CASTLEGUARD ENERGY INC
Form DEF 14A
May 12, 2003

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
The Securities Exchange Act of 1934, as amended

Filed by the registrant [X]

Filed by a party other than the registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

CASTLEGUARD ENERGY, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(I)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the fling fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

CASTLEGUARD ENERGY, INC.

4625 Greenville Avenue, Suite 203
Dallas, Texas 75206

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held June 23, 2003

TO: THE SHAREHOLDERS OF CASTLEGUARD ENERGY, INC.

TAKE NOTICE that the Annual Meeting of the shareholders of Castleguard Energy, Inc. (the "Company") will be held at 17768 Preston Road, Dallas, Texas 75252 on June 23, 2003 at 10:00 a.m. (the "Meeting") for the following purposes:

1. to elect directors, to serve until the next annual meeting of stockholders;
2. to appoint Whitley Penn, P. C., Dallas, Texas, as auditors for the Company; and
3. to transact such other business as may properly come before the Meeting or any adjournment thereof.

The board of directors of the Company has nominated the four directors presented in this proxy statement for election and unanimously recommends that you vote "**FOR**" the election of the four nominees to the board of directors and "**FOR**" the appointment of Whitley Penn.

The specific details of the matters proposed to be put before the Meeting, including the form of the resolutions, are set forth in the Proxy Statement of the Company accompanying this Notice of Meeting.

This proxy statement, the accompanying proxy card are first being mailed on May 14, 2003, to all stockholders of the Company. Although the Annual Report and this proxy statement are being mailed together, the Annual Report does not form any part of this proxy statement.

Record Date and Outstanding Shares

The board of directors of the Company fixed the close of business on April 25, 2003, as the record date (the "Record Date") for the annual meeting. Accordingly, only holders of record of the Company's common stock, no par value per share, at the close of business on the record date will be entitled to vote at the annual meeting, either by proxy or in person. As of the record date, 19,226,626 shares of the Company's common stock were issued and 17,364,626 shares were outstanding. Each share of the Company's outstanding common stock entitles the stockholder to one vote on each matter to be submitted to stockholders at the annual meeting. There were 48 stockholders of record as of the record date.

Only holders of Common Shares of record at the close of business on the Record Date are entitled to receive notice of and to attend and vote at the Meeting, except to the extent that such shareholder has transferred the ownership of any of the shareholder's shares after the Record Date, and the transferee of such shares produces properly endorsed share certificates or otherwise establishes that such transferee owns the shares and demands, no later than 10 days before the Meeting, that his name be included on the list of persons entitled to vote at the Meeting.

Shareholders who are unable to attend the Meeting or any adjournment thereof in person and who wish to ensure that their shares will be voted are requested to complete, sign and mail the enclosed form of proxy in accordance with the instructions set out in the form of proxy and in the Proxy Statement of the Company accompanying this Notice.

A form of proxy will not be valid unless it is deposited with Interwest Transfer Company, Inc., 1981 East 4800 South, Suite 100, Salt Lake City, Utah 84117 not later than the close of business on the business day preceding the date of the Meeting or any adjournment thereof, or unless it is delivered to the Chairman of the Meeting prior to the commencement of the Meeting or any adjournment thereof.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Bob G. Honea

Bob G. Honea

President

May 9, 2003

Dallas, Texas

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CASTLEGUARD ENERGY INC.

ANNUAL MEETING OF STOCKHOLDERS

June 23, 2003

Purpose

The annual meeting will be held at 10:00 a.m. on June 23, 2003, at 17768 Preston Road, Dallas, Texas 75252. At the annual meeting, the Company's stockholders will be asked to consider and vote upon the following proposals:

1. to elect directors, to serve until the next annual meeting of stockholders;
2. to appoint Whitley Penn, P. C., Dallas, Texas, as auditors for the Company;
3. to transact such other business as may properly come before the Meeting or any adjournment thereof.

Record Date and Outstanding Shares

The board of directors of the Company fixed the close of business on April 25. 2003, as the record date for the annual meeting. Accordingly, only holders of record of the Company's common stock, no par value per share, at the close of business on the record date will be entitled to vote at the annual meeting, either by proxy or in person. As of the record date, 19,226,626 shares of the Company's common stock were issued and 17,364,626 shares were outstanding (the "Common Shares"). Each share of the Company's outstanding common stock entitles the stockholder to one vote on each matter to be submitted to stockholders at the annual meeting. There were 48 stockholders of record as of the record date.

Solicitation of Proxies

THIS PROXY STATEMENT IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF CASTLEGUARD ENERGY, INC.

(the "Company") for use at the Annual Meeting of the shareholders of the Company (the "Meeting") to be held on June 23, 2003, at 10:00 a.m. at 17768 Preston Road, Dallas, Texas 75252, for the purposes as set out in the accompanying Notice of Meeting. As a shareholder, you are cordially invited to be present at the Meeting. To ensure that you will be represented at the Meeting in the event that you are unable to attend personally, you are requested to complete, date and sign the accompanying form of proxy and return it to Interwest Transfer Company, Inc., 1981 East 4800 South, Suite 100, Salt Lake City, Utah 84117, not later than the close of business on the last business day preceding the date of the Meeting or any adjournment thereof.

The costs incurred in the preparation and mailing of the form of proxy, Notice of Annual Meeting and this Proxy Statement will be borne by the Company. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors and officers of the Company, who will not be specifically remunerated therefor. While no arrangements have been made to date by the Company, the Company may contract for the distribution and solicitation of proxies for the Meeting. The costs incurred by the Company in soliciting proxies will be paid by the Company.

No person is authorized to give any information or make any representations other than those contained in this Proxy Statement and if given or made, such information or representations must not be relied upon as having been authorized to be given or made. Except where otherwise stated, the information contained herein is given as of April 25, 2003.

Appointment of Proxy

The form of proxy shall be in writing and shall be executed by the shareholder or the shareholder's attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

The persons named in the enclosed form of proxy are directors and/or officers of the Company. Each shareholder has the right to appoint a proxyholder other than such directors and/or officers, who need not be a shareholder, to attend and to act for the shareholder at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the shareholder's appointee should be legibly printed in the blank space provided in the enclosed form of proxy or another form of proxy should be completed. Such shareholder should notify the nominee of his appointment, obtain his consent to act as proxy and instruct him on how the shareholder's shares are to be voted.

Revocability of Proxy

A shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing, or if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

Exercise of Discretion by Proxy

The persons named in the enclosed form of proxy have indicated their willingness to represent, as proxyholders, the shareholders who appoint them. Each shareholder may instruct his or her proxyholders as to how to vote the Common Shares represented by the proxy by completing the blanks in the form of proxy.

Common Shares represented by properly executed proxies in favor of the persons designated in the enclosed form of proxy will be voted or withheld from voting on any poll in accordance with instructions given on the form of proxy. If a shareholder specifies a choice as to any matters to be acted upon, such shareholder's Common Shares shall be voted accordingly.

In the absence of such specification, the shares will be voted in favor of the matters to be acted upon. The persons appointed under the Proxy furnished by the Company are conferred with discretionary authority with respect to amendments or variations of those matters specified in the Notice of Annual Meeting and with respect to other matters, which may properly come before the Meeting. As of the date of this Proxy Statement, management of the Company knows of no such amendment, variation or other matter.

Voting of Common Shares

The Board of Directors of the Company has fixed the record date of the Meeting at the close of business on April 25, 2003. A person shown as a shareholder of record on the Record Date shall be entitled to vote the Common Shares registered in holder's name on that date, except to the extent that (a) the holder has transferred the ownership of any of his Common Shares after that date, and (b) the transferee of those Common Shares produces a properly endorsed share certificate or otherwise establishes that the transferee owns the Common Shares, and demands not later than 10 days before the Meeting that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting. As of the Record Date, there were 17,364,626 Common Shares of the Company outstanding, after deducting shares held in the treasury, each carrying the right to one vote.

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Security Ownership of Certain Beneficial Owners

The following individuals and entities are known by the Company to own beneficially more than five percent of the Company's common stock on the record date.

Name and address	Number of Shares (1)	Percent of Total Shares
--------------------------------	-------------------------	------------------
Scott Heape 17768 Preston Road	2,158,166 (2)	12.2%

Dallas, Texas 75252		
Bob G. Honea 4625 Greenville Avenue Suite 203 Dallas, Texas 75206	1,840,000 (3)	10.4%

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(1) Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. Unless otherwise indicated, each of the persons named has sole voting and investment power with respect to the shares reported.

(2) H&S Production, Inc. owns 260,000 shares of the Company's common stock. Mr. Heape owns 100% of the shares of H&S Production, Inc. Also includes 300,000 shares which may be purchased by Mr. Heape upon the exercise of options at $0.10 per share which expire September 7, 2011.

(3) Includes 820,000 shares held by National Tubular Products, Inc., Profit Sharing Plan & Trust, of which Mr. Honea is the principal beneficiary. Also includes 300,000 shares which may be purchased by Mr. Honea upon the exercise of options at $0.10 per share which expire September 7, 2011.

Security Ownership of Management

The following table and notes to the table set forth the information with respect to the shares of common stock beneficially owned as of the record date by:

- each director of the Company;
- each executive officer of the Company; and
- all directors and executive officers of the Company as a group.

Directors and Executive Officers

Name and address	Position Held	Number of Shares (1)	Approximate Percent of Common Stock Outstanding
Scott Heape 17768 Preston Road Dallas, Texas 75252	Chairman and Director since 1998	2,158,166 (2)	12.2
Bob G. Honea 4625 Greenville Avenue Suite 203 Dallas, Texas 75206	President, Secretary, Treasurer and Director since 1998	1,840,000 (3)	10.4

Benton Poole 2231 Ridge Road Suite 200 Rockwall, TX 75087	Director since 1998	677,200 (4)	3.9
Harvey Jury 17768 Preston Road Dallas, Texas 75252	Director since 2003(5)	130,000	2.7
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All directors and executive officers as a group (4 individuals, including the executive officers and directors listed above)		4,805,366 (6)	26.6

(1) Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. Unless otherwise indicated, each of the persons named has sole voting and investment power with respect to the shares reported.

(2) H&S Production, Inc. owns 260,000 shares of the Company's common stock. Mr. Heape owns 100% of the shares of H&S Production, Inc. Includes options to purchase 300,000 shares which are currently exercisable.

(3) Includes 820,000 shares held by National Tubular Products, Inc., Profit Sharing Plan & Trust, of which Mr. Honea is the principal beneficiary. Includes options to purchase 300,000 shares which are currently exercisable.

(4) Includes shares held by Poole & Moffett Profit Sharing Trust fbo Benton J. Poole of which Mr. Poole is the principal beneficiary. Includes options to purchase 100,000 shares which are currently exercisable.

(5) Appointed by Board of Directors on April 11, 2003 to complete the term of G. Neil L. Kennedy after his death in early 2003.

(6) Includes options to purchase 700,000 shares which are currently exercisable.

ITEM 1. ELECTION OF DIRECTORS

Director Nominees

The Bylaws of the Company provide that the number of directors shall be determined by resolution of the Board of Directors or by the stockholders at an annual or special meeting called for such purpose. Four directors will be elected at the annual meeting to serve until the Company's next annual meeting of stockholders and until their respective successors are elected and qualified, or until the earliest of their death, resignation or removal.

The following sets forth certain information for each nominee and for each continuing director of the Company. There is no family relationship between any of the directors or between any director and any executive officer of the Company.

Management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

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The following sets forth the four persons proposed to be nominated for election as directors, all positions and offices with the Company now held by them, their principal occupations during the last five years, and the periods during which they have served as directors of the Company. For information on the number of Common Shares of the Company beneficially owned, directly or indirectly, by each of them, or over which they exercise control or direction, as of April 25, 2003, please see the table under "Security Ownership of Management."

Scott G. Heape

Mr. Heape is a director and Chairman of the Board of the Corporation. Mr. Heape is President and Founder of H & S Production, Inc. and HSP Geophysical, Inc. He received a B.S. in Geology from Tulane University in 1972. He has engaged in all phases of the oil and gas business since 1972 where he served as an exploration geologist with Lone Star Producing Company, a wholly owned subsidiary of Lone Star Gas (now part of TXU Corp.). From 1972 to 1975, Mr. Heape performed extensive geological work for Lone Star in East Texas, Northern Louisiana, and Southern Arkansas. He joined Bass Enterprises in 1975 and left Bass in 1976 to form H & S Production, Inc., a Texas corporation.

Mr. Heape is a Certified Petroleum Geologist by the American Association of Petroleum Geologists, a Certified Professional Geological Scientist by the Association of Professional Geological Scientists, a member of the Independent Petroleum Association of America (IPAA), the Society of Independent Professional Earth Scientists (SIPES), the Texas Independent Production and Royalty Owners Association (TIPRO), the East Texas Geological Society and the Dallas Geological Society.

Bob G. Honea

Mr. Honea is the President and a director of the Corporation. Mr. Honea has over 30 years of experience in the domestic and international oil field tubular business. During this time, he has dealt with both major and independent oil and gas companies.

Mr. Honea has been the President of National Tubular Products, Inc, and NTP Energy, Inc. since 1974. Both companies are located in Dallas, Texas.

Benton J. Poole

Mr. Poole is a director of the Corporation. Mr. Poole received a Bachelor of Business Administration degree from the Texas Tech University in 1973 and a Doctor of Jurisprudence degree from Texas Tech University School of Law in 1976. Mr. Poole has 25 years of experience in the private practice of law, concentrating in oil, gas and mineral law. He is a member of the Oil, Gas and Mineral Law/Energy Law Section of the American Bar Association, the State Bar of Texas, and the Dallas Bar Association.

Harvey Jury

Mr. Jury is founder and managing director of Jury & Associates, a Dallas-based management and marketing consulting organization. Jury & Associates and its predecessors have been serving clients throughout the United States since 1970. Jury & Associates clients are active in oil and gas, commercial and residential real estate, title insurance, investment management, banking and trust services, and other financial services.

The board of directors of the Company recommends that the stockholders vote "FOR" each of the four nominees named above.

Meetings of the Board of Directors

The board of directors held one meeting during the fiscal year ended December 31, 2002, by telephone conference call and acted on three occasions by unanimous written consent. Each director participated in all of the meetings of the board of directors held. Other than the compensation committee that was established in year 2000, the board of directors did not have an audit, executive or other committee during the fiscal year ended December 31, 2002. Messrs. Poole and Kennedy served on the compensation committee which has not functioned since March 2001.

Directors Compensation

None of the directors receive a fee for their attendance at directors' meetings.

Executive Compensation

Neither the chief executive officer or any other executive officer of the Company received any cash salary or bonus during the fiscal year ended December 31, 2002.

Option Grants in Last Fiscal Year

No options were granted during calendar 2002.

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year End Option/SAR Values

No stock options or stock appreciation rights were exercised by any executive officer of the Company in the year 2002, and 1,000,000 options on shares of the Company's common stock were outstanding at the end of year 2002.

Option Exercises and Holdings

The following table sets forth the options that were issued to the directors and which remain outstanding at December 31, 2002:

	Number of	Percentage of Total		Number of Securities Underlying Unexercised Options at	Value of Unexercised In-the-money

Executive	Options Granted	Options Granted	Date Granted	Exercise Price	Fiscal Year-End (all exercisable)	Options Fiscal Year-End
Scott G. Heape	300,000	30	9/7/01	$ .10	300,000	0
Bob G. Honea	300,000	30	9/7/01	$ .10	300,000	0
Benton J. Poole	100,000	10	9/7/01	$ .10	100,000	0
G. Neil R. Kennedy	100,000	10	9/7/01	$ .10	100,000	0

There are no Stock Appreciation Rights (SAR) outstanding.

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Employment Contracts and Termination of Employment and Change-in-Control Arrangements

The Company does not have any employment agreements with any of its officers.

Compliance With Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors, executive officers and beneficial owners of more than 10% of the Company's common stock to file with the Securities and Exchange Commission ("SEC") initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) reports they file. We have reviewed the reports from officers and directors. Based on this review, the Company believes that all filing requirements during 2002 were met.

ITEM 2. APPOINTMENT OF AUDITORS

The shareholders will be asked to vote for the appointment of Whitley Penn, P.C. as auditors of the Company until the close of the next annual general meeting, at such remuneration as may be approved by the board of directors of the Company. Whitley Penn, P.C. has been the auditor of the Company since 2002, when it combined with the audit practice of Jackson & Rhodes, P.C. which had served as auditor for the Company since April 2000. The persons designated in the enclosed form of proxy, unless instructed otherwise, intend to vote for the appointment of Whitley Penn, P.C., as auditor of the Company. A representative of Whitley Penn, P.C. will be available at the meeting to answer any appropriate questions.

Audit Fees: For professional services rendered for the audit of the Company's annual financial statements (included in the Company's Annual Report on Form 10-KSB for 2002) and the review of the Company's financial statements included in the Company's Quarterly Reports on Form 10-QSB for 2002, Whitley Penn, P.C. has billed the Company a total of $16,800 in fees.

Financial Information Systems Design and Implementation Fees: Whitley Penn, P.C. has not performed (and has not billed the Company for) any financial information systems design and implementation fees for 2002.

All Other Fees: Jackson & Rhodes, P.C. prepared the Company's corporate tax return for the year 2001 for which it billed fees of $2,448.

After reviewing the Company's business relationship with Whitley Penn, P.C., the Board of Directors has affirmed its belief that the business relationship meets the requisite standards of auditor independence.

ITEM 3. OTHER MATTERS

Management is not aware of any matter to come before the Meeting other than the matters referred to in the Notice of the Meeting. However, if any other matter properly comes before the Meeting, the accompanying form of proxy confers discretionary authority to vote with respect to amendments or variations to matters identified in the Notice of the Meeting and with respect to other matters that properly may come before the Meeting.

Market for Common Stock

The Company's common stock is traded on the NASD Over-the-Counter Bulletin Board.

Dividends

The Company has never declared or paid any cash dividends on the common stock and does not presently intend to pay cash dividends on the common stock in the foreseeable future. The Company intends to retain future earnings for use in connection with future business plans.

APPROVAL AND CERTIFICATION

The contents and sending of this Proxy Statement have been approved by the directors of the Company.

Where information contained in this Proxy Statement rests peculiarly within the knowledge of a person other than the Company, the Company has relied upon information furnished by such person.

By Order of the Board of Directors,

/s/ Scott Heape
Scott Heape
Chairman

/s/ Bon Honea

Bob G. Honea
President

May 9, 2003

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CASTLEGUARD ENERGY INC.

PROXY

Annual Shareholders Meeting

June 23, 2003

(Please read the enclosed Proxy Statement before completing this Proxy Form)

This Proxy is Solicited on Behalf of the

Board of Directors of the Company

The undersigned Shareholder of Castleguard Energy, Inc. (the "Corporation") hereby constitutes and appoints Scott Heape, Chairman of the Company, or failing him, Bob G. Honea, Director of the Company, as proxy for the undersigned, with power of substitution, to attend, act and vote on behalf of the undersigned at the Annual Meeting of Shareholders of the Company to be held on June 23, 2003 and at any or all adjournments thereof, in the same manner, to the same extent and with the same power as if the undersigned were present at the said meeting or any and all adjournments thereof and, without limiting the general authorization given, the persons above named are specifically directed to vote on behalf of the undersigned in the following manner:

1. FOR ________ or AGAINST ________ or WITHHOLD ________

the election of Scott Heape, Bob G. Honea, Harvey Jury and Benton Poole as directors of the Company, as specified in the Proxy Statement dated May 11, 2003.

(Instruction: To withhold authority to vote for individual nominees, write their names in the space provided below)

____

2. FOR ________ or AGAINST ________ or ABSTAIN ________

the appointment of Whitley Penn, P.C., as auditors.

3. Conferring discretionary authority, to vote on amendments or variations to the matters identified in the Notice of Meeting and on all other matters that may properly come before the Meeting or any adjournment thereof:

THE UNDERSIGNED HEREBY REVOKES ANY PROXIES HERETOFORE GIVEN, THIS PROXY IS SOLICITED ON BEHALF OF MANAGEMENT AND WILL BE VOTED AS DIRECTED IN THE SPACES PROVIDED ABOVE OR, IF NO DIRECTION IS GIVEN, IT WILL BE VOTED IN FAVOR OF EACH OF THE ABOVE MATTERS.

DATED this _________ day of ______________________, 2003.

____

SIGNATURE OF SHAREHOLDER

NAME OF SHAREHOLDER - Please Print

NUMBER OF SHARES

(1) A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON, WHO NEED NOT BE A SHAREHOLDER, TO ATTEND AND ACT ON HIS BEHALF AT THE ANNUAL MEETING OTHER THAN THE PERSONS DESIGNATED IN THIS FORM OF PROXY. THIS RIGHT MAY BE EXERCISED BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED FOR THAT PURPOSE OR BY COMPLETING ANOTHER PROPER FORM OF PROXY AND, IN EITHER CASE, BY DELIVERING THE COMPLETED FORM OF PROXY TO THE CORPORATION AS INDICATED BELOW.

(2) This form of proxy must be dated and must be executed by the shareholder or his attorney authorized in writing or, if the shareholder is a body corporate, under its corporate seal or by an officer or attorney thereof duly authorized. A copy of such authorization should accompany this form of proxy. Persons signing as executors, administrators, trustees etc. should so indicate. If this form of proxy is not dated, it shall be deemed to bear the date on which it was mailed to the shareholder by the Company.

(3) In order for this form of proxy to be effective at the Meeting or any adjournment thereof, it must be completed, signed and deposited with Interwest Transfer Company, Inc., 1981 East 4800 South, Suite 100, Salt Lake City, Utah 84117, not later than the close of business on the business day preceding the Meeting or an adjournment thereof or with the Chairman of the Meeting on the day of the Meeting prior to the commencement or any adjournment thereof.

g economic, competitive, regulatory and technological risks and uncertainties because of the nature of our operations. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we note the following factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied in this report. Many of the forward-looking statements contained in this document may be identified by the use of words such as intend, believe, expect, anticipate, shou planned, projected, estimated and potential, among others. Among the factors that could cause our actual results to differ materially from the results projected in our forward-looking statements are the risk factors described below.

Issues or concerns related to the quality and safety of our products, ingredients or packaging could cause a product recall and/or result in harm to the Company s reputation, negatively impacting our operating results.

In order to sell our iconic, branded products, we need to maintain a good reputation with our customers and consumers. Issues related to quality and safety of our products, ingredients or packaging, could jeopardize our Company s image and reputation. Negative publicity related to these types of concerns, or related to product contamination or product tampering, whether valid or not, might negatively impact demand for our products, or cause production and delivery disruptions. We may need to recall products if any of our products become unfit for consumption. In addition, we could potentially be subject to litigation or government actions, which could result in payments of fines or damages. Costs associated with these potential actions could negatively affect our operating results.

Increases in raw material and energy costs could affect future financial results.

We use many different commodities for our business, including cocoa products, sugar, dairy products, peanuts, almonds, corn sweeteners, natural gas and fuel oil.

Commodities are subject to price volatility and changes in supply caused by numerous factors, including:

- Commodity market fluctuations;
- Currency exchange rates;
- Imbalances between supply and demand;
- The effect of weather on crop yield;
- Speculative influences;
- Trade agreements among producing and consuming nations;
- Political unrest in producing countries; and
- Changes in governmental agricultural programs and energy policies.

Although we use forward contracts and commodity futures and options contracts, where possible, to hedge commodity prices, commodity price increases ultimately result in corresponding increases in our raw material and energy costs. If we are unable to offset cost increases for major raw materials and energy, there could be a negative impact on our results of operations and financial condition.

Price increases may not be sufficient to offset cost increases and maintain profitability.

We may be able to pass some or all raw material, energy and other input cost increases to customers by increasing the selling prices of our products or decreasing the size of our products; however, higher product prices or decreased product sizes may also result in a reduction in sales volume. If we are not able to increase our selling prices or reduce product sizes sufficiently to offset increased raw material, energy or other input costs, including packaging, direct labor, overhead and employee benefits, or if our sales volume decreases significantly, there could be a negative impact on our results of operations and financial condition.

During 2008 we announced substantial increases in wholesale prices across our chocolate and sugar confectionery product lines to partially offset significant increases in our input costs. Since we are honoring previously committed promotions and merchandising events, price increases will not be fully effective until the second half of 2009. If our sales volume decreases significantly or if we need to substantially increase promotional spending as a result of these price increases, there could be a negative impact on our revenue, profitability and cash flows.

Market demand for new and existing products could decline.

We operate in highly competitive markets and rely on continued demand for our products. To generate revenues and profits, we must sell products that appeal to our customers and to consumers. Continued success is dependent on product innovation, including maintaining a strong pipeline of new products, effective retail execution, appropriate advertising campaigns and marketing programs, and the ability to secure adequate shelf space at retail locations. In addition, success depends on our response to consumer trends, consumer health concerns, including obesity and the consumption of certain ingredients, and changes in product category consumption and consumer demographics.

Our largest customer, McLane Company, Inc., accounted for approximately 26% of our total net sales in 2008 reflecting the continuing consolidation of our customer base. In this environment, there continue to be competitive product and pricing pressures, as well as challenges in maintaining profit margins. We must maintain mutually beneficial relationships with our key customers, including retailers and distributors, to compete effectively. McLane Company, Inc. is one of the largest wholesale distributors in the United States to convenience stores, drug stores, wholesale clubs and mass merchandisers, including Wal-Mart Stores, Inc.

Increased marketplace competition could hurt our business.

The global confectionery packaged goods industry is intensely competitive, as is the broader snack market. Some of our competitors are much larger firms that have greater resources and more substantial international operations. In order to protect our existing market share or capture increased market share in this highly competitive retail environment, we may be required to increase expenditures for promotions and advertising, and continue to introduce and establish new products. Due to inherent risks in the marketplace associated with advertising and new product introductions, including uncertainties about trade and consumer acceptance, increased expenditures may not prove successful in maintaining or enhancing our market share and could result in lower sales and profits. In addition, we may incur increased credit and other business risks because we operate in a highly competitive retail environment.

Changes in governmental laws and regulations could increase our costs and liabilities or impact demand for our products.

Changes in laws and regulations and the manner in which they are interpreted or applied may alter our business environment. This could affect our results of operations or increase our liabilities. These negative impacts could result from changes in food and drug laws, laws related to advertising and marketing practices, accounting standards, taxation requirements, competition laws, employment laws and environmental laws, among others. It is possible that we could become subject to additional liabilities in the future resulting from changes in laws and regulations that could result in an adverse effect on our results of operations and financial condition.

Political, economic, and/or financial market conditions in the United States and abroad could negatively impact our financial results.

Our operations are impacted by consumer spending levels and impulse purchases which are affected by general macroeconomic conditions, consumer confidence, employment levels, availability of consumer credit and interest rates on that credit, consumer debt levels, energy costs and other factors. Continued volatility in food and energy costs, a sustained global recession, rising unemployment, and continued declines in personal spending could adversely impact the Company s revenues, profitability and financial condition.

Domestic and international financial institutions have reported significant losses as a result of asset write-offs. In addition, short and long-term debt investors have become increasingly cautious in providing financing to companies. As a result of these two events, our Company, our customers and our suppliers could face difficulty in securing debt financing. While governments around the world are enacting measures to support financial institutions and the credit markets, there are no guarantees that these efforts will ultimately succeed. If they do not, increased volatility and disruption in the global capital and credit markets could continue. This could result in reduced liquidity for our Company, our customers and our suppliers. If current credit market conditions continue, the Company could experience an increase in bad debt expense or liquidity may be reduced and short-term financing costs could increase. These conditions could impair our ability to access credit markets on commercially acceptable terms, resulting in higher interest expense, or reduced cash flows.

International operations could fluctuate unexpectedly and adversely impact our business.

In 2008, we derived approximately 14.4% of our net sales from customers located outside the United States. Some of our assets are also located outside of the United States. As part of our global growth strategy, we are increasing our investments outside of the United States, particularly in India and China. As a result, we are subject to numerous risks and uncertainties relating to international sales and operations, including:

- Unforeseen global economic and environmental changes resulting in business interruption, supply constraints, inflation, deflation or decreased demand;
- Difficulties and costs associated with complying with, and enforcing remedies under a wide variety of complex laws, treaties and regulations;
- Different regulatory structures and unexpected changes in regulatory environments;
- Political and economic instability, including the possibility of civil unrest;
- Nationalization of our properties by foreign governments;
- Tax rates that may exceed those in the United States and earnings that may be subject to withholding requirements and incremental taxes upon repatriation;
- Potentially negative consequences from changes in tax laws;

The imposition of tariffs, quotas, trade barriers, other trade protection measures and import or export licensing requirements;

Increased costs, disruptions in shipping or reduced availability of freight transportation;

The impact of currency exchange rate fluctuations between the U.S. dollar and foreign currencies; and

Failure to gain sufficient profitable scale in certain international markets resulting in losses from impairment or sale of assets.

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Future developments related to the investigation by government regulators of alleged pricing practices by members of the confectionery industry could impact our reputation, the regulatory environment under which we operate, and our operating results.

Government regulators are investigating alleged pricing practices by members of the confectionery industry in certain jurisdictions. We are cooperating fully with all relevant authorities. These allegations could have a negative impact on our Company s reputation. We also may be required to incur defense costs in litigation or government action and/or be subject to fines or damages. In addition, our costs could increase if we became subject to new or additional government-mandated regulatory controls. These possible actions could negatively impact our future operating results.

Pension costs or funding requirements could increase at a higher than anticipated rate.

Changes in interest rates or in the market value of plan assets could affect the funded status of our pension plans. This could cause volatility in our benefits costs and increase future funding requirements of our pension plans. Additionally, we could incur pension settlement losses if a significant number of employees who have retired or have left the company decide to withdraw substantial lump sums from their pension accounts. Pension settlement losses of approximately $15.3 million and $11.8 million were incurred during 2008 and 2007, respectively, and we anticipate additional settlement costs in 2009. As of December 31, 2008, our pension benefits obligations exceeded the fair value of our pension plan assets by $40.8 million. A significant increase in pension expense or in future funding requirements could have a negative impact on our results of operations, financial condition and cash flows. For more information, refer to page 42.

Annual savings from initiatives to transform our supply chain and advance our value-enhancing strategy may be less than we expect.

In February 2007, we announced a comprehensive global supply chain transformation program which includes a phased three-year plan to enhance our manufacturing, sourcing and customer service capabilities. We expect ongoing annual savings from this program and previous initiatives to generate significant savings to invest in our growth initiatives and to advance our value-enhancing strategy. If ongoing annual savings do not meet our expectations, we may not obtain the anticipated future benefits.

Implementation of our global supply chain transformation program may not occur within the anticipated timeframe and/or may exceed our cost estimates.

Completion of the global supply chain transformation program is subject to multiple operating and executional risks, including coordination of manufacturing changes, production line startups, cross-border legal, regulatory and political issues, and foreign currency exchange risks, among others. If we are not able to complete the program initiatives within the anticipated timeframe and within our cost estimates, our results of operations and financial condition could be negatively impacted. We estimate that the global supply chain transformation program will incur pre-tax charges and non-recurring project implementation costs at the upper end of a $575 million to $600 million range over the three-year implementation period, excluding possible increases in pension settlement charges as discussed on pages 49 and 50.

Item 1B. ***UNRESOLVED STAFF COMMENTS***
None.

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Item 2. ***PROPERTIES***

Our principal properties include the following:

Country	Location	Type		Status (Own/ Lease)
United States	Hershey, Pennsylvania	Manufacturing	confectionery products and food and beverage enhancers	Own
	(3 principal plants)			
	Lancaster, Pennsylvania	Manufacturing	confectionery products	Own
	Robinson, Illinois	Manufacturing	confectionery and snack products, and food and beverage enhancers	Own
	Stuarts Draft, Virginia	Manufacturing	confectionery products and food and beverage enhancers	Own
	Edwardsville, Illinois	Distribution		Own
	Palmyra, Pennsylvania	Distribution		Own
	Redlands, California	Distribution		Lease*
Canada	Smiths Falls, Ontario	Manufacturing	confectionery products and food and beverage enhancers	Own**
	Mississauga, Ontario	Distribution		Lease
Mexico	Monterrey, Mexico	Manufacturing	confectionery products	Own

* We sold the Redlands, California facility in March 2008 as part of our global supply chain transformation program and entered into a leasing arrangement for a period of fifteen months, terminating on June 30, 2009.

** The Smiths Falls, Ontario manufacturing facility ceased production in December 2008 and is being held for sale.

In addition to the locations indicated above, we are constructing a distribution facility in Ogden, Utah which will begin operations in 2009. We also own or lease several other properties and buildings worldwide which we use for manufacturing and for sales, distribution and administrative functions. Our facilities are well maintained. These facilities generally have adequate capacity and can accommodate seasonal demands, changing product mixes and certain additional growth. The largest facilities are located in Hershey and Lancaster, Pennsylvania and in Stuarts Draft, Virginia. Many additions and improvements have been made to these facilities over the years and they include equipment of the latest type and technology.

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Item 3. ***LEGAL PROCEEDINGS***

In connection with its pricing practices, the Company is the subject of an antitrust investigation by the Canadian Competition Bureau. In addition, the U.S. Department of Justice notified the Company that it opened an inquiry but has not requested any information or documents. The European Commission had requested information and informed the Company that it had closed its file. The Company is also party to approximately 92 related civil antitrust suits in the United States and nine in Canada. Certain of these claims contain class action allegations, instituted on behalf of direct purchasers of our products as well as indirect purchasers that purchase our products for use or for resale. These suits allege conspiracies in restraint of trade in connection with the pricing practices of the Company. Several other chocolate confectionery companies are the subject of investigations and/or inquiries by the government entities referenced above and have also been named as defendants in the same litigation. One Canadian wholesaler is also a subject of the Canadian investigation and is a defendant in certain of the lawsuits. While it is not feasible to predict the final outcome of these proceedings, in our opinion they should not have a material adverse effect on the financial position, liquidity or results of operations of the Company. The Company is cooperating with the government investigations and inquiries and intends to defend the lawsuits vigorously.

We have no other material pending legal proceedings, other than ordinary routine litigation incidental to our business.

Item 4. ***SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS***

Not applicable.

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PART II

Item 5. ***MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

We paid $262.9 million in cash dividends on our Common Stock and Class B Stock in 2008 and $252.3 million in 2007. The annual dividend rate on our Common Stock in 2008 was $1.19 per share.

On February 17, 2009, our Board of Directors declared a quarterly dividend of $.2975 per share of Common Stock payable on March 13, 2009, to stockholders of record as of February 25, 2009. It is the Company s 317th consecutive Common Stock dividend. A quarterly dividend of $.2678 per share of Class B Stock also was declared.

Our Common Stock is listed and traded principally on the New York Stock Exchange (NYSE) under the ticker symbol HSY. Approximately 458.6 million shares of our Common Stock were traded during 2008. The Class B Stock is not publicly traded.

The closing price of our Common Stock on December 31, 2008 was $34.74. There were 40,549 stockholders of record of our Common Stock and our Class B Stock as of December 31, 2008.

The following table shows the dividends paid per share of Common Stock and Class B Stock and the price range of the Common Stock for each quarter of the past two years:

	Dividends Paid Per Share		Common Stock Price Range*	
	Common Stock	Class B Stock	High	Low