Chairman), John H. Hoefer, James A. Petit and Joseph A. Woods, Jr. The Retirement Committee, which met twice during the Company's latest fiscal year, is charged with directing the investment of the assets of the Company's retirement plans and in connection with that responsibility selects and monitors the investment managers for those assets.

The Board of Directors met 11 times during the Company's latest fiscal year. No director attended less than 75% of the aggregate of the total number of meetings of the Board and the total number of meetings of all committees on which he or she served.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

During the fiscal year ended February 3, 1985 the compensation of each of the Company's five most highly compensated executive officers and of its executive officers as a group for services to the Company and its subsidiaries was:

<u>Name of Individual or Identity of Group</u>	<u>Capacities in which Served</u>	<u>Compensation⁽¹⁾</u>
S. Donley Ritchey	Chairman of the Board of Directors and Chief Executive Officer	\$ 475,467
John M. Lillie	President, Chief Operating Officer and Director	\$ 341,390
Leon W. Roush	Senior Vice President	\$ 263,837
Lawrence A. Del Santo	Senior Vice President	\$ 261,112
Ivan Owen	Senior Vice President, Chief Financial Officer and Director	\$ 259,609
All executive officers as a group (7 persons, including those named above)		\$1,986,209

⁽¹⁾ Such compensation includes amounts paid under the Company's Extra Compensation Plan. The Plan, which was adopted by the Company's shareholders in 1957, provides, in general, that 9% of the pretax profits of the Company in excess of 10% of invested capital shall be available

for extra compensation of corporate and divisional executive and administrative personnel. Allocations under the Plan are made by the Management Compensation Committee, consisting of three or more disinterested directors appointed by the Board of Directors. A total of 1,364 officers and other employees were participants in the Plan in the Company's latest fiscal year. Pursuant to the Plan certain employees of the Company are entitled to postpone receipt of all or a portion of their extra compensation if they so elect. Any amounts so postponed are credited to an account on the books of the Company and the account is credited with interest. The account is then paid in installments commencing at such time as the employee shall have elected. Three executive officers (including Mr. Roush) elected to postpone receipt of some or all of their extra compensation for the Company's latest fiscal year. The extra compensation included in the above table for the named executive officers and the executive officers as a group is: Mr. Ritchey, \$175,802; Mr. Lillie, \$112,072; Mr. Roush, \$86,179; Mr. DelSanto, \$89,179; Mr. Owen, \$86,398; all executive officers as a group, \$665,933.

The Company established the Lucky Tax Savings Plan, a salary reduction plan authorized under Section 401(k) of the Internal Revenue Code, effective June 1, 1984. Each participant in the Plan may elect to have up to 10% of his or her base salary deposited with the Plan trustee for the account of the participant. The participant's taxable income is reduced by this amount. The Company makes no additional or matching contribution. The Plan covers all salaried employees upon hire, except that those hired on a temporary basis have a one-year waiting period prior to eligibility. Funds in the trust are invested by the trustee, and income or loss is allocated among the participants' accounts. Each participant has a non-forfeitable right to his or her account, which will be distributable upon termination of employment for any reason. At the participant's election, distribution may also be made prior to termination of employment, either after age 59½ or under certain limited circumstances before that age. During the Company's latest fiscal year, six of the seven executive officers (including those named above) participated in the Plan.

The Company maintains a tax credit employee stock ownership plan, the Lucky Stores, Inc. Tax Reduction Act Stock Ownership Plan ("TRASOP"). The TRASOP provides for Company contributions of cash or common shares equal to 0.5% of the aggregate compensation of all participating employees for the plan year (which is the calendar year). An amount equal to total Company contributions for the year may be taken as an additional tax credit under Section 44G of the Internal Revenue Code. Contributions in cash are made to a trustee and used by the trustee for the purchase of common shares of the Company. These shares are allocated equally to the accounts of the participating employees, including executive officers. Participation in the TRASOP is automatic for all employees who are not covered by a collective bargaining agreement where retirement benefits were the subject of good faith bargaining, have completed at least three years of employment with the Company, have attained the age of 21, have completed a specified number of hours of service during the year and are employed on the last day of the plan year. Each participating employee has a non-forfeitable right to his or her

account, which will be distributable upon termination of employment for any reason. During the Company's latest fiscal year, each of the Company's executive officers, except Mr. Del Santo, participated in the TRASOP. Each participant was allocated approximately 6 shares purchased with Company contributions.

The Company maintains a non-contributory retirement program, among the beneficiaries of which are the named executive officers and the executive officers included in the group. The retirement benefits are provided by a qualified pension plan supplemented by an identical non-qualified unfunded plan which provides certain benefits that cannot be provided by a qualified plan. In this paragraph and in the included tables, the qualified and non-qualified plans are treated as one "Plan." The Plan is a defined benefit plan for the Company's salaried employees. To be eligible for membership, an employee must be at least age 21. For each year of credited service a member accrues a retirement benefit calculated under a formula based on covered compensation for that year. Compensation covered by the Plan generally includes all W-2 reportable compensation except certain bonuses. From time to time in the past the Plan has been amended to update to a current five-year average the level of covered compensation to which the formula is applied in calculating benefits accrued prior to the amendment. A member's benefit becomes vested upon completion of ten years of service. The normal form of benefit is a straight life annuity to the member except that if the member is married, the normal form is a one-half joint and survivor annuity; other forms may be elected. The Plan benefit formula is integrated with Social Security. The following examples, which assume the application of present compensation levels to all years of service and retirement at age 65, indicate the approximate estimated annual benefits payable upon retirement in the form of a straight life annuity to persons, if any, in the compensation and years of service categories specified:

<u>Compensation</u>	<u>10 Years of Service</u>	<u>20 Years of Service</u>	<u>30 Years of Service</u>	<u>40 Years of Service</u>
\$ 25,000	\$ 3,000	\$ 5,000	\$ 8,000	\$ 10,000
50,000	5,000	11,000	16,000	21,000
75,000	9,000	17,000	26,000	34,000
100,000	12,000	24,000	36,000	46,000
150,000	19,000	37,000	56,000	71,000
200,000	25,000	51,000	76,000	96,000
250,000	32,000	64,000	96,000	121,000
300,000	39,000	77,000	116,000	146,000
350,000	45,000	90,000	136,000	171,000
400,000	52,000	104,000	156,000	196,000
450,000	59,000	117,000	176,000	221,000
500,000	65,000	130,000	196,000	246,000

For each of the named executive officers, the years of credited service under the Plan at the end of the Company's latest fiscal year and the 1984 compensation covered by the Plan are as follows:

<u>Name of Individual</u>	<u>Years of Credited Service</u>	<u>Covered Compensation</u>
S. Donley Ritchey	23	\$467,136
John M. Lillie	6	380,596
Leon W. Roush	33	276,582
Lawrence A. Del Santo	1	173,807
Ivan Owen	38	291,986

Commencing in 1966, the Company has pursued a policy of entering into compensation agreements with key executives to ensure that their services will remain available to the Company and that they will not be attracted by other employers seeking their services. The right to payments under each agreement is conditioned upon the individual's refraining from activities competitive with the business of the Company and being available as a consultant to the Company on the terms provided in the agreement. Payments under each agreement commence succeeding termination of employment with the Company. The agreement with Mr. Lillie provides for payments of \$35,000 per year for ten years, conditioned upon full-time employment with the Company until February 2, 1997 (or earlier death). Similar agreements with Messrs. Roush and Del Santo provide for payments of \$25,000 per year for ten years, conditioned upon full-time employment with the Company until age 60 (or earlier death). A similar agreement with Mr. Owen provides for payments of \$25,000 per year for ten years. A similar agreement with another executive officer provides for payments of \$15,000 per year for ten years and, conditioned upon full-time employment with the Company until August 1, 1985 (or earlier death), for payments of an additional \$10,000 per year for ten years. An agreement with another executive officer provides for payments of \$15,000 per year for 15 years. Under each of the foregoing agreements, in the event of the death of the individual, payments may be made to a designated beneficiary until such time as the aggregate amount paid under the agreement reaches \$225,000. In light of Mr. Ritchey's announcement in January 1985 that he intends to relinquish the position of Chief Executive Officer of the Company following the Meeting, the similar agreement with him has been amended to reduce the payments thereunder from \$50,000 per year for ten years to \$30,000 per year for ten years. A further agreement with Mr. Ritchey calls for him to be available to the Company on a reduced schedule from June 6, 1985 through June 5, 1986 and for thirty days per year thereafter through July 31, 1988 at proportionately reduced compensation. The agreement also provides that, to the extent Mr. Ritchey may be elected or appointed so to serve, he will serve as Chairman of the Board of Directors of the Company and Chairman of the Executive Committee of the Board through June 5, 1986 and thereafter through July 31, 1988 as a member of the Board, as Chairman of the Executive Committee and on special projects as requested by the Board.

The 1982 Incentive Stock Option Plan was approved by the shareholders of the Company at their 1982 annual meeting, to promote the success of the business of the Company by encouraging ownership of the Company's shares by employees. It is administered by the Management Compensation Committee (the "Committee") consisting of three or more disinterested directors appointed by the Board of Directors. Options may be granted only to full-time employees (including officers) of the Company or of any of its subsidiaries who are considered to be contributing significantly to the success of the business of the Company. A director who is not also an employee is not eligible to receive an option. During any calendar year no employee may be granted options to purchase shares having at the time of grant a fair market value in excess of \$100,000 plus any unused limit carryover from any of the three prior calendar years. No employee may be granted options to purchase in the aggregate more than 5% of the shares originally available under the 1982 Plan. No options may be granted after February 24, 1992. The purchase price of the shares may not be less than the fair market value of the shares at the time of grant. The 1982 Plan contains typical anti-dilution provisions. Each option shall expire as the Committee determines at the time of grant, but not later than six years from the date of grant. Options are not exercisable during the first year following grant and are exercisable thereafter as the Committee determines at the time of grant. No option may be exercised while the optionee holds any previously granted option. Options presently outstanding become exercisable in some cases as to 25% of the shares subject to the option upon the second first day of March following the date of grant and as to an additional 25% on each succeeding first day of March, and in the remaining cases as to 25% one year and one day following the date of grant and as to an additional 25% on each annual return of the date on which the first option increment became exercisable. If an option terminates unexercised, the shares that were subject to that option become available for a further grant. Options terminate upon termination of employment (other than by retirement or death) and are not transferable except by will or pursuant to the laws of succession. Within a limited time after the optionee's retirement or death, the retiree, personal representative or successor may exercise the option to the extent exercisable at the date of retirement or death and to the extent of the next two option increments that would otherwise have become exercisable. The Board of Directors may amend or terminate the 1982 Plan at any time, subject to certain restrictions. It is intended that the options shall be incentive stock options within the meaning of Section 422A of the Internal Revenue Code.

The Company's 1978 Stock Option Plan was approved by the shareholders of the Company at their 1978 annual meeting. It is administered by the Committee, and, except as stated in this paragraph, is similar to the 1982 Plan. No option may be granted after April 30, 1988. Each option expires seven years from the date of grant. Except with respect to exercise following retirement or death, options are not exercisable during the first two years following grant and are exercisable thereafter as the Committee determines at the time of grant. In the event of death or retirement of an optionee, the option is exercisable to a limited extent and for a limited time. Options presently outstanding become exercisable in some cases as to 20% of the shares subject to the option upon the expiration of that two-year period and as to an additional 20% on each

succeeding first day of March, and in the remaining cases as to 50% upon the expiration of that two-year period and as to an additional 25% on each annual return of the date on which the first option increment became exercisable. The Committee, in its discretion, may settle the whole or any part of any exercisable installment of an option by offering payment in common shares, or in common shares and cash, in exchange for the surrender of that installment or partial installment. The amount of any settlement offer shall be the lesser of (i) the option price or (ii) the excess of the fair market value of the shares over the option price. No more than one-half of any settlement offer may be in cash. No settlement offer has been made. The estimated amount which may be paid in future years to employees who elect to settle options is charged to compensation expense. Options granted under the 1978 Plan are not incentive stock options within the meaning of Section 422A of the Internal Revenue Code.

Each of the plans originally allowed for the grant of options respecting 2,500,000 shares. At February 3, 1985, 3,803 employees held options under the 1982 Plan respecting 1,164,686 shares and 92 employees held options under the 1978 Plan respecting 128,540 shares. The aggregate number of shares available for grant under both plans combined is 1,099,920 shares.

The following tabulation shows as to the named executive officers and as to all executive officers as a group (i) the amount of shares subject to options granted during the specified period and (ii) the amount of shares acquired during the specified period through the exercise of options.

<u>Common Shares</u>	<u>S. Donley Ritehey</u>	<u>John M. Lillie</u>	<u>Leon W. Roush</u>	<u>Lawrence A. Del Santo</u>	<u>Ivan Owen</u>	<u>Executive Officers as a Group</u>
Granted—January 30, 1984 to March 1, 1985						
Number of shares	5,800	5,800	5,800	10,000	5,800	43,500
Average per share op- tion price	\$17.125	\$17.125	\$17.125	\$17.125	\$17.125	\$17.125
Exercised—January 30, 1984 to March 1, 1985						
Number of shares	10,630	None	2,000	None	None	14,005
Aggregate market value of shares on date options exer- cised less aggre- gate option price paid	\$20,496	None	\$ 5,750	None	None	\$30,481

The Honorary Chairman of the Board of Directors receives a fee of \$26,000 per year and each other director receives a fee of \$16,000 per year, plus a fee of \$700 for each meeting attended (except that directors who are employees of the Company receive no fee). In addition, the chairman of each committee of the Board of Directors receives a fee of \$800 for each committee

meeting attended and each other member of the committee receives a fee of \$700 for each committee meeting attended. Directors are entitled to postpone receipt of directors' fees. Any amounts so postponed are credited to an account on the books of the Company and the account is credited with interest. The account is then paid in installments commencing at such time as the director shall have elected.

FUTURE SHAREHOLDER PROPOSALS

In the event that any shareholder desires to present any proposal to next year's annual meeting of shareholders, that proposal must be received by the Company at the principal executive offices on or before January 4, 1986 for inclusion in the Company's proxy statement and proxy for that annual meeting.

OTHER MATTERS

The Board of Directors has selected Price Waterhouse as the Company's independent accountants for the current fiscal year. Price Waterhouse has served as the Company's independent accountants since 1947. At the Annual Meeting of Shareholders, representatives of Price Waterhouse will be present, may make statements if they desire to do so, and will be available to respond to appropriate questions from shareholders.

The management is not aware that any matters other than those specified above will be presented at the Meeting. However, if other business should properly come before the Meeting, your proxy, if given, will be voted in respect thereof in accordance with the best judgment of the persons authorized therein, and discretionary authority to do so is included in the proxy.

IF YOU WILL NOT BE ABLE TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, SIGN AND DATE THE ACCOMPANYING PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.

By order of the Board of Directors,

Christopher McLain
Secretary

**PLEASE NOTE THAT THE MEETING WILL BE HELD AT 10:00 A.M.
AT MASONIC AUDITORIUM**