BURLINGTON INDUSTRIES, INC.
3330 West Friendly Avenue
Greensboro, North Carolina 27410

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
to be held February 5, 1987

Greensboro, N. C.
December 22, 1986

To the Holders of Common Stock of
BURLINGTON INDUSTRIES, INC.

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Burlington Industries, Inc. will be held at the offices of the Corporation, 3330 West Friendly Avenue, Greensboro, North Carolina, on Thursday, February 5, 1987, at 10:00 a.m., for the following purposes:

1. To elect thirteen Directors to serve for the ensuing year and until the election and qualification of their successors;

2. To consider and act upon the selection of independent public accountants to audit the books and accounts of the Corporation for the 1987 fiscal year and until their successors are selected;

3. To consider and act upon the proposal to amend the Unit Incentive Plan of the Corporation;

4. To consider and act upon the proposal to ratify the adoption of the Restricted Share Plan of the Corporation;

5. To consider and act upon the proposal to adopt an amendment to the Corporation's Certificate of Incorporation to eliminate certain liabilities of Directors and to provide certain indemnification rights;

6. To consider and act upon the proposal by a stockholder concerning length of service by an outside Director, as set forth under the heading "Stockholders' Proposals" in the accompanying Proxy Statement;

7. To consider and act upon the proposal by two stockholders with respect to Article Fourteenth of the Corporation's Certificate of Incorporation, as set forth under the heading "Stockholders' Proposals" in the accompanying Proxy Statement; and

8. To transact such other business as may properly be brought before the meeting or any adjournment thereof.

The stock transfer books of the Corporation will not be closed, but only the holders of Common Stock of the Corporation of record as of the close of business on December 8, 1986 will be entitled to vote at the meeting.

By Order of the Board of Directors

John D. Englar

JOHN D. ENGLAR
Secretary

IMPORTANT—YOUR PROXY IS ENCLOSED

Stockholders are requested to complete, sign, date and return promptly the enclosed Proxy in the envelope provided. No postage is required for mailing in the United States.

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BURLINGTON INDUSTRIES, INC.
3330 West Friendly Avenue, Greensboro, North Carolina 27410

PROXY STATEMENT
Annual Meeting of Stockholders, February 5, 1987

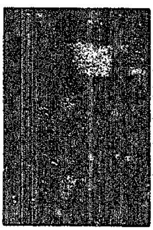
Greensboro, N. C.
December 22, 1986

The enclosed Proxy is solicited on behalf of the Board of Directors of Burlington Industries, Inc. (hereinafter sometimes referred to as the "Corporation") and is revocable at any time before it is exercised. Unless revoked, properly executed and returned Proxies will be voted in accordance with the instructions of the stockholder indicated thereon. The cost of soliciting Proxies will be borne by the Corporation. To assist in the solicitation of Proxies from brokers, bank nominees and other institutional holders, the Corporation has engaged Georgeson & Co. for a fee of $7,000 plus out-of-pocket expenses. Solicitation may also be made by the Corporation's officers, Directors or employees, personally or by telephone or telegraph.

Only the holders of Common Stock of record at the close of business on December 8, 1986 will be entitled to vote at the meeting. On such date, 27,327,590 shares having one vote each were outstanding.

1. Election of Directors

Directors are to be elected to serve for the ensuing year and until the election and qualification of their successors. The enclosed Proxy, unless otherwise specified, will be voted in favor of the following nominees for election as Directors, all of whom presently are members of the Board of Directors. Management does not know of any nominee who will be unable to serve, but, if any of them should be unable to serve, the Proxies may be voted with discretionary authority for a substitute or substitutes designated by the Board of Directors. A brief statement of the background, age, the year first elected a Director, principal occupation and other significant affiliations of each nominee is set forth below.

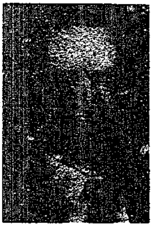


JOSEPH F. ABELY, JR., 57 — Director Since 1979

Mr. Abely is CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER AND A DIRECTOR OF SEA-LAND CORPORATION, an international transportation company. Mr. Abely has been in his current position since 1984. Mr. Abely previously served as Vice Chairman of the Board and a Director of R. J. Reynolds Industries, Inc., and prior to 1977 as Vice Chairman and a Director of General Foods Corporation. Mr. Abely is also a Director of Perkin-Elmer Corporation and C. R. Bard, Inc. He is a member of the Investment-Finance Committee and the Nominating Committee of the Corporation.

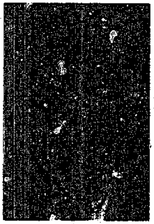
JOSEPH W. BARR, 68 — Director Since 1971

Mr. Barr is a PARTNER OF J & J COMPANY, a private real estate development firm of Champaign, Illinois. He is a former Congressman, former Chairman of the Federal Deposit Insurance Corporation and former Under Secretary of the Treasury and for a short time was Secretary of the Treasury. He is a member of the Board of Directors of Minnesota Mining and Manufacturing Company, Washington Gas Light Company, Student Loan Marketing Association (Sallie Mae) and Manor Care, Inc. He is a member of the Board of Regents of Georgetown University and a Trustee of the Committee for Economic Development. He is a member of the Public Policy Committee and the Salary and Compensation Committee of the Corporation.



MICHAEL J. DARGAN, 68 — Director Since 1982

Mr. Dargan is CHAIRMAN OF THE BOARD AND A DIRECTOR OF CEMENT-ROADSTONE HOLDINGS PLC, an Irish company engaged in the manufacture and supply of a wide range of materials to the construction industry. Mr. Dargan has held his current positions since 1973. He also has been since 1969 a Director of Aer Lingus-Irish International Airlines, served as its Chief Executive Officer before retiring in 1973 and from 1980 to 1986 served as Chairman of the Board. He also serves as Chairman of the Board and a Director of Burlington Industries (Ireland) Limited and Burlington Sportswear Fabrics Limited, Irish manufacturing subsidiaries of the Corporation. He is also a Director of Cement-Roadstone Finance Limited and the American Irish Foundation.



FRANK S. GREENBERG, 57 — Director Since 1973

Mr. Greenberg is CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF THE CORPORATION and a member of the Executive Committee and the Public Policy Committee of the Corporation. He has been associated with the Corporation since 1959 when the Corporation acquired Charm Tred Mills of which he was Vice President. He served as Executive Vice President of the Corporation from 1972 until his election as President and Chief Operating Officer in 1978. He was elected Chairman and Chief Executive Officer of the Corporation in September 1986.

JOHN P. HARBIN, 69 — Director Since 1981

Mr. Harbin is FORMER CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF HALLIBURTON COMPANY, an oil field services and engineering construction firm. He joined Halliburton in 1948 and served as Chairman and Chief Executive Officer from 1972 until his retirement in 1983 and continued to serve as a Director until 1984. He is a Director of Petrolite Corporation, The Louisiana Land and Exploration Company and The Circle K Corporation. He also serves as a Director and is past Chairman of the Texas Research League, is a Trustee of the Southwestern Medical Foundation and is a member of the Board of Directors of University Medical Center. He is Chairman of the Nominating Committee and a member of the Audit Committee and the Investment-Finance Committee of the Corporation.

JOHN J. HORAN, 66 — Director Since 1984

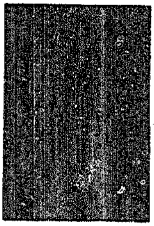
Mr. Horan is FORMER CHAIRMAN OF THE BOARD AND IS A DIRECTOR OF MERCK & CO., INC., a manufacturer of pharmaceuticals, animal health products and speciality chemicals. Mr. Horan was named President and Chief Operating Officer of Merck in 1975, and served as Chairman and Chief Executive Officer from 1976 until his retirement in 1985. He serves as a Director of General Motors Corporation, NCR Corp., J.P. Morgan and Co., Morgan Guaranty Trust Company of New York and The France Fund, Inc. He is a member of the Business Council, a Director of the Robert Wood Johnson Foundation and a former Chairman of the Board of the Pharmaceutical Manufacturers Association. He is a member of the Audit Committee, the Investment-Finance Committee and the Salary and Compensation Committee of the Corporation.

Donald R. Hughes, 57 Director Since 1976

Mr. Hughes is VICE CHAIRMAN AND CHIEF FINANCIAL OFFICER OF THE CORPORATION and a member of the Investment-Finance Committee of the Corporation. He has been associated with the Corporation in various executive capacities since 1959. He was elected Controller in 1973, Treasurer and Controller in 1975 and Vice President and subsequently Executive Vice President and Chief Financial Officer in 1976. He was elected Vice Chairman in September 1986. He serves as a member of the Board of Sponsors of the Darden School of Business at the University of Virginia. He is also a Director of the National Association of Manufacturers, The First Wachovia Corporation and Wachovia Bank & Trust Company.

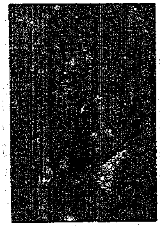
Frank S. Jones, 58 Director Since 1977

Mr. Jones is FORD PROFESSOR OF URBAN AFFAIRS AT MASSACHUSETTS INSTITUTE OF TECHNOLOGY, a position he has held since 1970. He is a member of the Board of Directors of Polaroid Corporation and CIGNA Corporation. He is also a member of the Board of Governors of the Center for Creative Leadership. He is Chairman of the Public Policy Committee and a member of the Audit Committee of the Corporation.



William A. Klopman, 65 Director Since 1973

Mr. Klopman is CHAIRMAN OF THE EXECUTIVE COMMITTEE OF THE CORPORATION and former Chairman of the Board and Chief Executive Officer of the Corporation. He began his textile career with the Corporation as a sales trainee in 1946 and has served in various sales and executive capacities. He was elected an Executive Vice President in 1972, President in 1974 and Chairman, President and Chief Executive Officer in 1976. He served as Chairman and Chief Executive Officer from 1978 until his retirement in September 1986. He is a Director of NCNB Corporation, and a member of the Board of Visitors of the Fuqua School of Business at Duke University and of the Board of Governors of the Center for Creative Leadership. He is also a former president of the American Textile Manufacturers Institute. In addition to serving as Chairman of the Executive Committee, he is a member of the Salary and Compensation Committee and the Nominating Committee of the Corporation.



JOHN K. MCKINLEY, 66 Director Since 1977

Mr. McKinley is FORMER CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER AND IS A DIRECTOR OF TEXACO INC., an international company engaged in the petroleum and natural gas business, including petrochemicals. He has been with Texaco Inc. in various executive capacities since 1941, became President in 1971, was elected Chairman, President and Chief Executive Officer in 1980 and served as Chairman and Chief Executive Officer from 1983 through December 31, 1986. He is a member of the National Petroleum Council, the President's Commission on Executive Exchange and The Council on Foreign Relations, a Director of the American Petroleum Institute, a Fellow of the American Institute of Chemical Engineers, and a Director of Merck & Co., Inc., Martin-Marietta Corporation, Manufacturers Hanover Corporation and Manufacturers Hanover Trust Company. He is also a Managing Director of the Metropolitan Opera Association and a member of the Business Council and the Board of Managers of the Memorial Sloan-Kettering Cancer Center. He is Chairman of the Salary and Compensation Committee and a member of the Executive Committee and the Nominating Committee of the Corporation.

PAUL J. RIZZO, 58 Director Since 1980

Mr. Rizzo is VICE CHAIRMAN OF THE BOARD OF DIRECTORS OF INTERNATIONAL BUSINESS MACHINES CORPORATION, a manufacturer and marketer of information-handling systems, equipment and services. Mr. Rizzo joined IBM in 1958, became Vice President–Finance and Planning in 1970, was elected a Director in 1972, was named to the Corporate Office of IBM in 1979 and was elected Vice Chairman in 1983. Mr. Rizzo is a Director of Johnson & Johnson and Morgan Stanley Group Inc. and is a Trustee of Hollins College. He is Chairman of the Audit Committee and a member of the Executive Committee and the Salary and Compensation Committee of the Corporation.

LANTY L. SMITH, 44 Director Since 1986

Mr. Smith is PRESIDENT OF THE CORPORATION. He joined the Corporation as Executive Vice President and Senior General Counsel in 1977 from the law firm of Jones, Day, Reavis and Pogue, where he was a partner and with whom he had been associated since 1967. He became Secretary in 1977 and served in that additional capacity until 1983. He served as Senior General Counsel until February 1986 and as Executive Vice President until his election as President and a Director of the Corporation in September 1986. Mr. Smith is a member of the Board of Visitors of Duke University Law School, of the School of Business and Economics of the University of North Carolina at Greensboro and of Guilford College.

Louis von Planta, 69 Director Since 1982

Dr. von Planta is CHAIRMAN OF THE BOARD AND A MANAGING DIRECTOR OF CIBA-GEIGY LIMITED, an international producer of chemical and consumer products, and Chairman of Burlington AG, a European sales and staff services subsidiary of the Corporation. Dr. von Planta joined J.R. Geigy S.A. in 1965 and was elected to his present position with Ciba-Geigy in 1972. He is Chairman of Ehinger & Co. Ltd. and Henkel AG, Chairman of the Executive Committee of the Swiss Federation of Commerce and Industry and Vice Chairman of the Board of Directors of Brown Boveri & Co. He is a member of the Board of Directors of the Swiss National Bank, Swiss Bank Corporation, "Winterthur" Swiss Insurance Company, Henkel KGaA, Bühler Brothers Limited, Hasler Holding Limited, Schindler Aufzüge AG and Pan-Atlantic Limited and is a partner in the law firm of Dres. Hockenjos, von Planta, Christ, Löw & Assoc.

The Corporation's Board of Directors has standing Executive, Audit, Investment-Finance, Nominating, Public Policy, and Salary and Compensation Committees. The members of these Committees have been identified above.

When the full Board is not in session, the Executive Committee is vested with all powers of the full Board other than the power to fill vacancies in the Board or other Committees, to change the membership or exercise the duties of other Committees, to amend the Certificate of Incorporation or By-Laws, to approve mergers or sales of all or substantially all of the assets of the Corporation, to declare a dividend, or to authorize the issuance of stock or indebtedness.

The Audit Committee's principal responsibilities consist of recommending the selection of independent auditors, reviewing the scope of the audit conducted by such auditors, as well as the results of the audit itself, reviewing the Corporation's internal audit staff function and reviewing with appropriate Corporation officers matters relating to financial reporting and to accounting and auditing procedures and policies generally. It also submits to the Board of Directors recommendations with respect to financial reporting, accounting practices and policies and other appropriate matters.

The Investment-Finance Committee is authorized to review the investment or management of funds or property of employees of the Corporation or funds or property held for the benefit of employees or others.

The Nominating Committee's responsibilities are to review the size and composition of the Board and the qualifications of possible candidates for the Board and, as a result, to make recommendations respecting nominees to be proposed to stockholders for election at the Annual Meeting. In addition, it is authorized to evaluate the existence, composition and membership of the Committees of the Board of Directors and to recommend a successor to the Chief Executive Officer in the event of a vacancy. The Committee will consider any recommendations made in writing by stockholders respecting possible candidates for the Board of Directors. Such recommendations should be directed to the Secretary of the Corporation.

The Public Policy Committee's responsibilities are to advise the management of the Corporation and to report and make recommendations to the Board concerning policies in the areas of social concerns and corporate responsibilities with respect to, among others, equal employment opportunity, environmental matters, employee health and safety and product quality and safety.

The Salary and Compensation Committee has authority to formulate and give effect to policies respecting salary, compensation and other matters relating to employment with or the rendering of services for the Corporation. The Committee also reviews and makes recommendations with respect to pension, profit sharing and other compensation plans of the Corporation.

During the last fiscal year, the Board of Directors and its Committees held the following number of meetings: full Board, nine; Executive, one; Audit, three; Investment-Finance, one; Nominating, one; Public Policy, two; and Salary and Compensation, four. All of the nominees set forth above held positions as Directors during the full fiscal year (other than Mr. Smith who became a Director on September 9, 1986), and each nominee attended at least 75 percent of the aggregate of the total number of meetings of the Board of Directors and of the total number of meetings held by all Committees on which such nominee served, with the exception of Mr. McKinley.

INFORMATION CONCERNING DIRECTORS AND EXECUTIVE OFFICERS

Compensation of Executive Officers for Services Performed During the Fiscal Year Ended September 27, 1986

Cash compensation (including bonuses and deferrals of bonus payments at the option of the recipient) for services rendered with respect to the 1986 fiscal year by five senior executive officers and by all executive officers of the Corporation as a group is set forth in the following table:

Officers (a)	Principal Capacities In Which Compensation Was Received	Cash Compensation
William A. Klopman(b)	Chairman and Chief Executive Officer	$ 565,000
Frank S. Greenberg	President and Chief Operating Officer	505,000
Donald R. Hughes	Executive Vice President	270,000
Lanty L. Smith	Executive Vice President	270,000
Abraham B. Stenberg	Group Vice President	285,000
All executive officers as a group (23 persons, including those named above)		4,680,981

(a) Three executive officers not named above did not hold their positions for the full fiscal year. Information as to these individuals is given only for the period during which they held their positions. Effective October 1, 1986, Mr. Greenberg was elected Chairman and Chief Executive Officer, Mr. Hughes, Vice Chairman and Chief Financial Officer and Mr. Smith, President and a Director.

Arrangements between the Corporation and certain Directors and officers provide, among other things, for periods of employment and minimum annual compensation, as follows: Mr. Greenberg, employment through October 1, 1989 at a salary of $435,000 per annum; Mr. Hughes, employment through October 31, 1989 at a salary of $275,000 per annum; Mr. Smith, employment through October 31, 1989 at a salary of $275,000 per annum; Mr. Stenberg, employment through July 30, 1988 at a salary of $250,000 per annum; all other officers as a group (six persons), employment for periods expiring on various dates between October 31, 1987 and September 30, 1988 at aggregate annual salaries of $1,250,000. Certain executive officers have deferred from time to time all or part of their cash compensation, including bonuses. These amounts, which have been included in cash compensation disclosed in proxy statements for the years in which earned, are payable after termination of employment. Supplemental payments accrue on such deferred amounts based upon the average quarter-end Moody's 20 year domestic bond rate for the prior four quarters. Deferred compensation and supplemental payments accrued thereon at fiscal year end for all executive officers as a group aggregated $1,925,429. Employment contracts with certain executive officers include provisions for a bonus in the discretion of the Corporation. Whether to award and to permit deferral of bonuses and the aggregate and individual amounts of any such awards are determined by the Board of Directors, upon recommendation of the Salary and Compensation Committee of the Board of Directors.

(b) The Corporation has entered into an arrangement with Mr. Klopman with respect to funds owing to him at his retirement on September 30, 1986. Such funds include previously-deferred compensation (together with interest through date of retirement) and amounts payable under the supplemental pre-retirement and post-retirement benefits plan and the supplemental benefit plan related to the Retirement System described below. Such amounts will be retained by the Corporation, and in consideration thereof and in return for Mr. Klopman's agreement not to become an employee, director, consultant or adviser for a competitor without the Board's consent, Mr. Klopman will receive a fixed annual sum of $572,500, in monthly installments, payable to him for life or to a named beneficiary upon his death for a period not exceeding 15 years measured from January 1, 1987. The amount payable under the arrangement has been funded through Corporation-owned life insurance policies on Mr. Klopman. If assumptions as to mortality experience, policy dividends, tax treatment and other factors are realized, the proceeds received by the Corporation at death are designed to cover all benefits and premiums paid plus provide a factor for the use of Corporate funds prior to realization of policy benefits. The Salary and Compensation Committee of the Board will review this arrangement annually and report to the Board. In the event that one or more of the assumptions referred to above vary so as to preclude recovery of the cost of such arrangement to the Corporation, the Board may make adjustments in the amount payable, subject to certain limitations set forth in the agreement with Mr. Klopman, or may terminate the arrangement and compensate Mr. Klopman on the basis that would have been available to him at retirement without the use of the life insurance policies.

Mr. James Ammeen served as an Executive Vice President during the full 1985 fiscal year and resigned his position on November 11, 1985. Under an agreement with the Corporation at the time of his departure, in consideration of certain non-competition and non-disclosure commitments, Mr. Ammeen was paid all vested benefits under Corporation benefit plans and ten equal monthly payments of $20,000.

Compensation Plans

Unit Incentive Plan. Under the Corporation's Unit Incentive Plan, which was initially approved by stockholders at the 1971 Stockholders' Annual Meeting, Incentive Units may be awarded to officers and key employees of the Corporation within the restrictions of the Plan. Amendments to the Plan are being submitted to stockholders for approval at the 1987 Annual Meeting. See "Proposed Amendments to Unit Incentive Plan" below. Under the Plan as currently in effect, benefits with respect to each Unit are measured by the per share book value appreciation ("book value appreciation credit") with respect to Units granted between February 2, 1978 and February 4, 1982, and either the market value appreciation of a share of Burlington Common Stock ("market appreciation credit") or the book value appreciation, as elected by the grantee at the time of grant, with respect to Units granted after February 4, 1982. Each Unit also accrues amounts equivalent to the cash dividends ("dividend credit") paid on a share of Common Stock of the Corporation. In each case, appreciation and dividend credits are measured over a period of not to exceed five years from the date of grant.

Accumulated credits are forfeited upon voluntary termination of employment or discharge for fraud or dishonesty. Only market appreciation credits or book value appreciation credits that have already vested and the dividend credits are payable on involuntary termination of employment. Amounts credited to the account of an individual at the expiration of five years may be paid, at the election of the recipient at the time of award, in lump sum or deferred over a period of not more than ten years. Deferred payments accrue interest quarterly at a rate equal to the average quarter-end Moody's 20 year domestic bond rate for the prior four quarters.

On May 1, 1986, awards of Units were made at a Common Share base price of $39.125, in the case of market value appreciation Units, or at a book value base amount of $43.47, in the case of book value appreciation Units. The number of Units awarded to the individuals listed in the compensation table, to all officers as a group and to all participants were: Mr. Klopman, 14,000; Mr. Greenberg, 6,500; Mr. Hughes, 3,500; Mr. Smith, 4,000; Mr. Stenberg, 3,000; executive officers as a group (21 persons, including the foregoing), 69,550; and all participants in the aggregate, 303,265. Outstanding awards, including those made on May 1, and the amounts realized in 1986, would be affected by the proposed changes in the Plan discussed below. The amounts realized (paid or deferred but excluding interest on deferrals and amounts payable under the proposed amendments to the Plan) during the 1986 fiscal year (and for the prior five years in the aggregate) by such persons with respect to previously vested Units were, respectively: Mr. Klopman, $60,225 ($318,590); Mr. Greenberg, $54,750 ($305,773); Mr. Hughes, $39,420 ($231,598); Mr. Smith, $40,515 ($122,195); Mr. Stenberg, $21,900 ($185,053); executive officers as a group (20 persons, including the foregoing), $464,828 ($2,320,290); and all participants in the aggregate, $1,404,173 ($9,065,971).

Employee Stock Ownership Plan. Effective September 28, 1975 the Corporation established the non-contributory Burlington Employee Stock Ownership Plan pursuant to the Tax Reduction Act of 1975. Under the provisions of this Act, during the 1986 fiscal year the Corporation contributed in cash or stock an amount equal to one-half percent of total annual employee compensation. The Common Stock of the Corporation in which the Plan funds are invested by the Trustee of the Plan is allocated to eligible employees based on compensation up to certain maximum levels. Allocations to accounts for the last fiscal year will range from approximately one share for a member earning $8,000 per year to a maximum of approximately 13 shares. On September 27, 1986 each of the officers named in the compensation table had allocated to his account a maximum of 196 shares of Common Stock of the Corporation (of which, 113 shares were awarded during the prior five years), and all executive officers as a group (21 persons, including those named in the compensation table) had allocated to their accounts 3,523 shares (of which 2,143 shares were awarded during the prior five years). As a result of the Tax Reform Act of 1986, this Plan will be terminated, and all benefits accrued to members' accounts will be distributed in accordance with the provisions of the Plan trust agreement.

Profit Sharing Plan. Under the Corporation's non-contributory Profit Sharing Plan, a Corporation contribution based upon a percentage of net income is made to the Profit Sharing Plan Trust if specified minimum levels are achieved. Credits to individual accounts are based on salary level and are subject to certain maximum limits. Participants may elect to receive 30 percent of their share of each year's contribution in cash. The receipt of benefits upon retirement or certain other events is subject to vesting and forfeiture provisions of the Plan, except that amounts subject to the 30 percent cash option are fully vested at all times.

Profit Sharing Plan Trust assets consist of Common Stock of the Corporation and income-bearing investments, in varying proportions dependent on annual investment elections by participants. Amounts contributed under the Plan for the 1986 fiscal year (and for the prior five fiscal years in the aggregate) on behalf of officers of the Corporation, respectively, were as follows: Mr. Klopman, $15,531 ($65,186); Mr. Greenberg, $13,413 ($57,587); Mr. Hughes, $7,766 ($33,699); Mr. Smith, $7,766 ($31,347); Mr. Stenberg, $7,766 ($31,978); all executive officers as a group (22 persons, including those named above), $137,339 ($515,899). Included in the foregoing amounts (and not included in the cash compensation table above) are amounts deferred, or paid in cash in lieu of deferral, under the 30 percent cash option referred to above. It is impracticable to estimate the benefits payable under the Plan upon retirement since the amounts accrued may not be fully vested and are therefore subject to the forfeiture provisions of the Plan. In addition, such benefits are dependent upon the earnings of the Corporation and its subsidiaries, the future compensation of the respective officers, the earnings (including dividends declared on shares of Common Stock of the Corporation) and fluctuations in the value of the assets thereof and forfeitures on withdrawal by members from the Plan.

Supplemental Pre-Retirement/Post-Retirement Plan. Certain key employees participate in a supplemental pre-retirement and post-retirement benefits plan, which was initially approved by the Board of Directors in 1978. Eligibility is reviewed annually, and 66 persons are presently participating in the Plan, including Messrs. Greenberg, Hughes, Smith and Stenberg. Mr. Horace C. Jones, a retiring Director and former officer of the Corporation, is also a participant. In the event of the death of a participant prior to age 65, the Plan provides a pre-retirement survivor benefit of 120 monthly payments equal to (1) in the case of more highly-compensated participants, one-half of the greater of (i) the monthly base salary of the participant on the January 1 occurring concurrently with or immediately preceding death or (ii) the average of one-half of the base salary over the previous five years (such greater amount being referred to as the "Monthly Base Salary") or (2) in the case of remaining participants, one-half of Monthly Base Salary in case of death prior to age 60, thereafter decreasing by five percent each year to 25 percent of Monthly Base Salary if death occurs at or after age 64. The Plan also provides a post-retirement benefit, payable over ten years, equal in total to one and one-half or one times the greater of (i) final annual base salary as of the January 1 occurring concurrently with or immediately preceding retirement or (ii) an average of base salary for the five years preceding retirement (such greater amount being referred to as the "Annual Base Salary"). The Plan also provides a post-retirement death benefit equal to the employee's Annual Base Salary (or 75 percent or 50 percent thereof, depending on salary level). Any payments in the future will depend upon the salary level of the participant at that time and the participant's meeting all of the terms and conditions of the Plan, including refraining from engaging in any activities materially competitive with the business of the Corporation.

Retirement System. Each salaried employee, including employee Directors and officers, may elect to participate in the "Retirement System," which is a defined-benefit plan qualified under the Internal Revenue Code. Both individual and Corporation contributions are made to the System, with the Corporation portion becoming fully vested after 12 years of employment. Employee contributions represent a fixed percentage of base salary. Contributions made by the Corporation for the Retirement

System in respect of a specified person cannot readily be separately or individually calculated by the regular actuaries of the System.

The System provides an annual benefit payable to an eligible member at age 65 equal to the greater of (1) the sum of (a) the number of years of continuous participation prior to October 1, 1984 multiplied by the sum of 0.75% of the first $12,000 of annual salary at September 30, 1984 plus 1.5% of the excess over $12,000, and (b) one-half of the member's contributions after September 30, 1984; or (2) one-half of the member's total contributions. This benefit represents a life annuity with a guaranteed minimum return of personal contributions. Benefits are not subject to offset for Social Security benefits or other amounts.

The credited years of service to date under the System for certain officers are as follows: Mr. Greenberg, 26; Mr. Hughes, 25; Mr. Smith, 9; and Mr. Stenberg, 26. Covered remuneration under the System for such individuals is the base salary amount described above in the paragraph immediately following note (a) under the compensation table. Estimated annual benefits payable upon retirement under the System at age 65 to certain officers, assuming no increase in present salary levels, would be: Mr. Greenberg, $193,013; Mr. Hughes, $106,588; Mr. Smith, $99,076; and Mr. Stenberg, $125,829. Mr. Klopman, who retired on September 30, 1986 with 29 years of service, is receiving a benefit equivalent to an annual payment of $103,999.

Benefits provided by the Corporation under the System are subject to certain restrictions and limitations under the Internal Revenue Code and applicable regulations, as in effect from time to time, and the Employee Retirement Income Security Act of 1974 (ERISA). The Board of Directors has approved a supplemental benefit plan under which participants in the Retirement System will be paid by the Corporation on retirement supplemental benefits equal to the reduction in such plan benefits mandated by maximum benefit limitations established under the Code and ERISA. Such supplemental amounts are reflected in the individual annual benefits shown above, except in the case of Mr. Klopman. See note (b) under the cash compensation table above.

Change in Control Arrangements

The Profit Sharing Plan and the Employee Stock Ownership Plan provide for pass-through voting to all participants on any matter for which a stockholder vote is solicited and require that the trustee of each such Plan solicit and follow instructions from each participant in the event of a tender offer as to the disposition of stock credited to such participant's account. The Profit Sharing Plan and the Retirement System (and the Restricted Share Plan, if adopted) provide for vesting of benefits in the event of a Business Combination (as defined in Article Fourteenth of the Corporation's Certificate of Incorporation) or in the event of a Change of Control (defined to be the accumulation of more than 25 percent of the Corporation's outstanding stock). In each such case the vesting requirement may be waived by the Board of Directors. If the Retirement System is terminated within five years following a Change of Control or Business Combination, the Corporation (or its successor in interest) shall make contributions to the System to fully fund the accrued but undistributed benefits of all members as of the date of termination. The Unit Incentive Plan (and the Restricted Share Plan referred to below) also provide for acceleration of vesting in the event of a Business Combination or Change of Control (as defined above). In such event, unless waived by the Board of Directors, book value Units will be valued at the higher of (i) book value as of the close of the fiscal quarter preceding the trigger event, or (ii) book value immediately prior to the trigger event; and market value Units will be valued at the average of the daily composite closing prices for the Corporation's Common Stock reported during the 90 days preceding the trigger event.

Compensation of Directors

Non-employee Directors of the Corporation receive a retainer fee of $15,000 per year and an attendance fee of $800 ($1,000 in the case of foreign resident Directors) for the first meeting of the Board, of a Board Committee or of the Stockholders attended on a given day and $500 for each such additional meeting held on the same day. Under a deferred compensation plan for non-employee

Directors, all or part of the annual fees may be deferred at the election of the Director. Compensation so deferred bears interest based on the one-year Treasury Bill rate on each February 1. Deferred amounts will become payable in lump sum or in not more than five annual installments commencing not later than the date of termination of active service as a Director. Four Directors elected to defer compensation under the Plan during 1986.

Certain Transactions

Connecticut General Life Insurance Company, Manufacturers Hanover Trust Company, Wachovia Bank & Trust Company, North Carolina National Bank and Morgan Guaranty Trust Company of New York, with which Directors of the Corporation are affiliated, hold debt securities of the Corporation. The maximum aggregate principal amount of debt held by any one of such entities does not exceed $20,000,000. The holdings by banks are generally believed to be in a combination of direct and representative forms. All of the foregoing banks perform ordinary banking services for the Corporation. The banks receive normal compensation for these services, and in none of such cases were the fees paid to such banks material in amount.

Dr. von Planta is a partner in the Basel, Switzerland law firm of Dres. Hockenjos, von Planta, Christ, Löw & Assoc., which performed certain legal services for the Corporation during the last two fiscal years and which may perform similar services during the coming fiscal year.

In previous proxy statements the Corporation has described in detail the 1978 transaction pursuant to which the Corporation purchased Mr. Greenberg's ten percent interest in a foreign subsidiary of the Corporation. Under the terms of the transaction, which were approved by the Board of Directors, Mr. Greenberg received a promissory note of the Corporation in the amount of $1,805,040, bearing interest (at the prime rate) beginning July 31, 1982. Payments of principal and interest amounts will be deferred until 1989 and 2004, respectively, and will thereafter occur in 60 and 120 quarterly installments, respectively. Payment will be accelerated in the event of Mr. Greenberg's death prior to September 30, 1988.

Security Ownership of Management and Certain Beneficial Owners

Name	Class of Stock	Amount and Nature of Beneficial Ownership at December 3, 1986(a)
Joseph F. Abely, Jr.	Common Stock	500
Ernesta D. Ballard*	Common Stock	100
Joseph W. Barr	Common Stock	100
Michael J. Dargan	Common Stock	500
Frank S. Greenberg	Common Stock	15,120
John P. Harbin	Common Stock	2,000
John J. Horan	Common Stock	500
Donald R. Hughes	Common Stock	5,233
Frank S. Jones	Common Stock	100
Horace C. Jones*	Common Stock	4,060
William A. Klopman	Common Stock	10,762
John K. McKinley	Common Stock	1,000
Paul J. Rizzo	Common Stock	100
Lanty L. Smith	Common Stock	2,529
Louis von Planta	Common Stock	100
All Directors and executive officers as a group (33 persons, including those named above)	Common Stock	83,811

* Retiring Director

(a) Shares shown include shares credited to the accounts of those named or referred to above in the Employee Stock Ownership Plan and the Profit Sharing Plan of the Corporation. Profit Sharing Plan holdings are subject to vesting requirements, and both Plans permit participants or beneficiaries to select other benefits in lieu of shares upon retirement, death or termination of employment. Such shares are distributed as follows: Mr. Klopman, 9,566; Mr. Greenberg, 13,620; Mr. Hughes, 3,837; Mr. Smith, 2,029; and executive officers as a group (21 persons, including those named above), 70,445. No Director or executive officer owns more than one percent of the outstanding shares of Common Stock, and all Directors and officers as a group (33 persons) own in the aggregate 0.3 percent of such shares. None of the Directors or executive officers own any convertible debt securities of the Corporation.

Each Director and officer has sole voting and investment power with respect to the shares beneficially owned by him or her, except shares held pursuant to the benefit plans referred to above and except that 800 shares shown for Mr. McKinley are not held by him directly but in a trust of which his children are the beneficiaries, 500 shares shown for Mr. Abely are held jointly with his spouse, 1,260 shares shown for Mr. Horace C. Jones are held by his wife or by a trust in which he acts as a co-trustee and of which he is a beneficiary, 500 shares shown for Mr. Smith are held in trust for his children, 300 shares shown for an officer not named individually in the table are held jointly by an officer and his spouse, and 50 shares are held by the spouse of an officer.

As of December 8, 1986 Wachovia Bank & Trust Company, N.A., as Trustee under the Profit Sharing Plan of the Corporation and its participating Affiliated Companies, held, subject to the Trust Agreement and the Rules and Regulations thereof, for the benefit of participating members of the Plan, 2,621,195 shares of Common Stock of the Corporation, representing 9.6 percent of the outstanding stock. These shares are held by the Trustee through its nominee, Mark & Co. The Trustee solicits instructions from participating members for the voting of shares allocated to their account, but, in the absence of instructions, votes the shares in its discretion. Officers of the Corporation are eligible to participate in the Profit Sharing Plan of the Corporation. Wachovia Bank & Trust Company also holds of record or through nominees 587,476 additional shares of Common Stock, and $150,000 principal amount of 5% Convertible Subordinated Debentures due 1991.

As of December 8, 1986 Cede & Co., the nominee of the Depository Trust Company, New York, New York, which provides custodial services for various institutions, such as banks and stock brokerage firms (including those with which Directors of the Corporation are affiliated), was the record holder of 18,752,370 shares of Common Stock representing 68.6 percent of the outstanding shares of Common Stock of the Corporation. The Corporation believes that none of these shares was owned beneficially by Cede & Co.

2. Selection of Independent Public Accountants

It is intended that, unless otherwise specified by the stockholders, votes will be cast pursuant to the Proxies hereby solicited in favor of the approval of the selection of Peat, Marwick, Mitchell & Co. as independent public accountants to audit the books and accounts of the Corporation for the 1987 fiscal year and until their successors are selected. A representative of the firm will attend the Annual Meeting of Stockholders to answer questions and to make any statement that such representative may desire to make.

The appointment of auditors is approved annually by the Board of Directors and subsequently submitted to the stockholders for ratification. In recommending the ratification by the stockholders of the appointment of Peat, Marwick, Mitchell & Co., the Board of Directors is acting upon the recommendation of the Audit Committee, which is composed entirely of non-employee Directors and which has satisfied itself as to the firm's professional competence and standing. In making its recommendation, the Audit Committee has taken into consideration the audit scope and audit fees associated with such retention.

The Board of Directors recommends a vote "FOR" the approval of the selection of Peat, Marwick, Mitchell & Co. as independent public accountants to audit the books and accounts of the Corporation for the 1987 fiscal year and until their successors are selected.

3. Proposed Amendments to Unit Incentive Plan

Upon the recommendation of the Board of Directors, the stockholders at the 1971 Annual Meeting approved the adoption of the Unit Incentive Plan of the Corporation. The Plan was amended by stockholders at the 1978 and 1982 Annual Meetings. This Plan was designed to attract and retain in the employment of the Corporation persons of outstanding ability, competence and potential; to provide a greater incentive to such employees; and to promote and closely identify the interests of such key employees with the Corporation's stockholders. In order to further those ends, the Board is recommending for approval the following changes, described in detail below:

(1) an amendment to change the method by which appreciation will be measured to the greater of book value appreciation or market value appreciation at the time of vesting,

(2) an amendment to permit participants greater flexibility in the timing of vesting of award benefits, and

(3) an amendment eliminating the provision that limits Units granted to a participant in one year to that number, which when multiplied by the market value of a share of the Common Stock on the date of grant, equals 75 percent of the participant's salary.

Under the Plan, Units within the limits of the Plan described below may be awarded to officers and key employees of the Corporation. All officers (presently 18 persons including officers who are also Directors) and approximately 470 other key employees are eligible to participate in the Plan. Benefits under the Plan, with respect to each Unit, have been measured by the market appreciation (market appreciation credit) with respect to Units granted before February 2, 1978, the book value appreciation (book value appreciation credit) with respect to Units granted between February 2, 1978 and February 4, 1982, and either the market or the book value appreciation, as elected by the grantee, with respect to Units granted after February 4, 1982, in each case of a share of Common Stock of the Corporation over a period of not to exceed five years from the date a Unit is credited to the account of a grantee. Each Unit also accrues amounts equivalent to the cash dividend (dividend credit) paid on a share of Common Stock of the Corporation during such period.

The Board of Directors recommends that the Plan be amended to change the basis of measuring benefits under the Plan. The dividend credit feature of the Plan would remain the same, but the appreciation credit would be changed to an award measured by the greater of book value or market value appreciation at the time of vesting. It is believed that this change will permit the Plan to reflect and reward the efforts and contributions of management while satisfying both Corporation and individual goals. This change will have the effect of continuing to identify the interests of grantees with that of the stockholders of the Corporation with respect to the dividend credit and will also identify the interests of such grantees with the operating performance of the Corporation, measured through the greater of book value appreciation or stock market performance.

The second amendment proposed would permit the participant limited flexibility of timing the vesting of awards to his or her personal financial needs, while at the same time continuing the present incentive of tying the awards' benefits to the long term performance of the Corporation. Under this proposal, Unit awards would continue to be granted with a five-year term, but participants will have the option of shortening the vesting period on a graduated basis. On and at any time after the second anniversary of the grant of an award of Units, the grantee may elect to establish the value of 40% of the award. For example, a participant awarded 200 Units on May 1, 1987 would be able on or after May 1, 1989 to "lock in" and have credited to his or her account the higher of market value or book value appreciation, and the dividend credit, of 40% of the award or 80 Units. Similarly, under the graduated vesting schedule, 60% of an award becomes available for vesting on the third anniversary, 80% on the fourth, and 100% on the fifth. An election to vest prior to the fifth anniversary must be made as to the full percentage of Units then available for vesting.

An election to vest the proportionate amount of Units then available under the graduated schedule will result in the participant's being credited with the greater of market value or book value appreciation, on the date of election, plus all dividend credits then accrued. Thereafter, all credits with respect to those Units cease to accrue. With respect to Units outstanding prior to the date of stockholder approval of the proposed amendments, such credited amounts will be held in a participant's account until the fifth anniversary of the award, without further appreciation or credits for dividends or interest, unless the participant becomes entitled to receive an earlier payment under the provisions of the Plan applicable to employee terminations. Units awarded after stockholder approval will entitle the grantee to immediate payment at the time of making of the election. Once a participant has become entitled to receive payment of credits to his or her account, the Administrative Committee referred to below has provided a number of payment options, including installment payments and the ability to defer payment to a later date, with interest accruals on amounts for which payment is deferred.

Amending the Plan in the manner proposed will affect the method of computing the appreciation in the value of each Unit over its term. Since the appreciation credit is dependent upon changes in the book value and/or the market value per share of Common Stock of the Corporation over the life of the grant, it is impossible to predict the precise cost impact of this change in the Plan. Nevertheless, for comparison purposes the consolidated book value of a share of Common Stock of the Corporation at the end of each of the last five fiscal years is set forth in the table below together with the market price range of the Common Stock of the Corporation during the same five fiscal year period. Such prices are based on the composite quotes for such stock as reported in *The Wall Street Journal* during such period.

Fiscal Year	Book Value at Fiscal Year End	Market Price Range High	Market Price Range Low
1982	$42.15	$ 27½	$ 17
1983	43.68	43	22⅜
1984	44.40	40	23
1985	43.16	30¼	24¼
1986	43.82	40¼	26⅛

Unit awards and amounts paid to executive officer participants in the Plan during the past five years are set forth above under the caption "Compensation Plans–Unit Incentive Plan". Messrs. Greenberg, Hughes, Smith and Stenberg are among the individuals who will be eligible to participate under the Plan as amended.

In order to convert outstanding Units under the Plan to the graduated vesting schedule, the Committee, following approval by the Board of Directors of the amendments at its June 5, 1986 meeting, provided to each person then participating in the Plan, the opportunity to make vesting elections with respect to the portions of the participant's Units then available for vesting under the new schedule. Market value for such purposes was $40.00, and book value was $43.47. Since the Plan amendments are made effective with respect to Units vesting May 1, 1986, these Units, which are measured by book value appreciation, also would benefit from the change in measurement of appreciation. If the stockholders approve the amendments, these Units would be valued on the basis of market value appreciation (which was higher than book value appreciation), and an additional award of $12.795 will be made per Unit, representing the difference between market value appreciation and book value appreciation on such Units. If approved, payments of market value appreciation on May 1, 1986 Units will be made to participants as follows: Mr. Klopman, $70,372; Mr. Greenberg, $63,975; Mr. Hughes, $46,062; Mr. Smith, $47,341; Mr. Stenberg, $25,590; all executive officers as a group (21 persons, including the foregoing), $536,749; and all participants in the Plan, $1,640,766.

The third proposal would eliminate the current ceiling on the number of Units which may be awarded to a participant in one year. This limit (the number of Units which when multiplied by the market value of one share of Common Stock equals 75 percent of annual salary) places an artificial ceiling on the number of Units which may be granted. For example, a participant earning $60,000, when the stock is at $22.50 per share, may be awarded 2,000 Units, whereas, if the stock rises to $45, the limit drops to 1,000. Since benefits under the Plan depend on appreciation in the value of the stock *after* the date of grant (appreciation above $22.50 or $45.00 in the example), a limit on grants based on market value at time of grant is wholly unrelated to the ultimate benefit on such Unit to the participant and has limited the discretion of the Committee in deciding on amounts of awards. The Corporation believes that the existance of a disinterested Committee and the aggregate and annual limits on numbers of Units granted provide adequate restraints and recommends that the current limitation be revoked.

Except for the changes described above, the Plan will remain the same as approved by stockholders in 1971 and amended by them in 1978 and 1982. The proposed amendments to the Plan are set forth in Exhibit A hereto and the discussion of the amendments is qualified in its entirety by reference to such Exhibit. No Units will be granted under the amended Plan unless and until the amended Plan is approved by holders of a majority of the shares represented and voting at the Annual Meeting, assuming a quorum is present. If the stockholders fail to approve the amended Plan, the Plan as presently in effect will continue.

The Plan limits the aggregate number of Units which may be outstanding in unvested awards to grantees at any time to not more than 1,500,000 and limits Units awarded in any one year to not more than 300,000 except that, if less than 300,000 Units are granted or awarded in any year, then the difference between the Units granted in any such year and 300,000 may be awarded in a subsequent year. Any Units previously awarded which have been forfeited by termination of employment of the grantee may thereafter be awarded under the Plan. More than one grant may in the discretion of the Committee be awarded to an eligible party subject to the limitations above stated.

The Plan, as amended, will continue to be administered by an Administrative Committee designated by the Board of Directors consisting of not less than three members of the Board, none of whom shall be eligible to receive grants while serving on the Committee. The present members of the Committee are Messrs. McKinley, Barr, Horan, Horace C. Jones and Rizzo. The Committee determines to whom Units should be granted and the number of such Units to be granted.

The Committee may in connection with any grant impose such restrictions and conditions with respect to employment or engagement in any business in competition with the business of the Corporation and its subsidiaries upon termination of employment as the Committee may deem advisable. The Committee has not chosen to impose any non-competition restrictions in connection with any grants to date or to obligate grantees to serve for any particular period of time. However, if a grantee voluntarily leaves the employment of the Corporation or is discharged for fraud or dishonesty or other acts materially inimical to the interests of the Corporation prior to the time an election has been made to value and vest any Units, payment will not be made for any such credits, and no further credits will be made to the grantee's account. In case of termination of employment of a grantee because of death, retirement or total disability the dividend credit and the greater of book value or market value appreciation credits with respect to any award will vest and be payable to the grantee or to such grantee's beneficiary in the event of the death of the grantee. If employment of a grantee is involuntarily terminated otherwise than as referred to above, the dividend credit of the grantee will vest and be payable to such grantee, but no book value or market value appreciation credits, other than credits as to which the value has been fixed by a prior election to vest, will be included in the benefits payable to the grantee.

If the outstanding Common Stock of the Corporation is changed by stock dividends, recapitalization, mergers, consolidations, split-ups, combinations or exchanges of shares or otherwise, the number of Units credited to the account of grantees under the Plan will be adjusted to give effect thereto, and in the event of any such change in the outstanding Common Stock the number of Units which may be awarded to grantees under the Plan and the maximum number of Units which may be granted in any year will be appropriately adjusted by the Committee. In the event of a Business Combination (as defined in Article Fourteenth of the Corporation's Certificate of Incorporation) or a Change of Control (defined to be the accumulation of more than 25 percent of the Corporation's outstanding stock), the Plan provides for acceleration of vesting of all outstanding Units. In such event, unless waived by the

Board of Directors, book value appreciation will be established as the higher of (i) book value as of the close of the fiscal quarter preceding the trigger event, or (ii) book value immediately prior to the trigger event; and market value will be established as the average of the daily composite closing prices for the Corporation's Common Stock reported during the 90 days preceding the trigger event.

The Board of Directors, at any time, may terminate the Plan or make modifications in the Plan except that the Board of Directors may not, without the approval of the holders of a majority of the shares of the Corporation present or represented and entitled to vote at a meeting of the stockholders, increase the maximum number of Units which may be outstanding in awards to grantees at any one time under the Plan, except as adjusted as above-stated, or change the authority to administer the Plan from a Committee consisting of Directors of the Corporation, none of whom is eligible to receive Units under the Plan while serving on the Committee.

For income tax purposes, a person awarded Units under the Plan will not be in receipt of taxable income under the Internal Revenue Code of 1954, as amended (including amendments effected by the Tax Reform Act of 1986), upon the award. Upon payment, the individual will realize income in the total amount received, and the Corporation will be entitled to an equivalent income tax deduction. For financial reporting purposes, payments under the Plan are charged to the earnings of the Corporation as compensation expense. A provision for such expense is charged against annual earnings of the Corporation in an amount which is equivalent to the aggregate dividend equivalent on Units outstanding plus an estimated amount for any book value or market value appreciation credits. This annual provision is credited to a liability reserve for future payments.

Approval of the amendments to the Unit Incentive Plan requires the affirmative vote of a majority of the votes cast at the meeting.

The Board of Directors recommends a vote "FOR" the approval of the amendments to the Unit Incentive Plan.

4. Proposed Ratification of Restricted Share Plan

The Board of Directors recommends that the stockholders ratify the 1987 Restricted Share Plan adopted by the Board of Directors on December 2, 1986. A copy of the Plan is attached as Exhibit B, and this description of the Plan is qualified in its entirety by reference to Exhibit B.

The objective of the Plan is to aid the Corporation in attracting and retaining experienced and highly qualified executive and key employees, and to further identify the interests of the Corporation's management with that of the Corporation's stockholders. The Plan will be administered by an Administrative Committee designated by the Board of Directors (the "Committee"), consisting of not less than three disinterested Directors, that is, Directors who, during the time they are members of the Committee, are not eligible and have not at any time within one year prior thereto been eligible for selection to participate in any of the stock compensation plans of the Corporation.

Under the Plan, officers, other executives and key employees who are regular full-time employees of the Corporation or its affiliated companies shall be eligible to participate. The Committee will have the authority, in its discretion, to determine the participants, the timing, and the terms and provisions of awards. In making these determinations, the Committee will consider the present and potential contribution of each recipient to the Corporation's success and such other factors as the Committee deems relevant. No Director of the Corporation who is not also a regular full-time employee of the Corporation shall be eligible to participate in the Plan. Although the Committee has not selected any initial participants nor determined the awards to be granted to any participant or to all participants as a group, the Committee's present intention is to make grants from time to time to present and future eligible officers and employees of the Corporation. The executive officers, except for Mr. Klopman, set forth in the cash compensation table under the heading "Compensation of Executive Officers for Services Performed During the Fiscal Year Ended September 27, 1986" above will be eligible to participate in the Plan.

The Committee may grant to participants shares of the Corporation's Common Stock, $1.00 par value ("Restricted Stock"), subject to certain restrictions. It is presently anticipated that all awards will be made from Treasury shares of the Corporation. The amount of Restricted Stock to be granted a participant shall be determined in the sole discretion of the Committee. The maximum aggregate number of shares of Restricted Stock which may be awarded under the Plan shall be 700,000. Restricted Stock, if awarded by the Committee, shall not exceed 140,000 shares in any year. If fewer than the maximum number of shares is awarded in any year, the remaining number of shares may be carried forward and awarded in any subsequent year the Plan is in effect. Shares forfeited by a participant may be re-awarded by the Committee and count only once against the 700,000-share limitation. If forfeited shares are awarded in a subsequent plan year, they will not be counted against the annual limitation on awards for that year. Appropriate adjustments or substitutions in the number and kind of shares will be made under the Plan in the event of any change in the Common Stock of the Corporation through merger, consolidation, recapitalization, reclassification, stock dividend, split-up, combination of shares, or otherwise.

Restricted Stock may not be sold, transferred, pledged, exchanged or otherwise disposed of during a period (the "Restricted Period") which ends on the fifth anniversary of the date of the award. Except for such restrictions, the participant becomes a stockholder of the Corporation with respect to all shares awarded, shall have the right to vote such shares and receive when made all payments of dividends and other distributions to holders of the Common Stock of the Corporation. The participant and the Corporation will enter into a Restrictive Agreement which shall contain such terms, including provisions for forfeiture if service period obligations are not met, as the Committee approves for the purpose of carrying out this Plan.

The restrictions on transfer or alienation of Restricted Stock shall automatically terminate at the end of the five-year Restricted Period, unless earlier forfeited by the participant. In addition, in the event of a participant's death, disability or early termination of employment (with the Corporation's permission, if prior to age 65), outstanding awards of Restricted Stock will automatically vest.

The Plan also provides that vesting of awards will be accelerated in the event of a "change of control". A change of control is defined as the accumulation by any individual, firm, corporation or other entity (exclusive of any subsidiary of the Corporation or employee benefit plan), singly or in association with affiliates or associates, of beneficial ownership of more than 25 percent of the outstanding shares of capital stock of the Corporation. In the event of acceleration, all restrictions on outstanding Restricted Stock shall immediately lapse and such Stock shall become fully vested. The Plan also provides that the Continuing Directors (as defined in the Corporation's Certificate of Incorporation) may, within 60 days following a "change of control", waive the provision accelerating vesting under the Plan.

The Plan shall continue for a period of five years from the date of first grant of awards thereunder, except that the provisions of the Plan applicable to the awards (and the related Restrictive Agreement) which vest after such period shall continue to be applicable to such awards until vested or forfeited. The Board of Directors shall have the right to amend or terminate the Plan. However, no amendment shall increase the maximum number of shares which may be awarded under the Plan, or withdraw authority to administer the Plan from a Committee consisting of "disinterested" Directors without prior approval by holders of a majority of voting stock of the Corporation then entitled to vote. No termination or amendment of the Plan shall modify or affect awards made prior to such termination or amendment.

Federal Income Tax Consequences

Unless an election is made as described below, an employee who receives an award of Restricted Stock under the Plan will not realize taxable income at the time of the award, nor will the Corporation be entitled to a deduction at that time. When the awards become vested, participants will realize income and the Corporation may claim a deduction in an amount equal to the fair market value of the shares at such time. Dividends paid to the employee with respect to Restricted Stock prior to their vesting constitute compensation and, as such, are taxable to the participant and deductible by the Corporation.

Pursuant to provisions of Section 83(b) of the Internal Revenue Code, the recipient of Restricted Stock under the Plan may elect to be taxed at the time of the award. If the participant so elects, the full value of the shares (without regard to restrictions) at the time of the grant will be taxed to the participant as ordinary income and will be deductible by the Corporation. Dividends paid with respect to the shares during the period of restriction will be taxable as dividends to the participant and not deductible by the Corporation. If, after making an election pursuant to Section 83(b), any shares are subsequently forfeited, or if the market value at vesting is lower than the amount on which the participant was taxed, the participant cannot then claim a deduction.

The tax consequences described above are not affected by the Tax Reform Act of 1986.

Ratification of the Plan requires the affirmative vote of a majority of the votes cast at the meeting.

The Board of Directors recommends a vote "FOR" the ratification of the Restricted Share Plan.

5. Proposed Amendment to the Corporation's Certificate of Incorporation

The Corporation's Board of Directors has unanimously approved an amendment (the "Amendment") to the Corporation's Certificate of Incorporation and has voted to recommend that it be submitted to the Corporation's stockholders for consideration and approval. The proposed Amendment would add a new Article Eighteenth which, in accordance with recent amendments to the Delaware General Corporation Law, would eliminate directors' personal liability to the Corporation and its stockholders for monetary damages for breach of their fiduciary duty of care to the full extent permitted by that law. The Amendment also includes certain indemnification provisions. A discussion of the proposed Amendment and the reasons the Board of Directors believes it should be adopted are set forth below. A copy of proposed Article Eighteenth is attached to this Proxy Statement as Exhibit C, and the description of the Amendment is qualified in its entirety by reference to that Exhibit.

General

Effective July 1, 1986, the General Corporation Law of the State of Delaware (the "Law"), under which the Corporation is incorporated, was amended to permit the inclusion of a provision in the Certificate of Incorporation of a Delaware corporation limiting or eliminating the potential personal monetary liability of directors to the corporation or its stockholders for breach of fiduciary duty in their conduct as directors, with certain exceptions. The Law was also amended to clarify certain provisions concerning indemnification of directors and officers.

These amendments to the Law represent a legislative response to recent changes in the market for director's liability insurance, including the increasing inability of corporations to obtain such insurance or, if available, the dramatically higher cost and significantly decreased coverage of such insurance. The Delaware General Assembly considered the current climate for directors liability insurance as well as the significant increase in both the number and magnitude of lawsuits against directors as a threat to the quality and stability of the governance of Delaware corporations because of the unwillingness of directors, in many instances, to serve without the protection of insurance which was traditionally available to them and because of the deterrent effect on entrepreneural decision making by directors who continue to serve in such circumstances.

Discussion of Proposed Article Eighteenth

The proposed Amendment would eliminate the personal liability of directors to the Corporation or its stockholders for monetary damages for breach of fiduciary duty to the full extent permitted by the Law. The Corporation's directors will continue to have personal liability to the Corporation and its stockholders for (i) any breach of a director's duty of loyalty to the Corporation or its stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) liability under Section 174 of the Law (involving certain unlawful dividends or stock repurchases), or (iv) any transaction from which the director derived an improper personal benefit. The Amendment applies only to claims against a director arising out of his role as a director and not, if he is also an officer, his role as an officer or in any other capacity.

The elimination of certain personal monetary liability of directors under the Amendment would preclude the recovery of damages from directors for the type of conduct covered by the Amendment and therefore may have the effect of reducing the likelihood of litigation against directors for breach of their fiduciary duty of care even though such an action, if successful, might otherwise have benefitted the Corporation and its stockholders. Under the Amendment, stockholders may no longer have a cause of action against a director for breach of fiduciary duty, even if the conduct involves grossly negligent business decisions, including decisions made in the context of acquisitions or proposals for the takeover of the Corporation. The Amendment will not limit or eliminate the right of the Corporation or any stockholder to seek non-monetary remedies, such as an injunction to stop a proposed action or the rescission of a contract, in the event of a breach of a director's fiduciary duty of care, nor will it limit in any way the remedies available against officers who are not directors. In addition, the proposed Amendment would not eliminate or limit the liability of a director for an act or omission occurring prior to the date on which the Amendment becomes effective, nor would the Amendment affect a director's liabilities or responsibilities under any other law, such as the Federal securities laws.

The proposed Amendment also contains provisions concerning the Corporation's indemnification of its directors, officers, employees and agents. Although the Corporation's By-laws (Article IV, Section 4) presently set forth the Corporation's obligations and authority concerning indemnification, in light of the Law's requirement that provisions eliminating personal liability of directors be contained in a corporation's certificate of incorporation, the Board of Directors believes that it would be appropriate to have all provisions concerning limitation of a director's liability and indemnification in the Corporation's Certificate of Incorporation. Inclusion in the Certificate also assures that the stockholders will be informed of and required to vote on any future changes in the provisions.

The proposed Amendment would effect several changes from the indemnification provisions currently set forth in the Corporation's By-laws. The By-laws provide that the Corporation *may* indemnify to the full extent *permitted* by Delaware law and *shall* indemnify to the full extent *required* by Delaware law any director, officer, employee or agent of the Corporation or any person serving as such at the request of the Corporation with another corporation or enterprise. The proposed Amendment *requires* the Corporation to indemnify its directors and officers to the fullest extent permitted by applicable law and continues the Board of Directors' right to determine the scope of any indemnification of employees or agents who are not also officers or directors of the Corporation. In accordance with the recent amendments to the Law, the proposed Amendment also provides that directors and officers have the right to receive advance payment from the Corporation of expenses incurred by them in defending any proceeding for which they are entitled to indemnification. Prior to the Law, a board of directors had to determine in each specific case that the advance of legal expenses was proper. The effect of these changes will be to eliminate the Corporation's discretion in affording indemnification rights to directors and officers; instead, Delaware law, which very specifically sets forth the circumstances under which indemnification is permitted, will govern the availability of these rights. The Amendment also provides that the rights to indemnification and advances of expenses are contract rights, thereby enhancing an individual's ability to enforce the rights in the event of the Corporation's refusal to honor them. If the stockholders approve the Amendment, they could not, at a later date, claim that indemnification rights under the Amendment are invalid. These changes could increase the cost to the Corporation in the future in the event that claims for indemnification were to be asserted. Any increased costs, including potentially large damage awards, may be satisfied directly from the Corporation's funds and may therefore affect a stockholder's investment.

Insofar as indemnification for liabilities arising under the federal securities laws may be permitted to directors, officers, or other persons pursuant to proposed Article Eighteenth, the Corporation understands that in the opinion of the Securities and Exchange Commission such indemnification is against public policy and therefore unenforceable. The Corporation may be required to undertake to submit issues regarding indemnification to a court of appropriate jurisdiction and to be governed by the outcome.

Finally, the Amendment provides that no amendment or repeal thereof or adoption of any inconsistent provision in the Corporation's Certificate of Incorporation or By-laws or of any statute inconsistent with the Amendment would eliminate or reduce the effect of Article Eighteenth with respect to any acts or omissions occurring prior thereto.

Reasons for Adopting the Proposed Amendment

In light of the change in the Law, the Board of Directors has unanimously approved the Amendment and recommends that the stockholders adopt it. The Board of Directors believes that approval of Article Eighteenth is in the best interests of the Corporation and its stockholders and will assist the Corporation to continue to attract and retain highly qualified directors. Inasmuch as directors may personally benefit from the adoption of the Amendment at the expense of the Corporation's stockholders, there may be an inherent conflict of interest in the recommendation of the Board to approve proposed Article Eighteenth.

Adoption of proposed Article Eighteenth will enable the Corporation's directors and officers to continue to exercise their good faith business judgment in the Corporation's best interests without being constrained by concerns of uninsured individual liability. This Amendment is not being proposed in response to any specific resignation, threat of resignation, or refusal to serve by any director, and no litigation involving the directors is currently pending or threatened. To date, the Corporation has not experienced any difficulties in attracting new directors. Although the Corporation was able to renew its directors' and officers' liability insurance, the scope of coverage was reduced while the cost dramatically increased. The Board also believes that adoption of the Amendment may have a favorable impact on the availability and expense of liability insurance in the future.

Vote Required

The affirmative vote of a majority of shares outstanding and entitled to vote, assuming a quorum is present, will be necessary to approve the Amendment. If approved by the stockholders, the Amendment will become effective upon the filing with the Secretary of State of Delaware of a Certificate of Amendment to the Corporation's Certificate of Incorporation, which filing would take place promptly after the annual meeting of stockholders. Upon such filing, Article IV, Section 4 of the Corporation's By-laws shall be automatically repealed, and present Article Eighteenth of the Corporation's Certificate of Incorporation will be renumbered as Article Nineteenth.

The Board of Directors recommends that the stockholders vote "FOR" proposed Article Eighteenth.

6. Stockholders' Proposals

Stockholder's Proposal No. 1

Mrs. Evelyn Y. Davis, P. O. Box 19287, Twentieth Street Station, Washington, D. C. 20036, who is the owner of record as of December 8, 1986 of 100 shares of Common Stock of the Corporation, has notified the Corporation that at the Annual Meeting she will introduce from the floor the following resolution:

"RESOLVED: That the stockholders of Burlington Industries recommend that the Board take the necessary steps so that future outside directors shall not serve for more than six years.

"REASONS: The President of the U.S.A. has a term limit, so do Governors of many states.

"Newer directors may bring in fresh outlooks and different approaches with benefits to all shareholders.

"No director should be able to feel that his or her directorship is until retirement.

"Last year the owners of 2,922,595 shares voted FOR this resolution. That was over 13% of shares voting.

"If you AGREE, please mark your proxy FOR this resolution."

The Board of Directors recommends a vote "AGAINST" the adoption of this resolution.

The Board of Directors believes that continuity of service by outside directors should be an important consideration in the selection process. Familiarity with a company's problems, its managers and its business environment permits directors to perform their duties more effectively. An artificial time limit would undermine the benefits derived from continuity of service.

There are a number of safeguards which protect against unwarranted longevity of outside directors. Foremost among these is the Nominating Committee's responsibility to review annually the qualifications of all directors who are proposed to the stockholders for election. In addition, the Corporation's mandatory retirement policy, plus the fact that directors from time to time resign for personal reasons, assure continuing opportunity for new directors with fresh outlooks to join the more experienced members of the Board. During the past seven years, four outside directors have retired or resigned from the Board, and six new outside directors have been elected. The average time of service of the Corporation's outside directors is 6.2 years, and there are presently only five who have served longer than six years. It would be contrary to the best interests of the Corporation to impose an arbitrary limit on Board service which would deny management and other Board members this valuable source of wisdom and experience.

At the 1985 and 1986 Annual Meetings of Stockholders, this same proposal was rejected by more than 89% and 86%, respectively, of the votes cast.

Proxies solicited by management will be voted "AGAINST" the adoption of the foregoing resolution if no choice is otherwise indicated.

Stockholders' Proposal No. 2

Messrs. Lewis D. Gilbert and/or John J. Gilbert of 1165 Park Avenue, New York, New York, 10128-1210, who are the owners of record as of December 8, 1986 of 62 shares each of the Common Stock of the Corporation and who state that they also represent an additional family interest of 62 shares, have notified the Corporation that at the Annual Meeting they will introduce from the floor the following resolution:

"RESOLVED: That the stockholders of Burlington Industries, Inc., assembled in annual meeting in person and by proxy, hereby request the deletion of the paragraph in Article Fourteenth requiring an affirmative vote of 80% and substitute the provision that it should only require an affirmative vote of owners of ⅔rds of the stock.

REASONS: "Strong support along the lines we suggest were shown at the last annual meeting when 31.7%, 1,286 owners of 6,959,342 shares, were cast in favor of this proposal, an increase over the previous year. The vote against included 3,375 unmarked proxies.

"The late Benjamin Graham, dean of financial analysts, made a speech on this subject to the Chartered Financial Analysts. He was quoted by Robert Metz in the New York Times as follows:

> 'Several managements have recently asked stockholders to vote charter changes that would make such acquisitions more difficult to accomplish against their opposition—in other words, make it more difficult to deprive present officers of their jobs and more difficult for stockholders to obtain an attractive price for their shares.
>
> 'The stockholders, still sheeplike, generally approve such proposals.

'If this movement becomes widespread, it could really harm investors' interests. I hope that financial analysts will form a sound judgment about what is involved here and do what they can to dissuade stockholders from cutting their own throats in such a foolish and reckless fashion.'

"If you agree, please mark your proxy for this resolution; otherwise it is automatically cast against it, unless you have marked to abstain."

The Board of Directors recommends a vote "AGAINST" the adoption of this resolution.

Article Fourteenth of the Corporation's Certificate of Incorporation was adopted by the stockholders at the 1983 Annual Meeting, and proposals to amend the Article, identical to this year's proposal, were rejected at the 1984, 1985 and 1986 meetings.

The purpose of Article Fourteenth was to assure that all stockholders receive a fair price in the event of certain business combinations which the Board of Directors deems to be potentially unfair. It attempts to accomplish this goal by providing that these business combinations may not be completed unless one of three requirements is met: (1) the Board, under specified circumstances, approves the transaction; or (2) certain procedural and minimum price criteria, designed to provide some assurance that all stockholders receive the same price in the combination, are satisfied; or (3) holders of 80% of the voting stock approve the combination. It is this 80% approval alternative which the stockholder proposal requests be changed.

The Board of Directors believes that the considerations underlying its original decision to recommend Article Fourteenth to the stockholders, including the 80% vote alternative which is the subject of the proposal, are equally valid today. The Board also believes that the same circumstances which led stockholders to adopt this Article by a very wide margin, and to reject this amendment at the last three annual meetings (and which caused stockholders at numerous other corporations to approve similar provisions) are equally compelling at this time.

Accordingly, the Board believes that no useful purpose would be served by submitting the requested change to Article Fourteenth for reconsideration by the stockholders. Moreover, because of the procedural requirements of Delaware law, the proposal would be ineffective, regardless of the vote received, to effect the requested change unless the Board decides, on its own initiative, to resubmit the Article for further stockholder consideration. If submitted, amendment of the Article would require an affirmative vote of 80% of the then outstanding shares of voting stock.

Proxies solicited by management will be voted "AGAINST" the adoption of the foregoing resolution if no choice is otherwise indicated.

Stockholder Proposals in the 1987 Proxy Statement

Stockholder proposals for inclusion in next year's Proxy Statement must be received by the close of business on August 24, 1987 at the principal offices of the Corporation, P. O. Box 21207, Greensboro, North Carolina 27420, Attention: Secretary.

7. Other Matters

The management of the Corporation is not aware of any other matter which may be presented for action at the meeting but, should another matter requiring the vote of the stockholders properly come before the meeting, the persons named in the Proxy will exercise their discretion to vote such Proxy in accordance with their best judgment.

Stockholders are urged to specify choices on the enclosed Proxy and to date and return it in the enclosed envelope. Your prompt response and cooperation will be appreciated.

By Order of the Board of Directors

Secretary

December 22, 1986