

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the Period Ended December 31, 1998

OR

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

For the Transition Period From _____ to _____

Commission file number 1-652

UNIVERSAL CORPORATION

(Exact name of Registrant as specified in its charter)

VIRGINIA

54-0414210

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

1501 North Hamilton Street, Richmond, Virginia

23230

(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code - (804) 359-9311

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
----- -----

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock as of the latest practicable date:

Common Stock, No par value - 33,233,334 shares
outstanding as of February 8, 1999

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Universal Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
Three and Six Months Ended December 31, 1998 and 1997
(In thousands of dollars, except per share data)

Three Months

Six Months

	1998	1997	1998	1997
Sales and other operating revenues	\$1,297,719	\$1,265,157	\$2,177,004	\$2,288,313
Costs and expenses				
Cost of goods sold	1,129,187	1,093,490	1,871,888	1,974,411
Selling, general and administrative expenses	85,670	87,142	163,984	165,579
Operating Income	82,862	84,525	141,132	148,323
Equity in pretax earnings of unconsolidated affiliates	1,212	1,512	1,782	5,257
Interest expense	13,146	15,879	28,688	29,681
Income before income taxes and other items	70,928	70,158	114,226	123,899
Income taxes	26,243	28,691	42,264	49,997
Minority interests	3,261	3,382	3,481	3,044
Net Income	\$ 41,424	\$ 38,085	\$ 68,481	\$ 70,858
Earnings per share	\$ 1.23	\$ 1.08	\$ 2.02	\$ 2.02
Diluted earnings per share	\$ 1.23	\$ 1.08	\$ 2.01	\$ 2.00
Retained earnings - Beginning of period			\$508,137	\$424,298
Net income			68,481	70,858
Cash dividends declared (\$.58 - 1998; \$.545 - 1997)			(19,415)	(19,191)
Purchase of common stock			(54,004)	
Retained earnings - End of period			\$503,199	\$475,965

Universal Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

	December 31, 1998	June 30, 1998
ASSETS		
Current		
Cash and cash equivalents	\$ 80,479	\$ 79,835
Accounts receivable	375,783	392,821
Advances to suppliers	107,183	104,439
Accounts receivable - unconsolidated affiliates	14,323	49,343
Inventories - at lower of cost or market:		
Tobacco	687,424	541,822
Lumber and building products	92,089	97,071
Agri-products	67,910	89,990
Other	23,705	33,162
Prepaid income taxes	8,139	18,347
Deferred income taxes	4,152	3,794
Other current assets	18,882	19,665
Total current assets	1,480,069	1,430,289
Property, plant and equipment - at cost		
Land	31,570	29,951
Buildings	236,871	219,594
Machinery and equipment	498,746	466,177
Less accumulated depreciation	767,187	715,722
	407,905	385,967
	359,282	329,755
Other assets		
Goodwill	120,542	120,889
Other intangibles	19,683	18,586
Investments in unconsolidated affiliates	87,898	87,052
Other noncurrent assets	80,344	70,134
	308,467	296,661
	\$2,147,818	\$2,056,705

See accompanying notes.

Universal Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

	December 31, 1998	June 30, 1998
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Notes payable and overdrafts	\$ 525,730	\$ 586,450
Accounts payable	289,599	285,994
Accounts payable - unconsolidated affiliates	12,601	17,116
Customer advances and deposits	294,898	125,311
Accrued compensation	18,786	24,706
Income taxes payable	25,459	27,693
Current portion of long-term obligations	30,841	34,251
	-----	-----
Total current liabilities	1,197,914	1,101,521
Long-term obligations	240,881	263,140
Postretirement benefits other than pensions	43,947	44,535
Other long-term liabilities	49,002	40,909
Deferred income taxes	29,248	27,065
Minority interests	35,687	31,668
Shareholders' equity		
Preferred stock, no par value, authorized 5,000,000 shares none issued or outstanding		
Common stock, no par value, authorized 50,000,000 shares, issued and outstanding 33,358,984 shares (34,866,406 at June 30, 1998)	78,673	80,122
Retained earnings	503,199	508,137
Accumulated other comprehensive income	(30,733)	(40,392)
	-----	-----
Total shareholders' equity	551,139	547,867
	-----	-----
	\$ 2,147,818	\$ 2,056,705

See accompanying notes.

Universal Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended December 31, 1998 and 1997
(In thousands of dollars)

	December 31, 1998	December 31, 1997
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 68,481	\$ 70,858
Adjustments to reconcile net income to net cash provided by operating activities	29,000	30,700
Changes in operating assets and liabilities net of effects from purchase of businesses	100,363	(54,842)
	-----	-----
Net cash provided by operating activities	197,844	46,716
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(38,700)	(51,700)
	-----	-----
Net cash used in investing activities	(38,700)	(51,700)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance (repayment) of short-term debt, net	(60,700)	52,000
Repayment of long-term debt	(23,000)	(20,000)
Purchases of common stock	(57,700)	
Issuance of common stock	2,300	5,300
Dividends paid	(19,400)	(19,200)
	-----	-----
Net cash provided (used) in financing activities	(158,500)	18,100
	-----	-----
Net increase in cash and cash equivalents	644	13,116
Cash and cash equivalents at beginning of year	79,835	109,070
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 80,479	\$ 122,186

Universal Corporation and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 1998

All figures contained herein are unaudited.

1) Universal Corporation, together with its subsidiaries and affiliates, is also referred to as the Company or Universal. The operations of domestic and foreign tobacco, lumber and building products, and agri-products segments are seasonal. Therefore, the results of operations for the six-month period ended December 31, 1998, are not necessarily indicative of results to be expected for the year ending June 30, 1999. All adjustments necessary to state fairly the results for such period have been included and were of a normal recurring nature.

2). Contingent liabilities: At December 31, 1998, total exposure under guarantees issued for banking facilities of unconsolidated affiliates was approximately \$11 million. Other contingent liabilities approximate \$40 million and relate principally to performance bonds and Common Market Guarantees. The Company's Brazilian subsidiaries have been notified by the tax authorities of proposed adjustments to the income tax returns filed in prior years. The total proposed adjustments, including penalties and interest, approximate \$40 million; however, recent currency fluctuations and possible interest rate changes could affect that amount. The Company believes the Brazilian tax returns filed were in compliance with the applicable tax code. The numerous proposed adjustments vary in complexity and amounts. While it is not feasible to predict the precise amount or timing of each proposed adjustment, the Company believes that the ultimate disposition will not have a material adverse effect on the Company's consolidated financial position or results of operations. At December 31, 1998, the Company had outstanding short-term loans of \$29 million and long-term loans of \$17.2 million to a farmer cooperative in Argentina. The loans are secured by tobacco and liens on real property, processing machinery and equipment and other assets of the cooperative. Upon export of the tobacco, which is usually in less than twelve months, the short-term loans should be recovered. The long-term loans are scheduled for repayment over the next nine years. Ultimate collection of the loans is contingent upon the ability of the farmers to produce competitively priced tobacco suitable for export, the financial management of the cooperative and the value of the assets pledged as security for the loans.

3) As of July 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). The adoption of this statement had no impact on the Company's net income or shareholders' equity. SFAS 130 establishes new rules for the reporting and display of comprehensive income and its components. SFAS 130 requires foreign currency translation adjustments to be included in other comprehensive income. Amounts in prior year financial statements have been reclassified to conform to SFAS 130.

Periods ended December 31, (in millions of dollars)	Three Months		Six Months	
	1998	1997	1998	1997
Net income	\$41	\$38	\$68	\$71
Foreign currency translation adjustment	8	2	10	(5)
Comprehensive income	\$49	\$40	\$78	\$66

4) The following table sets forth the computation of earnings per share and diluted earnings per share.

Periods ended December 31,	Three Months		Six Months	
	1998	1997	1998	1997
Net income (in thousands of dollars)	\$41,424	\$38,085	\$68,481	\$70,858
Denominator for earnings per share: Weighted average shares	33,571,791	35,172,358	33,981,541	35,155,747
Effect of dilutive securities: Employee stock options	42,832	217,767	67,693	204,113
Denominator for diluted earnings per share	33,614,623	35,390,125	34,049,234	35,359,860
Earnings per share	\$1.23	\$1.08	\$2.02	\$2.02

Results of Operations

'Sales and Other Operating Revenues' for the second quarter of fiscal year 1999 were up slightly and declined 5% for the six months compared to last year. The six-month decline reflects the impact of shipment timing in the first quarter primarily due to African and dark tobacco operations. In addition, the Company contributed its Turkish subsidiary into a joint venture in oriental tobaccos during the fourth quarter last year. Revenues for lumber and building products and agri-products were comparable for the six-month periods. 'Operating Income' for the quarter and the six-month period ended December 31, 1998, declined 2% and 5% respectively compared to the same periods last year. In the quarter, Brazilian results were off slightly due to lower volumes handled out of the smaller crop and similarly, a smaller U.S. flue-cured crop resulted in lower volumes processed during the quarter. In addition, there were quality problems with crops in Argentina and Kyrgystan, while shipments of some Oriental tobacco by the Company's joint venture have been delayed until the second half of the year. The negative impact of these developments was partially offset by improved results in Africa and the Far East. For the six months, these factors combined with shipment timing issues in the first quarter held tobacco earnings for the period below last year's record pace. Dark results in the quarter improved, reflecting the continued tight world market for wrapper leaf, and old crop shipments. For the six months, dark tobacco results were comparable to last year. Lumber and building products results were adversely affected in the quarter by excessive rains in Holland that disrupted construction activity and impacted the regional sales outlets. Wholesale results also declined due to margin pressures. However, industrial timber earnings were up due to improved margins. Agri-product results were comparable to last year for the quarter and six-month period.

Interest expense was down from the comparable periods last year principally reflecting lower borrowing levels by the Company due in part to lower tobacco leaf prices. The estimated effective tax rate for fiscal 1999 was 37% compared to 40% in the previous year primarily due to the anticipated mix of foreign and domestic earnings and management's current assessment of pending and contested tax issues.

It should be noted that although recent news from Brazil has caused concern in world financial circles, the currency devaluation may well be favorable for the future export of Brazilian tobacco. However, the leaf industry will continue to face uncertainties in the months ahead resulting from the aftermath of the tobacco settlement in the U.S., from continued economic and financial turmoil in a number of Southeast Asian areas, Latin America and the former Soviet Union and from uncommitted inventories held in the trade.

These factors, which affect the overall industry environment, have thus far not had a significant effect on Universal's operations and should not materially affect earnings for the year. Management remains confident about the Company's strategic direction. The Company has continued to minimize unsold inventories. Therefore, despite the effect of adverse weather in some areas on tobacco production and on construction activity and lumber sales in Holland, management still expects to achieve earnings for the year from continuing operations in line with its previous projections.

The Company cautions readers that the statements contained herein regarding expected earnings are forward-looking statements based upon management's current knowledge and assumptions about future events, including anticipated levels of demand for the Company's products and services, costs incurred in providing these products and services, and timing of shipments to customers. Lumber earnings could also be affected by a number of factors, including currency translations, and unusual weather conditions in the Netherlands. Actual results, therefore could vary from those expected. For more details on factors that could affect expectations, see the Company's Annual Report on Form 10-K for the year ended June 30, 1998, as filed with the Securities and Exchange Commission.

As reported in the Company's 1998 Annual Report on Form 10-K (refer to Management's Discussion and Analysis of Financial Condition and Results of Operations, Year 2000), the Company has developed a plan to mitigate the effects of the year 2000 problem on its operations. At the time of the report, it was expected that by December 31, 1998, all of the Company's business locations would complete the assessment and remediation phases of the plan's internal aspects. Currently several business locations are not expected to complete the remediation phase until June 30, 1999. However, this delay should not have a material adverse effect on the Company's plan. In conjunction with contingency planning for the year 2000, the Company's operating regions have submitted

drafts of their contingency plans, which have identified potential risk areas, and the possibility of a disruption to related business operations. These contingency plans are currently being reviewed by the Company.

The Company has revised its total estimated costs of addressing the year 2000 problem from \$5.7 million to \$7.5 million primarily to reflect certain internal costs that had previously been omitted. Approximately \$6.7 million was spent through December 31, 1998. The Company does not expect the total cost of preparing its internal technology for the year 2000 to be material to its consolidated financial condition or results of operations.

Reference is made to Items 1 and 7 and the Notes to the Consolidated Financial Statements in Item 8 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1998, and "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Other Information Regarding Trends and Management's Actions - Factors That May Affect Future Results" in the Annual Report regarding important factors that would cause actual results to differ materially from those contained in any forward-looking statement made by or on behalf of the Company, including forward-looking statements contained in Item 2 of this Form 10-Q.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- a. Exhibits

- 4 Form of Common Stock Certificate, effective February 13, 1999.*
- 10.1 Universal Corporation Amended and Restated 1994 Stock Option Plan for Non-Employee Directors. *
- 10.2 Form of Amendment to Non-Employee Director Non-Qualified Stock Option Agreement(s).*
- 10.3 First Amendment to the Universal Leaf Tobacco Company, Incorporated Benefit Restoration Trust, dated January 12, 1999, between Universal Leaf Tobacco Company, Incorporated and Wachovia Bank, N. A., as trustee. *
- 10.4 Form of Non-Employee Director Restricted Stock Agreement. *
- 27 Financial Data Schedule.*
- b. Reports on Form 8-K

* Filed Herewith

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.

Date: February 11, 1999

UNIVERSAL CORPORATION

(Registrant)

/s/ Hartwell H. Roper

Hartwell H. Roper, Vice President and
Chief Financial Officer

/s/ William J. Coronado

William J. Coronado, Vice President
and Controller
(Principal Accounting Officer)

[FRONT OF STOCK CERTIFICATE]

COMMON

COMMON

THIS CERTIFICATE IS TRANSFERABLE
IN NEW YORK, NY, BOSTON, MA OR
WINSTON-SALEM, NC

INCORPORATED UNDER THE LAWS
OF THE COMMONWEALTH OF VIRGINIA

CUSIP 913456 10 9
SEE REVERSE SIDE FOR CERTAIN DEFINITIONS

UNIVERSAL CORPORATION

This certifies that

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON CAPITAL STOCK OF

Universal Corporation (hereinafter called "the Company") transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate and the shares represented hereby are subject to all of the terms, conditions, and limitations of the Articles of Incorporation of the Company and all amendments thereto. This certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

In Witness Whereof, the Company has caused this certificate to be sealed with a facsimile of its corporate seal and to be signed by its duly authorized officers.

Dated:

COUNTERSIGNED AND REGISTERED:
WACHOVIA BANK, N.A.
WINSTON SALEM, NC

/S/ Henry H. Harrell
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

TRANSFER AGENT
AND REGISTRAR

BY

AUTHORIZED SIGNATURE

/S/ J. M. White, III
SECRETARY

[SEAL]

[BACK OF STOCK CERTIFICATE]

UNIVERSAL CORPORATION

THE COMPANY WILL FURNISH TO ANY SHAREHOLDER UPON REQUEST, AND WITHOUT CHARGE, A FULL STATEMENT OF THE DESIGNATIONS, PREFERENCES, LIMITATIONS, AND RELATIVE RIGHTS OF EACH CLASS OF STOCK WHICH THE COMPANY IS AUTHORIZED TO ISSUE. REQUESTS MAY BE DIRECTED TO UNIVERSAL CORPORATION, 1501 NORTH HAMILTON STREET, RICHMOND, VIRGINIA 23230.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM - as tenants in common UNIF GIFT MIN ACT - Custodian (Cust) (Minor)
- TEN ENT - as tenants by the entireties under Uniform Gifts to Minors
- JT TEN - as joint tenants with right of survivorship and not as tenants in common Act (State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

-----Shares
of the Capital Stock represented by the within Certificate, and do hereby
irrevocably constitute and appoint

Attorney to transfer the said stock on the books of the within named Company
with full power of substitution in the premises.

Dated _____

In Presence of

Signature(s) Guaranteed:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION. AS
DEFINED IN RULE 17Ad-15 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

This certificate also evidences and entitles the holder hereof to
certain rights as set forth in an Agreement between Universal Corporation and
Wachovia Bank, N.A., dated as of December 3, 1998, as it may be amended from
time to time (the "Agreement"), the terms of which are hereby incorporated
herein by reference and a copy of which is on file at the principal executive
offices of Universal Corporation. Under certain circumstances, as set forth in
the Agreement, such Rights (as defined in the Agreement) will be evidenced by
separate certificates and will no longer be evidenced by this certificate.
Universal Corporation will mail to the holder of this certificate a copy of the
Agreement without charge after receipt of a written request therefor. As set
forth in the Agreement, Rights beneficially owned by any Person (as defined in
the Agreement) who becomes an Acquiring Person (as defined in the Agreement)
become null and void.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN, MUTILATED OR
DESTROYED, THE CORPORATION WILL REQUIRE A BOND OF INDEMNITY AS A CONDITION TO
THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

UNIVERSAL CORPORATION
AMENDED AND RESTATED
1994 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

Article I

DEFINITIONS

1.01 Affiliate means any "subsidiary" or "parent corporation" (within the meaning of Section 424 of the Code) of the Company.

1.02 Agreement means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of a Grant issued to such Participant.

1.03 Board means the Board of Directors of the Company.

1.04 Code means the Internal Revenue Code of 1986, and any amendments thereto.

1.05 Commission means the Securities and Exchange Commission or any successor agency.

1.06 Committee means the Executive Compensation Committee of the Board.

1.07 Common Stock means the Common Stock of the Company.

1.08 Company means Universal Corporation.

1.09 Exchange Act means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

1.10 Fair Market Value means, on any given date, the closing price of a share of Common Stock as reported on the New York Stock Exchange composite tape on such day or, if the Common Stock was not traded on the New York Stock Exchange on such day, then on the next preceding day that the Common Stock was traded on such exchange, all as reported by such source as the Committee may select. If there is no regular public trading market for the Common Stock, the Fair Market Value shall be determined by the Committee in good faith.

1.11 Grant means the grant of an Option.

1.12 Non-Employee Director means a member of the Board who is not an employee of the Company or an Affiliate and was not such an employee within three years prior to his or her first election to the Board.

1.13 Option means a stock option that entitles the holder to purchase from the Company under the terms of this Plan the number of shares of Common Stock set forth in Article IV at the Option Price.

1.14 Option Price means the price per share for Common Stock purchased on the exercise of an Option as provided in Article IV.

1.15 Participant means a Non-Employee Director who is eligible to receive a Grant under this Plan.

1.16 Rule 16b-3 means Rule 16b-3, as promulgated by the Commission in Release No. 34-28869 under Section 16(b) of the Exchange Act, effective May 1, 1991, or any successor rule as amended from time to time.

1.17 Securities Broker means the registered securities broker acceptable to the Company who agrees to effect the cashless exercise of an Option pursuant to Section 7.03 hereof.

1.18 Subsidiary means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations in the chain (other than the last corporation) owns stock possessing at least 50 percent of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Article II

PURPOSE

This Plan is intended to associate the interests of the Non-Employee Directors with those of the Company and its shareholders through increased equity ownership, to assist the Company in recruiting and retaining individuals of ability and experience who are not employed by the Company to serve on the Board and its committees and to provide incentive to those individuals by enabling them to participate in the future success of the Company.

Article III

ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall have all the powers vested in it by the terms of the Plan, such powers to include the authority (within the limitations described herein) to prescribe the form of the Agreements evidencing Grants under the terms of this Plan. The Committee shall, subject to the provisions of the Plan, have the power to construe the Plan, to determine all questions arising thereunder and to adopt and amend such rules and regulations for the administration of the Plan as it may deem desirable, consistent with the provisions of the Plan. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive. The Committee may act only by a majority of its members in office, except that the members thereof may authorize any one or more of their number or the Secretary or any other officer of the Company to execute and deliver documents on behalf of the Committee. No member of the Committee shall be liable for anything done or omitted to be done by such member or by any other member of the Committee in connection with the Plan, except in circumstances involving actual bad faith. All costs and expenses of administering the Plan shall be borne by the Company.

Article IV

GRANTS OF OPTIONS

Every Non-Employee Director who serves on the Board during the term of the Plan is eligible to receive Grants. Each Non-Employee Director serving on the Board as of the effective date of this Plan shall be granted an Option on such date. Every Non-Employee Director who continues to serve in such capacity on the date which is the first business day following each Annual Meeting of Shareholders during the term of this Plan shall be granted an Option on each such date. Each Option shall be for the purchase by the Participant of 1,000 shares of Common Stock at a price per share equal to the Fair Market Value of a share of the Common Stock on the date of the Grant. Each Option shall be evidenced by an Agreement issued by the Committee in the form prescribed by the Committee and consistent with the terms of this Plan.

Article V

AMOUNT OF STOCK

The total number of shares of Common Stock reserved and available for issuance upon exercise of Options granted under the Plan shall be 100,000 shares, subject to adjustment as provided in Article VIII below. The Common Stock to be issued may be either authorized and unissued shares, issued shares acquired by the Company or its Subsidiaries or any combination thereof. In the event that an Option is terminated, in whole or in part, for any reason other than its exercise, the number of shares of Common Stock allocated to such Option or terminated portion thereof may be reallocated to other Options to be granted under this Plan. In the event that the number of shares of Common Stock available for future Grants under the Plan is insufficient to make all automatic Grants required to be made on such date, then all Non-Employee Directors shall share ratably in the number of Options available for Grants under the Plan.

Article VI

EXERCISE OF OPTIONS

6.01 Exercisability. Each Option shall be first exercisable on the date which is six months from the date of the grant of the Option and shall continue

to be exercisable for a term of ten years thereafter; provided however, that: (i) subject to the six month exercisability requirement set forth above, an Option shall be exercisable, in the event of a Participant's death prior to exercising the Option, by his estate, or the person or persons to whom his rights under the Option shall pass by will or the laws of descent and distribution but only for a period of two years from the date of the Participant's death or during the remainder of the period preceding the expiration of the Option, whichever is shorter; (ii) subject to the six month exercisability requirement set forth above, an Option shall be exercisable, if a Participant becomes permanently and totally disabled (within the meaning of Section 105(d)(4) of the Code) while serving on the Board prior to exercising the Option, but only for a period of two years from the date on which he ceases serving on the Board due to such disability or during the remainder of the period preceding the expiration of the Option, whichever is shorter; and (iii) subject to the six month exercisability requirement set forth above, in the event that a Participant resigns from or is not re-elected or does not stand for re-election to the Board or in any other circumstance approved by the Board in its sole discretion, an Option shall be exercisable but only for a period of two years following the date of his resignation or cessation of service on the Board, or in the period prescribed by the Board in an approved circumstance, or during the remainder of the period preceding the expiration of the Option, whichever is shorter.

6.02 Transferability. Any Option granted hereunder will be nontransferable and, accordingly, shall not be assignable, alienable, salable or otherwise transferable by any Participant, unless the Participant's Agreement, as determined in the discretion of the Committee, expressly authorizes all or a portion of the Options to be granted to the Participant on terms which permit transfer by such Participant to (i) the spouse, children or grandchildren of the Participant ("Immediately Family Members"), (ii) a trust or trusts for the exclusive benefit of such Immediately Family Members, or (iii) a partnership in which such Immediate Family Members are the only partners, provided that (x) there may be no consideration for any such transfer, (y) the Agreement pursuant to which Options are granted must be approved by the Committee and must expressly provide for transferability in a manner consistent with this Article, and (z) subsequent transfers of transferred Options shall be prohibited except those transferred by will or the laws of descent and distribution. Following transfer, any such Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of this Article VI, the term Participant shall be deemed to refer to the transferee. The events of resignation from or cessation of Board service of this Article shall continue to be applied with respect to the original Participant to whom the Option was granted, following which the Option shall be exercisable by the transferee only to the extent, and for the period specified in this Article VI.

Article VII

MANNER OF EXERCISE

7.01 Exercise. Subject to the provisions of Article VI, an Option may be exercised in whole at any time or in part from time to time. An Option granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the Option could be exercised. Such partial exercise of an Option shall not affect the right to exercise the Option from time to time in accordance with this Plan with respect to remaining shares subject to the Option.

7.02 Payment. Payment of the Option Price may be made in cash or by surrendering previously-owned shares of Common Stock to the Company, provided the shares surrendered have a Fair Market Value (determined as of the day preceding the date of exercise) that is not less than such Option Price or part thereof.

7.03 Cashless Exercise. To the extent permitted under applicable laws and regulations, at the request of the Participant, the Company will cooperate in a "cashless exercise" of an Option. The cashless exercise shall be effected by the Participant delivering to the Securities Broker instructions to exercise all or part of the Option, including instructions to sell a sufficient number of shares of Common Stock to cover the costs and expenses associated therewith.

7.04 Shareholder Rights. No Participant shall have any rights as a shareholder with respect to shares subject to an Option until the date he exercises such Option.

Article VIII

ADJUSTMENT UPON CHANGE IN COMMON STOCK

Should the Company effect one or more (x) stock dividends, stock split-ups, subdivisions or consolidations of shares or other similar changes in capitalization; (y) spin-offs, spin-outs, split-ups, split-offs, or other such distribution of assets to shareholders; or (z) direct or indirect assumptions and/or conversions of outstanding options due to an acquisition of the Company, then the maximum number of shares as to which Grants may be issued under this Plan and the number and price of shares of Common Stock subject to Grants shall be proportionately adjusted, and the terms of Options shall be adjusted, as the Committee shall determine to be equitably required to retain for the Participants the equivalent economic benefit of their Option(s). Any determination made under this Article VIII by the Committee shall be final and conclusive.

The issuance by the Company of shares of Common Stock or securities convertible into shares of Common Stock, for cash or property or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to any Grant.

Article IX

COMPLIANCE WITH LAW AND APPROVAL OF REGULATORY BODIES

No Option shall be exercisable, no Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered, and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations (including, without limitation, withholding tax requirements, if any) and the rules of all domestic stock exchanges on which the Company's shares may be listed. The Company may rely on an opinion of its counsel as to such compliance. Any share certificate issued to evidence Common Stock for which an Option is exercised may bear such legends and statements as the Committee may deem advisable to assure compliance with federal and state laws and regulations. No Grant shall be exercisable, no Common Stock shall be issued, and no certificate for shares shall be delivered until the Company has obtained such consent or approval as the Committee may deem advisable from regulatory bodies having jurisdiction over such matters.

Article X

GENERAL PROVISIONS

10.01 Rules of Construction. Headings are given to the articles and sections of this Plan for ease of reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

10.02 Amendment. The Board may amend or terminate this Plan from time to time; provided, however, that the Board may amend no more often than once every six months and no amendment may become effective until shareholder approval is obtained if the amendment would increase the number of shares that may be issued hereunder pursuant to Options, increase the benefits to Participants under the Plan, or change the requirements as to eligibility for participation in the Plan. No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any Grant outstanding at the time such amendment is made except if such an amendment is made to cause the Plan or a Grant to qualify for the Rule 16b-3 exemption. No amendment shall be made if it would disqualify the Plan from the exemption provided by Rule 16b-3.

10.03 No Right. Neither the Plan nor any action taken hereunder shall be construed as giving any Non-Employee Director any right to be retained in the service of the Company.

10.04 Unfunded Plan. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the issuance of shares upon exercise of any Option under the Plan and issuance of shares upon exercise of Options shall be subordinated to the claims of the Company's general creditors.

10.05 Acceptance. By accepting any Option or other benefit under the Plan, each Participant and each person claiming under or through such person shall be conclusively deemed to have indicated his acceptance and ratification of, and consent to, any action taken under the Plan by the Company or the Board.

10.06 Rule 16b-3 Compliance. It is the intention of the Company that the Plan comply in all respects with Rule 16b-3, that any ambiguities or inconsistencies in construction of the Plan be interpreted to give effect to such intention and that if any provision of the Plan is found not to be in compliance with Rule 16b-3, such provision shall be deemed null and void to the extent required to permit the Plan to comply with Rule 16b-3. The Board may adopt rules and regulations under, and amend, the Plan in furtherance of the intent of the foregoing.

10.07 Term of Plan. No Grant may be issued under this Plan before the effective date of the Plan or after the first business day following the 2004 Annual Meeting of Shareholders (the "Termination Date"). Grants issued on or before the Termination Date shall remain valid in accordance with their terms.

10.08 Effective Date. This Amended and Restated Plan has been approved by the Board of Directors of the Company, effective as of December 3, 1998.

UNIVERSAL CORPORATION
AMENDMENT TO NON-EMPLOYEE DIRECTOR
NON-QUALIFIED STOCK OPTION AGREEMENT(S)

THIS AMENDMENT dated as of December 3, 1998, between UNIVERSAL CORPORATION, a Virginia corporation (the "Company"), and <<F1>> (the "Optionee"), is made pursuant and subject to the provisions of the Company's Amended and Restated 1994 Stock Option Plan for Non-Employee Directors (the "Plan"). All terms used herein that are defined in the Plan have the same meanings given them in the Plan.

1. Grant of Option. Company and Optionee have entered into Non-Qualified Stock Option Agreements providing for the grant of Options under the Plan on the day following the Company's annual meeting of Shareholders in each of the following years: <<F2>> (collectively, the "Existing Agreements").

2. Amendment. The parties desire to amend Section 2(e) of each of the Existing Agreements by deleting it in its entirety and replacing it with the following new Section 2(e):

(e) Limited Transferability. The Optionee shall have the right to transfer this option, in whole or in part, to (i) the spouse, children or grandchildren of the Optionee ("Immediately Family Members"), (ii) a trust or trusts for the exclusive benefit of such Immediately Family Members, or (iii) a partnership in which such Immediate Family Members are the only partners, provided that (y) there may be no consideration for any such transfer and (z) subsequent transfers of this option once transferred shall be prohibited except transfers made by will or the laws of descent and distribution, subject to the terms hereof. Following transfer, this option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of this Section 2, the term Optionee shall be deemed to refer to the transferee. The events of resignation from or cessation of Board service of this Agreement shall continue to be applied with respect to the original Optionee to whom this option was granted, following which the option shall be exercisable by the transferee only to the extent, and for the period specified in this Section 2 (e).

3. Unless specifically amended herein, all other provisions of the Existing Agreements shall remain unchanged and in full force and effect.

4. This Amendment shall be construed, in force and administered in accordance with the laws of the Commonwealth of Virginia.

IN WITNESS WHEREOF, the Company has caused this Amendment to be signed by a duly authorized officer, and the Optionee has affixed his or her signature hereto.

UNIVERSAL CORPORATION

OPTIONEE

By: _____

FIRST AMENDMENT
TO THE
UNIVERSAL LEAF TOBACCO COMPANY, INCORPORATED
BENEFIT RESTORATION PLAN TRUST

WHEREAS, effective June 25, 1997, UNIVERSAL LEAF TOBACCO COMPANY, INCORPORATED, a Virginia corporation (the "Company") established the Universal Leaf Tobacco Company, Incorporated Benefit Restoration Plan Trust (the "Trust") in conjunction with the agreement of WACHOVIA BANK, N.A., a national banking association (the "Trustee"), to serve as the Trust's initial trustee;

WHEREAS, Section 13 of the Trust provides for the amendment of the Trust by the Company and the Trustee;

WHEREAS, the Company and the Trustee have agreed to modify the terms of Section 6 of the Trust governing investment authority to provide, among other things, that prior to a Change of Control, as defined under the Trust, the Company shall direct the investment of the assets of the Trust;

NOW THEREFORE, effective January 12, 1999, Section 6 of the Trust is amended and restated in its entirety as follows:

Section 6. Investment Authority

- (a) The Trustee shall not be liable in discharging its duties hereunder, including without limitations its duty to invest and reinvest the assets of the Trust (collectively, the "Trust Fund"), if it acts for the exclusive benefit of the participants and their beneficiaries, in good faith and as a prudent person would act in accomplishing a similar task and in accordance with the terms of this Trust Agreement and any applicable federal or state laws, rules or regulations.
- (b) Subject to investment guidelines agreed to in writing from time to time by the Company and the Trustee prior to a Change of Control, the Trustee shall have the power in investing and reinvesting the Trust Fund in its sole discretion:
- (1) To invest and reinvest in any readily marketable common and preferred stocks, bonds, notes, debentures (including convertible stocks and securities but not including any stock or security of the Trustee other than a de minimis amount held in a collective or mutual fund), certificates of deposit or demand or time deposits (including any such deposits with the Trustee) and shares of investment companies and mutual funds, without being limited to the classes or property in which the Trustees are authorized to invest by any law or any rule of court of any state and without regard to the proportion any such property may bear to the entire amount of the Trust Fund;
 - (2) To invest and reinvest all or any portion of the Trust Fund collectively through the medium of any proprietary mutual fund that may be established and maintained by the Trustee;
 - (3) To commingle for investment purposes all or any portion of the Trust Fund with assets of any other similar trust or trusts established by the Company with the Trustee for the purpose of safeguarding deferred compensation or retirement income benefits of its employees and/or directors;
 - (4) To retain any property at any time received by the Trustee;
 - (5) To sell or exchange any property held by it at public or private sale, for cash or on credit, to grant and exercise options for the purchase or exchange thereof, to exercise all conversion or subscription rights pertaining to any such property and to enter into any covenant or agreement to purchase any property in the future;
 - (6) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to property held by it and to consent to or oppose

any such plan or any actions thereunder or any contract, lease, mortgage, purchase, sale or other action by any person;

- (7) To deposit any property held by it with any protective, reorganization or similar committee, to delegate discretionary power thereto, and to pay part of the expenses and compensation thereof any assessments levied with respect to any such property to deposited;
- (8) To extend the time of payment of any obligation held by it;
- (9) To hold uninvested any moneys received by it, without liability for interest thereon, but only in anticipation of payments due for investments, reinvestments, expenses or disbursements;
- (10) To exercise all voting or other rights with respect to any property held by it and to grant proxies, discretionary or otherwise;
- (11) For the purposes of the Trust, to borrow money from others, to issue its promissory note or notes therefor, and to secure the repayment thereof by pledging any property held by it;
- (12) To employ suitable contractors and counsel, who may be counsel to the Company or to the Trustee, and to pay their reasonable expenses and compensation from the Trust Fund to the extent not paid by the Company;
- (13) To register investment in its own name or in the name of a nominee; to hold any investment in bearer form; and to combine certificates representing securities with certificates of the same issue held by it in other fiduciary capacities or to deposit or to arrange for the deposit of such securities with any depository, even though, when so deposited, such securities may be held in the name of the nominee of such depository with other securities deposited therewith by other persons, or to deposit or to arrange for the deposit of any securities issued or guaranteed by the United States government, or any agency or instrumentality thereof, including securities evidenced by book entries rather than by certificates, with the United States Department of the Treasury or a Federal Reserve Bank, even though, when so deposited, such securities may not be held separate from securities deposited therein by other persons; provided, however, that no securities held in the Trust Fund shall be deposited with the United States Department of the Treasury or a Federal Reserve Bank or other depository in the same account as any individual property of the Trustee, and provided, further, that the books and records of the Trustee shall at all times show that all such securities are part of the Trust Fund;
- (14) To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust, respectively, to commence or defend suits or legal proceedings to protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal; provided, however, that the Trustee shall not be required to take any such action unless it shall have been indemnified by the Company to its reasonable satisfaction against liability or expenses it might incur therefrom;
- (15) To hold and retain policies of life insurance, annuity contracts, and other property of any kind which policies are contributed to the Trust by the Company or any subsidiary of the Company or are purchased by the Trustee provided, however, that the exercise by the Trustee of any incidents of ownership under any contract shall, prior to a Change of Control, be subject to the direction of the Company. After a Change of Control, the Trustee shall have all such rights;
- (16) To hold any other class of assets which may be contributed by the Company and that is deemed reasonable by the Trustee,

unless expressly prohibited herein;

- (17) To loan any securities at any time held by it to brokers or dealers upon such security as may be deemed advisable, and during the terms of any such loan to permit the loaned securities to be transferred into the name of and voted by the borrower or others; and
- (18) Generally, to do all acts, whether or not expressly authorized, that the Trustee may deem necessary or desirable for the protection of the Trust.

(c) Prior to a Change of Control, the Company shall have the right, subject to this Section to direct the Trustee with respect to investments.

- (1) The Company may at any time direct the Trustee to segregate all or a portion of the Trust Fund in a separate investment account or accounts and may appoint one or more investment managers and/or an investment committee established by the Company to direct the investment and reinvestment of each such investment account or accounts. In such event, the Company shall notify the Trustee of the appointment of each such investment manager and/or investment committee. No such investment manager shall be related, directly or indirectly, to the Company. No members of the investment committee may be employees of the Company.
- (2) Thereafter, the Trustee shall make every sale or investment with respect to such investment account as directed in writing by the investment manager or investment committee. It shall be the duty of the Trustee to act strictly in accordance with each direction. The Trustee shall be under no duty to question any such direction of the investment manager or investment committee, to review any securities or other property held in such investment account or accounts acquired by it pursuant to such directions or to make any recommendations to the investment managers or investment committee with respect to such securities or other property.
- (3) Notwithstanding the foregoing, the Trustee, without obtaining prior approval or direction from an investment manager or investment committee, shall invest cash balances held by it from time to time in short term cash equivalents including, but not limited to, through the medium of any short term common, collective or commingled trust fund established and maintained by the Trustee subject to the instrument establishing such trust fund, U.S. Treasury Bills, commercial paper (including such forms of commercial paper as may be available through the Trustee's Trust Department), certificates of deposit (including certificates issued by the Trustee in its separate corporate capacity), and similar type securities, with a maturity not to exceed one year; and furthermore, sell such short term investments as may be necessary to carry out the instructions of an investment manager or investment committee regarding more permanent type investment and directed distributions.
- (4) The Trustee shall neither be liable nor responsible for any loss resulting to the Trust Fund by reason of any sale or purchase of an investment directed by an investment manager or investment committee nor by reason of the failure to take any action with respect to any investment which was acquired pursuant to any such direction in the absence of further directions of such investment manager or investment committee.
- (5) Notwithstanding anything in this Agreement to the contrary, the Trustee shall be indemnified and saved harmless by the Company from and against any and all personal liability to which the Trustee may be subjected by carrying out any directions of an investment manager or investment committee issued pursuant hereto or for failure to act in the absence of directions of the investment manager or investment committee including all expenses reasonably incurred in its defense in the event the Company fails to provide such defense; provided, however, the Trustee shall not be so indemnified if it

participants knowingly in, or knowingly undertakes to conceal, an act or omission of an investment manager or investment committee, having actual knowledge that such act or omission is a breach of a fiduciary duty; provided further, however, that the Trustee shall not be deemed to have knowingly participated in or knowingly undertaken to conceal an act or omission of an investment manager or investment committee with knowledge that such act or omission was a breach of fiduciary duty by merely complying with directions of an investment manager or investment committee or for failure to act in the absence of directions of an investment manager or investment committee. The Trustee may rely upon any order, certificate, notice, direction or other documentary confirmation purporting to have been issued by the investment manager or investment committee which the Trustee believes to be genuine and to have been issued by the investment manager or investment committee. The Trustee shall not be charged with knowledge of the termination of the appointment of any investment manager or investment committee until it received written notice thereon from the Company.

(d) Following a Change of Control, the Trustee shall have the sole and absolute discretion in the management of the Trust assets and shall have all the powers set forth under Section 6(b). In investing the Trust assets, the Trustee shall consider:

- (1) the needs of the Plan;
- (2) the need for matching of the Trust assets with the liabilities of the Plan; and
- (3) the duty of the Trustee to act solely in the best interests of the participants and their beneficiaries.

(e) The Trustee shall have the right, in its sole discretion, to delegate its investment responsibility to an investment manager who may be an affiliate of the Trustee. In the event the Trustee shall exercise this right, the Trustee shall remain, at all times responsible for the acts of an investment manager. The Trustee shall have the right to purchase an insurance policy or an annuity to fund the benefits of the Arrangements.

(f) The Company shall have the right at any time, and from time to time in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust Fund. This right is exercisable by the Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity.

The remaining provisions of the Trust are ratified and remain in full force and effect.

UNIVERSAL LEAF TOBACCO COMPANY,
INCORPORATED

By: _____

Title: _____

Date: _____

WACHOVIA BANK, N.A.

By: _____

Title: _____

Date: _____

UNIVERSAL CORPORATION

NON-EMPLOYEE DIRECTOR RESTRICTED STOCK AGREEMENT

THIS AGREEMENT, dated this ___th day of _____, _____, between Universal Corporation, a Virginia corporation (the "Company") and _____ (the "Director"), is made pursuant and subject to the provisions of the Company's 1997 Executive Stock Plan, which is incorporated herein by reference, and any future amendments thereto (the "Plan"). All terms used herein that are defined in the Plan shall have the same meanings given them in the Plan.

1. Award of Restricted Stock. Pursuant to the Plan, the Company on this date awards to the Director, subject to the terms and conditions of the Plan and subject further to the terms and conditions set forth herein, 700 shares of Restricted Stock. Such number of shares of Restricted Stock shall be proportionately adjusted for any increase or decrease in the total number of shares of Common Stock outstanding resulting from a subdivision or consolidation of shares or the payment of a dividend entirely in shares of Common Stock, a stock split-up or any other increase or decrease in the number of shares of Common Stock outstanding without the receipt by the Company of cash, property, or labor or services.

2. Terms and Conditions. This award of Restricted Stock is subject to the following terms and conditions:

A. Restricted Period. This award of Restricted Stock shall be subject to the restrictions set forth herein for a period (the "Restricted Period") commencing on the date of this Agreement and ending with the earliest of the following events:

- (1) the Director retires from the Board in compliance with the Board's retirement policy as then in effect;
- (2) the Director's service on the Board terminates as a result of not being nominated for reelection by the Board (other than at the Director's request);
- (3) the Director's service on the Board terminates because the Director, although nominated for reelection by the Board, is not reelected by the Company's shareholders;
- (4) the Director becomes Disabled (as defined below);
- (5) the Director dies; or
- (6) the occurrence of a Change of Control.

A Director shall be deemed "Disabled" if the Director is unable to perform his or her customary duties on the Board for a period of six months or longer due to bodily injury or disease.

B. Forfeiture of Restricted Stock. If the date ("Termination Date") a Director's service on the Board terminates is before the end of the Restricted Period, the Director shall forfeit and return to the Company the shares of Restricted Stock awarded hereunder.

C. Restrictions. The shares of Restricted Stock awarded hereunder and any stock distributions with respect to such Restricted Stock shall be subject to the following restrictions during the Restricted Period:

- (1) the Restricted Stock shall be subject to forfeiture as provided herein;
- (2) the Restricted Stock may not be sold, assigned, transferred, pledged, hypothecated or otherwise

disposed of, and neither the right to receive the Restricted Stock nor any interest hereunder may be assigned by the Director, and any attempted assignment shall be void;

- (3) A certificate representing the shares of Restricted Stock awarded hereunder shall be held in escrow by the Company and shall, in the Company's sole discretion, bear an appropriate restrictive legend and be subject to appropriate "stop transfer" orders. To facilitate the escrow of the shares of Restricted Stock awarded hereunder with the Company, the Director shall deliver herewith the Stock Power attached hereto as Exhibit I executed in blank by the Director and dated as of the date hereof;
- (4) Any additional stock or other securities or property that may be issued or distributed with respect to the Restricted Stock awarded hereunder as a result of any stock dividend, stock split, business combination or other event shall be subject to the restrictions and other terms and conditions set forth in this Agreement; and
- (5) The Director shall not be entitled to receive any shares of the Restricted Stock awarded hereunder prior to the completion of any registration or qualification of the Restricted Stock under any federal or state law, or the receipt thereof may be subject to such restrictions to insure compliance with the same as the Company, in its sole discretion, determines to be necessary or advisable.

D. Receipt of Common Stock. If the Director's Termination Date is at or after the end of the Restricted Period, the Director shall receive the number of shares of restricted Common Stock awarded hereunder, free and clear of the restrictions set forth in this Agreement, except for any restrictions necessary to comply with federal and state securities laws. Certificates representing such shares shall be released to the Director as promptly as practical following the Director's becoming entitled to receive such shares.

E. Shareholder Rights. Upon issuance of a certificate representing the shares of Restricted Stock awarded hereunder, the Director shall, subject to the restrictions set forth herein, have all rights of a shareholder with respect to such shares of Restricted Stock, including the right to vote such shares and the right to receive cash dividends and other distributions thereon.

F. Tax Withholding. The Director shall pay to the Company in cash (or provide for the payment of) the full amount of all federal and state income and employment taxes required to be withheld by the Company in respect to the inclusion in the taxable income of the Director of any amount with respect to the shares of Restricted Stock awarded hereunder.

3. No Right to Renomination. Nothing in this Agreement shall confer upon the Director any right to be renominated to the Board.

4. Governing Law. This Agreement shall be governed by and construed in accordance with the domestic substantive law of the Commonwealth of Virginia, without giving effect to any choice or conflict of law provision or rule that would cause the application of the law of any other jurisdiction.

5. Investment Representation. The Director agrees that unless such shares previously have been registered under the Securities Act of 1933, (i) any shares of Restricted Stock awarded hereunder will be acquired for investment and not with a view to distribution or resale and (ii) until such registration, certificates representing such shares may bear an appropriate legend to assure compliance with such Act. This investment representation shall terminate when such shares have been registered under the Securities Act of 1933 or the requirements of such Act have otherwise been satisfied.

6. Director Bound by Plan. The Director hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions

thereof.

7. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the date hereof and the provisions of this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the date hereof.

8. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the legatees, distributees, and personal representatives of the Director and the successors of the Company.

IN WITNESS WHEREOF, the Company has caused this Agreement to be signed by a duly authorized officer, and the Director has affixed his or her signature hereto.

UNIVERSAL CORPORATION

DIRECTOR

By: _____
Title: _____

0380093.03

EXHIBIT I

STOCK POWER

FOR VALUE RECEIVED, pursuant to a certain Restricted Stock Agreement between Universal Corporation and the undersigned dated _____, 19__, I hereby sell, assign and transfer unto Universal Corporation all shares of the restricted Common Stock of Universal Corporation awarded to me on this date and in the future under said Agreement and do hereby irrevocably constitute and appoint _____ as my attorney-in-fact to transfer the said shares of stock on the books of Universal Corporation with full power of substitution in the premises.

Dated _____, 19__.

Director

<ARTICLE> 5
<CIK> 0000102037
<NAME> UNIVERSAL CORPORATION
<MULTIPLIER> 1,000

<PERIOD-TYPE> 6-MOS

<FISCAL-YEAR-END>	JUN-30-1999
<PERIOD-END>	DEC-31-1998
<CASH>	80,479
<SECURITIES>	0
<RECEIVABLES>	375,783
<ALLOWANCES>	0
<INVENTORY>	871,128
<CURRENT-ASSETS>	1,480,069
<PP&E>	767,187
<DEPRECIATION>	407,905
<TOTAL-ASSETS>	2,147,818
<CURRENT-LIABILITIES>	1,197,914
<BONDS>	240,881
<COMMON>	78,673
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	472,466
<TOTAL-LIABILITY-AND-EQUITY>	2,147,818
<SALES>	2,177,004
<TOTAL-REVENUES>	2,177,004
<CGS>	1,871,888
<TOTAL-COSTS>	1,871,888
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	28,688
<INCOME-PRETAX>	114,226
<INCOME-TAX>	42,264
<INCOME-CONTINUING>	68,481
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	68,481
<EPS-PRIMARY>	2.02
<EPS-DILUTED>	2.01