UNIVERSAL CORP /VA/
Form DEF 14A
June 28, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement

Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

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 § 240.14a-12

UNIVERSAL CORPORATION

(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)(l) 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 filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ 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:

ANNUAL MEETING OF SHAREHOLDERS

June 28, 2007

Dear Shareholder:

You are cordially invited to attend the 2007 Annual Meeting of Shareholders of Universal Corporation, which is to be held in our headquarters building located at 1501 North Hamilton Street, Richmond, Virginia, on Tuesday, August 7, 2007, commencing at 2:00 p.m. Eastern Time. At the Annual Meeting, you will be asked to elect four directors to serve three-year terms, to approve the Universal Corporation 2007 Stock Incentive Plan, and to approve amendments to our Amended and Restated Articles of Incorporation.

Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted at the Annual Meeting. You can vote by signing, dating, and returning the enclosed proxy card or voting instruction. Also, registered shareholders and participants in plans holding shares of our common stock may vote by telephone or over the Internet. Instructions for using these convenient services are set forth in the instructions for voting that are attached to the enclosed proxy card or voting instruction. Beneficial owners of shares of our common stock held in street name through a bank or brokerage account should follow the enclosed instructions for voting their shares. I hope you will be able to attend the Annual Meeting, but even if you cannot, please vote your shares as promptly as possible.

Sincerely,

/s/ Allen B. King
ALLEN B. KING
Chairman and Chief Executive Officer

Universal Corporation

P.O. Box 25099

Richmond, Virginia 23260

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Universal Corporation will be held in our headquarters building located at 1501 North Hamilton Street, Richmond, Virginia, on Tuesday, August 7, 2007, at 2:00 p.m. Eastern Time, for the following purposes:

(1) to elect four directors to serve three-year terms;

(2) to approve the Universal Corporation 2007 Stock Incentive Plan;

(3) to approve amendments to our Amended and Restated Articles of Incorporation:

  (a) to eliminate the requirement of a shareholder vote in those circumstances where the Virginia Stock Corporation Act otherwise permits the Board of Directors to take action without a shareholder vote;

  (b) to revise the indemnification and limitation on liability provisions; and

  (c) to make certain technical amendments to our Amended and Restated Articles of Incorporation described in detail in this Proxy Statement; and

(4) to act upon such other matters as may properly come before the meeting or any adjournments thereof.

Only holders of record of shares of our common stock at the close of business on June 19, 2007, shall be entitled to vote at the meeting.

By Order of the Board of Directors,

/s/ Preston D. Wigner
PRESTON D. WIGNER
Secretary

June 28, 2007

PROXY STATEMENT

FOR ANNUAL MEETING OF SHAREHOLDERS

UNIVERSAL CORPORATION

TO BE HELD AUGUST 7, 2007

APPROXIMATE DATE OF MAILING JUNE 28, 2007

QUESTIONS AND ANSWERS FOR ANNUAL MEETING

Q: Who is eligible to vote?

A: You may vote if you owned shares of Universal Corporation common stock, which we refer to as Common Stock, on June 19, 2007, the record date established by the Board of Directors under Virginia law for determining shareholders entitled to notice of and to vote at the 2007 Annual Meeting of Shareholders, which we refer to as the Annual Meeting. We had outstanding as of the record date 27,349,544 shares of Common Stock, each of which is entitled to one vote. Only shareholders of record of Common Stock at the close of business on June 19, 2007, will be entitled to vote.

In March and April 2006, we issued shares of Series B 6.75% Convertible Perpetual Preferred Stock, which we refer to as Preferred Stock. Shares of Preferred Stock have voting rights under certain circumstances. We believe that none of those circumstances exist with respect to the Annual Meeting, so shares of Preferred Stock have no voting rights with respect to matters presented in this Proxy Statement.

Q: Who is asking for my vote and why are you sending me this document?

A: We are providing this Proxy Statement and related proxy card or voting instruction to our shareholders in connection with the solicitation by the Board of Directors of proxies to be voted at the Annual Meeting. The Board of Directors asks that you vote on the matters listed in the Notice of Annual Meeting, which are more fully described in this Proxy Statement.

Q: What is a proxy?

A: A proxy is your legal designation of another person to vote the stock you own. If you designate someone as your proxy or proxy holder in a written document, that document also is called a proxy or a proxy card. Messrs. Allen B. King and David C. Moore have been designated as proxies or proxy holders for the Annual Meeting. Proxies properly executed and received by our Secretary prior to the Annual Meeting and not revoked will be voted in accordance with the terms thereof.

Q: What is a voting instruction?

A: A voting instruction is the instruction form you receive from your bank or broker if you hold your shares of Common Stock in street name. The instruction form instructs you how to direct your record holder to vote your shares of Common Stock.

Q: What will I be voting on at the Annual Meeting?

A: You will be voting on the following matters:

- Election of four directors to serve three-year terms.

- Approval of the Universal Corporation 2007 Stock Incentive Plan.

- Approval of amendments to our Amended and Restated Articles of Incorporation, which we refer to as our Articles of Incorporation:

  - to eliminate the requirement of a shareholder vote in those circumstances where the Virginia Stock Corporation Act, referred to herein as the VSCA, otherwise permits the Board of Directors to take action without a shareholder vote,

- to amend the indemnification and limitation on liability provisions of the Articles of Incorporation, and

- to make certain technical amendments to our Articles of Incorporation described in detail in this Proxy Statement.

Any other business properly raised at the meeting.

We are not aware of any matters that are to come before the Annual Meeting other than the ones described in this Proxy Statement. If other matters do properly come before the Annual Meeting, however, it is the intention of the persons named in the enclosed proxy card to exercise the discretionary authority conferred by the proxy to vote such proxy in accordance with their best judgment.

Q: What vote is needed to elect directors?

A: The election of each nominee for director requires the affirmative vote of the holders of a plurality of the shares of Common Stock voted in the election of directors.

Q: What vote is needed to approve the Universal Corporation 2007 Stock Incentive Plan?

A: Approval of the Universal Corporation 2007 Stock Incentive Plan requires the affirmative vote of the holders of a majority of the total votes cast on the Universal Corporation 2007 Stock Incentive Plan, provided that the total votes cast on the proposal represent over 50% of the outstanding shares of Common Stock.

Q: What vote is needed to approve the amendments to the Articles of Incorporation?

A: Approval of each of the proposals to amend our Articles of Incorporation requires the affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote at the Annual Meeting.

Q: What are the voting recommendations of the Board of Directors?

A: The Board of Directors recommends that shareholders vote **FOR** all of the nominees for director, **FOR** the approval of the Universal Corporation 2007 Stock Incentive Plan, and **FOR** the approval of each of the proposals to amend our Articles of Incorporation.

Q: How do I vote?

A: You may vote

- by attending the meeting and voting in person,

- by completing, signing, dating, and returning the enclosed proxy card or voting instruction in the self-addressed, stamped envelope provided, or by telephone or over the Internet by following the instructions provided on the enclosed proxy card or voting instruction.

Even if you plan to attend the Annual Meeting, we encourage you to vote your shares by proxy. Registered shareholders and participants in plans holding shares of Common Stock are urged to deliver proxies and voting instructions by calling a toll-free telephone number, by using the Internet, or by completing and mailing the enclosed proxy or voting instruction. The telephone and Internet voting procedures are designed to authenticate shareholders and plan participants identities, to allow shareholders and plan participants to give their proxies or voting instructions, and to confirm that such instructions have been recorded properly. Instructions for voting by telephone or over the Internet are set forth on the enclosed proxy card or voting instruction. Registered shareholders and plan participants may also send their proxies or voting instructions by completing, signing, and dating the enclosed proxy or voting instruction and returning it as promptly as possible in the enclosed postage-paid envelope. If your shares are held in street name with your bank or broker, please follow the instructions for voting that are enclosed with this Proxy Statement.

Q: Can I abstain or withhold my vote?

A: You may abstain or (only with respect to the election of directors) withhold your vote with respect to each item submitted for shareholder approval.

Q: Can I change or revoke my vote?

A: A shareholder may change or revoke a proxy at any time prior to its use. Any shareholder who executes a proxy has the power to change or revoke it at any time by:

- giving written notice to our Secretary, whose address is on page 5 of this Proxy Statement,
- executing a proxy dated as of a later date, or
- voting in person at the Annual Meeting.

If you voted by telephone or over the Internet, you can also revoke your vote by any of these methods or you can change your vote by voting again by telephone or over the Internet. If you decide to vote by completing, signing, dating, and returning the enclosed proxy card, you should retain a copy of the voter control number found on the proxy card in the event that you decide later to change or revoke your proxy by telephone or over the Internet. Your attendance at the Annual Meeting will not itself revoke a proxy.

Q: What if I do not specify a choice for a matter when returning a proxy?

A: Shareholders should specify their choice for each matter on the enclosed proxy. If no specific instructions are given, it is intended that all proxies that are signed and returned will be voted **FOR** all of the nominees for director, **FOR** the approval of the Universal Corporation 2007 Stock Incentive Plan, and **FOR** each of the proposals to amend our Articles of Incorporation, and according to the discretion of the proxy holders on any other business proposal properly raised at the Annual Meeting.

Q: Will my shares be voted if I do not provide my proxy?

A: It will depend on how your ownership of shares of Common Stock is registered. If you own your shares as a registered holder, which means that your shares of Common Stock are registered in your name, your unvoted shares will not be represented at the Annual Meeting and will not count toward the quorum requirement, which is explained under *What constitutes a quorum for the Annual Meeting?* below.

If you own your shares of Common Stock in street name, which means that your shares are registered in the name of your broker or its nominee, your shares may be voted even if you do not provide your broker with voting instructions. Brokers have the authority under the rules of the New York Stock Exchange to vote shares for which their clients do not provide voting instructions on certain routine matters. Except for certain non-routine items for which brokers are prohibited from exercising their discretion, a broker is entitled to vote on matters presented to shareholders without instructions from the beneficial owner.

Based on the rules of the New York Stock Exchange, we believe that the election of directors is a routine matter for which brokerage firms may vote on behalf of their clients if no voting instructions are provided. We believe the approval of the Universal Corporation 2007 Stock Incentive Plan and the approval of the amendments to our Articles of Incorporation are not routine matters for which brokerage firms may vote on behalf of their clients if no voting instructions are provided. It is important, therefore, that you remember to vote your shares.

Q: How are abstentions and broker non-votes counted?

A: Where brokers do not have discretion to vote or do not exercise such discretion, the inability or failure to vote is referred to as a broker non-vote. Under circumstances where a broker is not permitted to, or does not, exercise its discretion, assuming proper disclosure to us of such inability to vote, broker non-votes will not be counted as voting in favor of or against the particular matter.
Broker non-votes and withheld votes will not be included in the vote total for the proposal to elect the nominees for director and will not affect the outcome of the vote for this proposal. Under the rules of the New York Stock Exchange, abstentions are counted as votes cast on a proposal, and broker non-votes are not counted as votes cast on a proposal. Thus, broker non-votes will have no effect on the proposal to approve the Universal Corporation 2007 Stock Incentive Plan, provided that the total votes cast on the proposal to approve the Universal Corporation 2007 Stock Incentive Plan represent over 50% of the outstanding shares of Common Stock. Broker non-votes will, however, have the same effect as a vote against each of the proposals to amend our Articles of Incorporation. Abstentions will have the same effect as a vote against the proposal to approve the Universal Corporation 2007 Stock Incentive Plan and the proposals to amend our Articles of Incorporation.

Q: What constitutes a quorum for the Annual Meeting?

A: A majority of the shares entitled to vote, represented in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and shares of record held by a broker or its nominee that are voted on any matter are included in determining the number of votes present. Broker shares that are voted on at least one matter will be counted for purposes of determining the existence of a quorum for the transaction of business at the Annual Meeting. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present.

Q: Where can I find the results of the Annual Meeting?

A: We intend to announce preliminary voting results at the Annual Meeting and disclose final results in our Quarterly Report on Form 10-Q for the second quarter of fiscal year 2008.

Q: Where can I find Universal Corporation s corporate governance materials?

A: Our Corporate Governance Guidelines, including our independence standards for members of the Board of Directors, Code of Conduct, and the charters of the Audit Committee, the Executive Compensation, Nominating, and Corporate Governance Committee, and all other standing committees, are available on our Internet website at *http://phx.corporate-ir.net/phoenix.zhtml?c=89047&p=irol-govHighlights*, and are available in print to any shareholder upon request by contacting us at the following address or phone number:

Universal Corporation

P.O. Box 25099

Richmond, Virginia 23260

Attention: Investor Relations

Telephone: (804) 359-9311

Q: How do I communicate with the Board of Directors?

A: Shareholders and other interested parties may at any time direct communications to the Board of Directors, as a whole, to the director who presides at the executive sessions of the non-employee directors, or to any individual member of the Board of Directors, through our Internet website or by contacting our Secretary. The Contact Us Questions or Comments section of our Internet website at *http://www.universalcorp.com/Include/Menu-ContactUs.asp* contains an e-mail link established for receipt of communications with directors, and communications can also be delivered by mail by sending requests to our Secretary at Universal Corporation, P. O. Box 25099, Richmond, Virginia 23260, Attention: Secretary.

Shareholders making such communications are encouraged to state that they are shareholders and provide the exact name in which their shares of Common Stock are held and the number of shares held. Each individual communicating with the Board of Directors will receive a written acknowledgement from or on behalf of our Secretary after receipt of the communication sent in the manner described above. After screening such communications for issues unrelated to shareholder interests, our Secretary will distribute communications to the intended recipient(s) as appropriate. The process for such screening has been approved by our non-employee directors.

Q: Who pays for the solicitation of proxies?

A: We will pay all of the costs associated with the proxy solicitation. Proxies are being solicited by mail and may also be solicited in person or by telephone, facsimile, or other means of electronic transmission by our directors, officers, and employees. We will reimburse banks, brokerage firms, and other custodians, nominees, and fiduciaries for their reasonable expenses in forwarding proxy materials to the beneficial owners of shares of Common Stock. It is contemplated that additional solicitation of proxies will be made by D. F. King & Co., Inc., 77 Water Street, New York, New York 10005, at an anticipated cost to us of approximately $5,000, plus reimbursement of out-of-pocket expenses for such items as mailing, copying, phone calls, faxes, and other related matters.

Q: How can I obtain a copy of Universal Corporation s Annual Report on Form 10-K for the fiscal year ended March 31, 2007?

A: Our 2007 Annual Report to Shareholders, which includes a copy of our Annual Report on Form 10-K for the fiscal year ended March 31, 2007 (excluding exhibits) as filed with the Securities and Exchange Commission, is being mailed to shareholders with this Proxy Statement.

We will provide without charge to each person to whom this Proxy Statement has been delivered, on the request of any such person, additional copies of our Annual Report on Form 10-K, including the financial statements and financial statement schedules. Requests should be directed to Investor Relations at the address or phone number provided on page 4 of this Proxy Statement.

You can also obtain a copy of our Annual Report on Form 10-K free of charge through our Internet website at *http://phx.corporate-ir.net/phoenix.zhtml?c=89047&p=IROL-sec*. We make available free of charge through our Internet website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, which is referred to herein as the Exchange Act, as well as reports on Forms 3, 4 and 5 filed by our directors and executive officers pursuant to Section 16 of the Exchange Act, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission. The information on our Internet website is not, and shall not be deemed to be, a part of this Proxy Statement or incorporated into any other filings we make with the Securities and Exchange Commission.

PROPOSAL ONE

ELECTION OF DIRECTORS

The Executive Compensation, Nominating, and Corporate Governance Committee has recommended to our Board of Directors, and our Board of Directors has approved, the four directors set forth below to be elected at the Annual Meeting for terms of three years. Seven other directors have previously been elected to terms expiring in 2008 or 2009, as indicated below. The following pages set forth certain information for each nominee and each incumbent director as of March 31, 2007, except as otherwise noted. All of the nominees and all of the incumbent directors listed below are directors previously elected by the shareholders.

The election of each nominee for director requires the affirmative vote of the holders of a plurality of the shares of Common Stock cast in the election of directors. With a plurality vote, the nominees that receive the highest vote totals for the director positions up for election will be elected. Unless otherwise specified in the accompanying form of proxy, it is intended that votes will be cast for the election of all of the nominees as directors. If, at the time of the Annual Meeting, any nominee should be unavailable to serve as a director, it is intended that votes will be cast, pursuant to the enclosed proxy, for such substitute nominee as may be nominated by the Board of Directors. Each nominee has consented to being named in this Proxy Statement and to serve if elected.

Nominees for Election Whose Terms Expire in 2007

CHESTER A. CROCKER, 65, is a professor of strategic studies at Georgetown University s Walsh School of Foreign Service (a private research university) and a member of the Board of Directors of the United States Institute of Peace (an independent federal institution). He has held these positions for more than five years. Professor Crocker is a director of ASA Limited. He is a member of the Finance Committee and the Pension Investment Committee. Professor Crocker has been a director since 2004.

CHARLES H. FOSTER, JR., 64, is Chairman Emeritus of LandAmerica Financial Group, Inc. (LandAmerica) (a title insurance holding company). From January 1, 2005, to December 31, 2006, Mr. Foster served as Chairman of LandAmerica and, prior to 2005, he was Chairman and Chief Executive Officer of LandAmerica, positions he held for more than five years. He is Chairman of the Finance Committee and a member of the Executive Committee and the Executive Compensation, Nominating, and Corporate Governance Committee. Mr. Foster has been a director since 1995.

THOMAS H. JOHNSON, 57, retired as Chairman and Chief Executive Officer of Chesapeake Corporation (Chesapeake) (a specialty packaging company) in November 2005, after which he served as Vice Chairman until April 2006. From 2004 until his retirement, Mr. Johnson was Chairman and Chief Executive Officer of Chesapeake and, from 2000 to 2004, he was Chairman, President, and Chief Executive Officer of Chesapeake. Mr. Johnson was elected a director of Coca Cola Enterprises, Inc. on April 24, 2007. He is a member of the Audit Committee and the Pension Investment Committee and has been a director since 2001.

JEREMIAH J. SHEEHAN, 68, retired as Chairman of the Board and Chief Executive Officer of Reynolds Metals Company (an aluminum and aluminum foil producer) in 2000, having served in those positions since 1996. He is Chairman of the Executive Compensation, Nominating, and Corporate Governance Committee and a member of the Audit Committee and the Executive Committee. Mr. Sheehan has been a director since 1998.

The Board of Directors recommends that the shareholders vote <u>FOR</u> Proposal One.

Incumbent Directors Whose Terms Expire in 2008

ALLEN B. KING, 61, is our Chairman and Chief Executive Officer. Mr. King was elected Chairman on October 28, 2003. Mr. King served as President and Chief Executive Officer from January 1, 2003, until December 12, 2006, at which time George C. Freeman, III was elected President. Prior to becoming President and Chief Executive Officer, Mr. King was our President and Chief Operating Officer, positions he held for more than five years. Mr. King is a director of Circuit City Stores, Inc. He is Chairman of the Executive Committee and a member of the Finance Committee. Mr. King has been a director since 1989.

EDDIE N. MOORE, JR., 59, is President of Virginia State University (a public research university), a position he has held for more than five years. Mr. E. Moore is a director of Owens & Minor, Inc. He is a member of the Audit Committee and the Pension Investment Committee and has been a director since 2000.

HUBERT R. STALLARD, 70, retired as President and Chief Executive Officer of Bell-Atlantic Virginia, Inc. (a telecommunications company), now known as Verizon Virginia Inc., in 2000. Mr. Stallard is Chairman of the Pension Investment Committee and a member of the Executive Committee and the Executive Compensation, Nominating, and Corporate Governance Committee. He has been a director since 1991.

Incumbent Directors Whose Terms Expire in 2009

JOHN B. ADAMS, JR., 62, is President, Chief Executive Officer, and a director of Bowman Companies (a private land development company), positions he has held for more than five years. Mr. Adams is a member of the Audit Committee and the Finance Committee. Mr. Adams has been a director since 2003.

JOSEPH C. FARRELL, 71, retired as Chairman, President, and Chief Executive Officer of The Pittston Company (a mineral products, transportation, and security services company), now known as The Brink s Company, in 1998. He is a director of ASA Limited. Mr. Farrell is a member of the Executive Committee, the Executive Compensation, Nominating, and Corporate Governance Committee, and the Pension Investment Committee. He has been a director since 1996.

WALTER A. STOSCH, 70, is a principal in the accounting firm of Stosch, Dacey & George P.C., a position he has held for more than five years. Prior to that time, he was a partner in the accounting firm of Deloitte & Touche, L.L.P. He currently serves as Senate Majority Leader of the Virginia General Assembly. He is Chairman of the Audit Committee and a member of the Finance Committee. He has been a director since 2000.

EUGENE P. TRANI, 67, is President of Virginia Commonwealth University (a public research university), a position he has held for more than five years. He is a director of LandAmerica. Dr. Trani is a member of the Audit Committee and the Pension Investment Committee and has been a director since 2000.

STOCK OWNERSHIP

Principal Shareholders

The following table sets forth as of May 25, 2007, certain information with respect to the beneficial ownership of shares of Common Stock by each person or group we know to beneficially own more than 5% of the outstanding shares of such stock.

Name and Address of Beneficial Owner	Number of Shares	Percent of Class[1] (%)
Barclays Global Investors, NA Barclays Global Fund Advisors 45 Fremont Street San Francisco, California 94105	2,757,108[2]	10.2
Dimensional Fund Advisors LP 1299 Ocean Avenue Santa Monica, California 90401	1,772,516[3]	6.6
AXA 25, avenue Matignon 75008 Paris, France AXA Assurances I.A.R.D. Mutuelle AXA Assurances Vie Mutuelle AXA Courtage Assurance Mutuelle 26, rue Drouot 75009 Paris, France AXA Financial, Inc. 1290 Avenue of the Americas New York, New York 10104	1,682,340[4]	6.2
NFJ Investment Group L.P. 2100 Ross Avenue, Suite 1840 Dallas, Texas 75201	1,503,900[5]	5.6

1 The percentages shown in the table are based on 27,026,971 shares of Common Stock outstanding on May 25, 2007.

2 As reported on a Schedule 13G filed with the Securities and Exchange Commission on January 23, 2007. The Schedule 13G indicates that Barclays Global Investors, NA, acting as a bank, reported that it held sole voting power over 504,441 shares of Common Stock and sole

dispositive power over 567,497 shares of Common Stock, and Barclays Global Fund Advisors, acting as an investment adviser, reported that it held sole voting and dispositive power over 2,189,611 shares of Common Stock. The Schedule 13G states that the shares of Common Stock reported are held by the reporting persons in trust accounts for the economic benefit of the beneficiaries of those accounts.

[3] As reported on a Schedule 13G filed with the Securities and Exchange Commission on February 9, 2007. The Schedule 13G indicates that Dimensional Fund Advisors LP, in its capacity as investment adviser to four investment companies and as investment manager to certain other commingled group trusts and separate accounts, has the sole power to dispose of and to vote the shares of Common Stock that are owned by such companies, trusts and accounts.

[4] As reported on an amended Schedule 13G filed with the Securities and Exchange Commission on February 13, 2007. The amended Schedule 13G indicates that AXA holds its reported shares as a member of a group, which includes the entities listed above with AXA. Each member of the group, other than AXA Financial, Inc., is reported as holding sole voting power over 1,478,205 shares of Common Stock, shared voting power over 11,495 shares of Common Stock, sole dispositive power over 1,682,290 shares of Common Stock and shared dispositive power over 50 shares of Common Stock. AXA Financial, Inc. is reported as holding sole voting power over 1,461,515 shares of Common Stock, shared voting power over 11,495 shares of Common Stock, and sole dispositive power over 1,638,690 shares of Common Stock. All of the reported shares are held or controlled by investment adviser and insurance company subsidiaries of AXA Financial, Inc.

[5] As reported on a Schedule 13G filed with the Securities and Exchange Commission on February 9, 2007. The Schedule 13G indicates that NFJ Investment Group L.P., in its capacity as an investment adviser, has the sole power to dispose of and to vote the shares of Common Stock reported on behalf of itself and certain investment advisory clients and discretionary accounts.

Directors and Executive Officers

The following table sets forth as of May 25, 2007, certain information with respect to the beneficial ownership of shares of Common Stock by (i) each director or nominee (each of whom is currently a director), (ii) each executive officer listed in the Summary Compensation Table, who we refer to as the named executive officers , and (iii) all current directors and executive officers as a group.

Name of Beneficial Owner	Number of Shares[1,2]	Percent of Class[3]
John B. Adams, Jr.	8,939	*
W. Keith Brewer	13,000	*
Chester A. Crocker	5,700	*
Joseph C. Farrell	26,430	*
Charles H. Foster, Jr.	10,500	*
George C. Freeman, III	48,170	*
Thomas H. Johnson	13,300	*
Allen B. King	320,244	1.2%
David C. Moore	46,360	*
Eddie N. Moore, Jr.	13,642	*
Hartwell H. Roper	27,144	*
Jeremiah J. Sheehan	16,859	*
Hubert R. Stallard	18,813	*
Walter A. Stosch	14,100	*
Eugene P. Trani	12,642	*
Karen M. L. Whelan	42,671	*
All current directors and executive officers as a group (18 persons)	828,663	3.1%

* Percentage of ownership is less than 1% of the outstanding shares of Common Stock.

1 The number of shares of Common Stock shown in the table includes shares that certain of our directors and executive officers had the right to acquire through the exercise of stock options within 60 days following May 25, 2007, and are in the following amounts: 4,000 shares to Mr. Adams, 13,000 shares to Mr. Brewer, 2,000 shares to Mr. Crocker, 7,000 shares to Mr. Farrell, 4,000 shares to Mr. Foster, 32,798 shares to Mr. Freeman, 7,000 shares to Mr. Johnson, 174,169 shares to Mr. King, 32,500 shares to Mr. D. Moore, 8,000 shares to Mr. E. Moore, 5,833 shares to Mr. Roper, 10,000 shares to Mr. Sheehan, 11,000 shares to Mr. Stallard, 8,000 shares to Mr. Stosch, 6,000 shares to Mr. Trani, and 4,000 shares to Ms. Whelan, and 11,332 shares to other current executive officers not individually listed in the table.

2 As of May 25, 2007, Mr. King had 76,177 shares of Common Stock pledged as security. As of the date of this Proxy Statement, those shares are no longer pledged. No other executive officers or directors have pledged shares of Common Stock as security.

3 The percentages shown in the table are based on 27,026,971 shares of Common Stock outstanding on May 25, 2007.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and executive officers are required under Section 16(a) of the Exchange Act to file reports of ownership and changes in ownership of Common Stock with the Securities and Exchange Commission. Copies of those reports must also be furnished to us.

Based solely on a review of the copies of reports furnished to us and the written representations of our directors and executive officers, we believe that, during fiscal year 2007, all filing requirements applicable to directors and executive officers were satisfied.

CORPORATE GOVERNANCE AND COMMITTEES

General

Our business and affairs are managed under the direction of the Board of Directors in accordance with the VSCA and our Articles of Incorporation and Bylaws. Members of the Board of Directors are kept informed of our business through discussions with the Chairman and Chief Executive Officer and other officers, by reviewing materials provided to them, and by participating in meetings of the Board of Directors and its committees. The corporate governance practices we follow are summarized below.

Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines that set forth the practices of the Board of Directors with respect to the qualification and selection of directors, director orientation and continuing education, director responsibilities, Board of Directors composition and performance, director access to management and independent advisors, director compensation, management evaluation and succession, evaluation of the Board of Directors performance, and various other issues. The Corporate Governance Guidelines are available to shareholders and the public free of charge under the Investor Corporate Governance section of our Internet website at *http://phx.corporate-ir.net/phoenix.zhtml?c=89047&p=irol-govGuidelines*. A printed copy is available to any shareholder free of charge upon written request directed to Investor Relations at the address provided on page 4 of this Proxy Statement.

Code of Ethics

The Board of Directors has adopted a Business Ethics Policy applicable to our directors, officers, and employees and the directors, officers, and employees of each of our subsidiaries and controlled affiliates. The Business Ethics Policy satisfies the New York Stock Exchange requirements for a Code of Business Conduct and Ethics and the Securities and Exchange Commission definition of a Code of Ethics for Senior Financial Officers. The Business Ethics Policy addresses such topics as protection and proper use of company assets, compliance with applicable laws and regulations, accuracy and preservation of records, accounting and financial reporting, conflicts of interest, and insider trading. The Business Ethics Policy is available to shareholders and the public free of charge under the Investor Corporate Governance Highlights section of our Internet website at *http://phx.corporate-ir.net/phoenix.zhtml?c=89047&p=irol-govHighlights*. A printed copy is available to any shareholder free of charge upon written request directed to Investor Relations at the address provided on page 4 of this Proxy Statement.

Director Independence

The Board of Directors, in its business judgment, has determined that each member of the Board of Directors except Mr. King, our Chairman and Chief Executive Officer, is independent as defined by the New York Stock Exchange listing standards and our Corporate Governance Guidelines. In reaching this conclusion, the Board of Directors evaluated each director in light of the specified independence tests set forth in the New York Stock Exchange listing standards. In addition, the Board of Directors considered whether we and our subsidiaries conduct business and have other relationships with organizations of which certain members of the Board of Directors or members of their immediate families are or were directors or officers. There has been no such business or relationships for the past three fiscal years.

Executive Sessions

The independent directors of the Board of Directors meet in executive session at least annually without management or employee directors present. The independent directors designate the director who will preside at the executive session. For fiscal year 2007, the independent directors designated Mr. Stallard as the presiding director. The presiding director is responsible for advising the Chairman and the Chief Executive Officer of the outcome of any decisions reached or suggestions made at these sessions. Executive sessions where non-employee directors meet on an informal basis may be scheduled either before or after each regularly scheduled Board of Directors meeting.

Communications with Directors

Interested parties may at any time direct communications to the Board of Directors, as a whole, to the director who presides at the executive sessions of the non-employee directors, or to any individual member of the Board of Directors, through our Internet website or by contacting our Secretary. The Contact Us Questions or Comments section of our Internet website at *http://www.universalcorp.com/Include/Menu-ContactUs.asp* contains an e-mail link established for receipt of communications with directors, and communications can also be delivered by mail by sending requests to our Secretary at Universal Corporation, P. O. Box 25099, Richmond, Virginia 23260, Attention: Secretary.

Shareholders making such communications are encouraged to state that they are shareholders and provide the exact name in which their shares of Common Stock are held and the number of shares held. Each individual communicating with the Board of Directors will receive a written acknowledgement from or on behalf of our Secretary after receipt of the communication sent in the manner described above. After screening such communications for issues unrelated to shareholder interests, our Secretary will distribute communications to the intended recipient(s) as appropriate. The process for such screening has been approved by our non-employee directors.

Board and Committee Meeting Attendance

During fiscal year 2007, there were seven meetings of the Board of Directors. Each director attended 75% or more of the total number of meetings of the Board of Directors and of the committees on which he served.

Committees of the Board

The standing committees of the Board of Directors are the Executive Committee, the Audit Committee, the Executive Compensation, Nominating, and Corporate Governance Committee, the Finance Committee, and the Pension Investment Committee.

Executive Committee

The Executive Committee has the authority to act for the Board of Directors on most matters during the intervals between Board of Directors meetings. The members of the Executive Committee are Messrs. King (Chairman), Farrell, Foster, Sheehan, and Stallard. The Executive Committee met six times during fiscal year 2007.

Audit Committee

The responsibilities of the Audit Committee include the review of the scope and the results of the work of the independent registered public accounting firm and internal auditors, the review of the adequacy of internal accounting controls, and the selection, appointment, compensation, and oversight of our independent registered public accounting firm. The Audit Committee operates under a written charter last amended by the Board of Directors on April 19, 2007. The Audit Committee s charter is available under the Investor Corporate Governance Committees section of our Internet website at http://phx.corporate-ir.net/phoenix.zhtml?c=89047&p=irol-govCommittee&Committee=1769.

The members of the Audit Committee are Messrs. Stosch (Chairman), Adams, Johnson, E. Moore, Sheehan, and Trani. The Board of Directors has determined that each of the Audit Committee members is independent as defined under the applicable independence standards set forth in regulations of the Securities and Exchange Commission and the New York Stock Exchange listing standards. The Board of Directors has also determined that all of the Audit Committee members are financially literate as defined by the New York Stock Exchange listing standards. In accordance with the applicable regulations of the Securities and Exchange Commission, the Board of Directors has further determined that the Audit Committee contains at least one audit committee financial expert as defined by such regulations Walter A. Stosch, the Chairman of the Audit Committee. The fact that the Board of Directors did not identify additional Audit Committee members as audit committee financial experts does not in any way imply that other members do not meet that definition.

The Audit Committee met nine times during fiscal year 2007. Additional information with respect to the Audit Committee is discussed below in the section entitled *Audit Information* on page 58 of this Proxy Statement.

Executive Compensation, Nominating, and Corporate Governance Committee

The members of the Executive Compensation, Nominating, and Corporate Governance Committee are Messrs. Sheehan (Chairman), Farrell, Foster, and Stallard.

The Executive Compensation, Nominating, and Corporate Governance Committee, which we refer to as the Compensation Committee, performs the responsibilities of the Board of Directors relating to compensation of our executives. The Compensation Committee s responsibilities include reviewing and setting or approving corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers, evaluating the performance of the Chief Executive Officer and our other executive officers in light of those goals and objectives, and determining and approving compensation levels for the Chief Executive Officer and our other executive officers based on this evaluation; making recommendations to the Board of Directors with respect to annual and long-term incentive compensation plans; evaluating the performance of, and determining the salaries, incentive compensation, and executive benefits for senior management; and administering our equity-based and other executive compensation plans.

The Chairman of the Compensation Committee works with our Chief Administrative Officer to establish the agenda for Compensation Committee meetings. The Chief Administrative Officer and management personnel reporting to him prepare data and materials for review by the Compensation Committee using market data from both broad-based and targeted national and regional compensation surveys. Competitive industry analysis is enhanced through review of peer company proxy data, professional research consortiums, and nationally recognized compensation databases provided by the Compensation Committee s external compensation consultant.

The Compensation Committee periodically meets with the Chief Administrative Officer and other members of executive management in order to assess progress toward meeting long-term objectives approved by the Board of Directors. The Compensation Committee reviews the performance and compensation of the Chief Executive Officer with input from both the full Board of Directors and the Chief Executive Officer s self evaluation. The Compensation Committee approves the compensation of the other executive officers, based upon the evaluation and recommendation of the Chief Executive Officer. Where it deems appropriate, the Compensation Committee engages its independent compensation consultant or other appropriate advisors to analyze compensation trends and competitiveness of pay packages and to support the Compensation Committee s duty to establish each of the executive officer s targeted overall compensation levels.

The Compensation Committee reports regularly to the Board of Directors on matters relating to the Compensation Committee s responsibilities. In addition, the Compensation Committee follows regulatory and legislative developments and considers corporate governance best practices in performing its duties. For additional information regarding the compensation-related activities of the Compensation Committee, see the sections entitled *Compensation Discussion and Analysis* and *Report of Executive Compensation, Nominating, and Corporate Governance Committee* on pages 14 and 26 of this Proxy Statement, respectively.

The Board of Directors has determined that the members of the Compensation Committee are non-employee directors (within the meaning of Rule 16b-3 of the Exchange Act), outside directors (within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (referred to herein as the Internal Revenue Code)) and independent directors (as defined under the applicable New York Stock Exchange listing standards and our Corporate Governance Guidelines). In addition, no Compensation Committee member is a current or former employee of us or any of our subsidiaries. While the Compensation Committee s charter does not specify qualifications required for members, Messrs. Sheehan, Farrell, Foster, and Stallard have each been members of other public company boards of directors and are each former chief executive officers of public companies. The Compensation Committee met six times during fiscal year 2007.

The Compensation Committee also acts as our nominating committee. The Compensation Committee develops qualifications for director candidates, recommends to the Board of Directors persons to serve as directors, and monitors developments in, and makes recommendations to the Board of Directors concerning, corporate governance practices. The Compensation Committee operates under a written charter last amended by the Board of Directors on April 19, 2007. The Compensation Committee s charter is available under the Investor Corporate Governance Committees section of our Internet website at *http://phx.corporate-ir.net/phoenix.zhtml?c=89047&p=irol-govCommittee&Committee=1770*.

The Compensation Committee considers candidates for Board of Directors membership suggested by its members and by management, and the Compensation Committee will also consider candidates suggested informally by our shareholders. Shareholders entitled to vote for the election of directors may submit candidates for formal consideration by the Compensation Committee in connection with an Annual Meeting if we receive timely written notice, in proper form, for each such recommended director nominee. If the notice is not timely and in proper form, the nominee will not be considered by the Compensation Committee. To be timely for the 2008 Annual Meeting, the notice must be received within the time frame set forth in the section entitled *Proposals for 2008 Annual Meeting* on page 60 of this Proxy Statement. To be in proper form, the notice must include each nominee s written consent to be named as a nominee and to serve if elected, and information about the shareholder making the nomination and the person nominated for election. These requirements are more fully described in our Bylaws and Corporate Governance Guidelines.

The Compensation Committee does not differentiate between Board of Directors candidates submitted by Board of Directors members or those submitted by shareholders with respect to evaluating candidates. All Board of Directors candidates are considered based upon various criteria, such as their broad-based business skills and experience, prominence, and reputation in their profession, their global business and social perspective, concern for the long-term interests of the shareholders, knowledge of our industry or related industries, and personal and professional integrity, ethics, and judgment all in the context of an assessment of the perceived needs of the Board of Directors at that point in time. Because the needs of the Board of Directors change from time to time, the Compensation Committee has not established specific minimum qualifications that must be met by potential new directors. The Board of Directors, however, believes that as a matter of policy there should be a substantial majority of independent directors on the Board of Directors.

Finance Committee

The Finance Committee has the responsibility of establishing our financial policies and controlling our financial resources. The members of the Finance Committee are Messrs. Foster (Chairman), King, Adams, Crocker, and Stosch. The Finance Committee met once during fiscal year 2007.

Pension Investment Committee

The Pension Investment Committee establishes the investment policies, selects investment advisors and portfolio managers, and monitors the performance of investments of the pension plans, the retirement plans, and other qualified employee benefit plans of Universal Leaf Tobacco Company, Incorporated and our other U.S. subsidiaries. The members of the Pension Investment Committee are Messrs. Stallard (Chairman), Crocker, Farrell, Johnson, E. Moore, and Trani. The Pension Investment Committee met five times during fiscal year 2007.

Annual Meeting Attendance

We expect and encourage each member of the Board of Directors to attend our Annual Meetings when it is reasonably practical for the director to do so. All of the directors attended the 2006 Annual Meeting.

COMPENSATION DISCUSSION AND ANALYSIS

Board of Directors and Compensation Committee Process

Our Board of Directors has a Compensation Committee. The Compensation Committee performs the responsibilities of the Board of Directors relating to compensation of our executives. Additional information with respect to the Compensation Committee can be found on page 11 of this Proxy Statement.

Guiding Philosophy

The goal of our executive compensation and benefits program is to attract, motivate, reward, and retain the management talent required to achieve our business objectives, at compensation levels that are fair, equitable, and competitive with those of comparable companies. This goal is furthered by the Compensation Committee s policy of linking compensation to individual and corporate performance and by encouraging significant stock ownership by senior management in order to support our business strategy and align the financial interests of management with those of the shareholders.

The following objectives serve as guiding principles for all compensation decisions:

- Our executive compensation and benefits should attract, motivate, reward, and retain the management talent necessary to achieve our business objectives, at compensation levels that are fair, equitable, and competitive with those of comparable companies;

- Compensation should be set based on the skills, experience, and achievements of each executive officer, taking into account market rates;

- Compensation should be linked to individual and corporate performance by aligning our executive compensation program to company-wide performance, which is defined in terms of economic performance and increases in shareholder value;

- There should be an appropriate mix and weighting between base salary, cash incentives, and equity awards such that an adequate amount of each executive officer s total compensation is performance-based or at risk . Further, as an executive s responsibilities increase, the portion of at risk compensation for the executive should increase as a percentage of total compensation; and

- Strong emphasis should be placed on equity-based compensation and equity ownership in order to align the financial interests of senior management with those of the shareholders.

Retaining Experts to Aid in Discharge of Duties

The Compensation Committee is authorized to retain experts, consultants, and other advisors to aid in the discharge of its duties. The Compensation Committee meets privately with its outside advisor from time to time without management present to discuss developments and best practices in executive compensation matters. All work completed by the outside advisor, whether for the Compensation Committee or management, is subject to the approval of the Compensation Committee. The outside advisor s role with the Compensation Committee is to provide independent advice and counsel. The Compensation Committee does not delegate authority to its outside advisor or to other parties. During fiscal year 2007, the Compensation Committee retained Mercer Human Resources Consulting, which we refer to as Mercer Consulting, as its outside advisor to review the analyses and recommendations prepared by the Compensation Committee and management and to provide alternative market data and guidance on policy development and administration. Mercer Consulting participated in Compensation Committee meetings throughout the year, reviewed materials in advance, and provided to the Compensation Committee additional data on market trends and overall compensation design.

During fiscal year 2007, the Compensation Committee also retained our independent auditor, Ernst & Young LLP, whom we refer to as Ernst & Young, to review management s calculation of performance measures and the amount of the annual incentive awards to be given to our executive officers in order to report to the Compensation Committee whether such calculations were accurate and properly prepared. Ernst & Young s role was limited to a review of management s calculations, and did not involve an audit of the calculations or any components used in the calculations. Ernst & Young presented their report to the Compensation Committee, but did not attend any other Compensation Committee meetings.

Peer Group Analysis

The Compensation Committee utilizes compensation reports prepared by Mercer Consulting to aid in the determination of competitive levels of compensation for each of our executive officers. On an annual basis, the Compensation Committee determines the total compensation target for each of our executive officers. The Compensation Committee then sets the mix between the different components of compensation desired to achieve the total compensation target. Mercer Consulting benchmarks the component totals to confirm that such amounts are within reason of our peer group. We believe there is only one competitor in the leaf tobacco industry that is comparable to us, Alliance One International, Inc. Mercer Consulting, therefore, prepares their survey to include our competitor as well as other companies with similar characteristics to us, including some companies who are listed with us in the S&P Midcap 400 Index. Mercer Consulting reviews its surveys with the Compensation Committee on a periodic basis. The peer group with whom Mercer Consulting compared us during fiscal year 2007 was Alliance One International, Inc., Corn Products International, Inc., Crompton Corporation, Flowers Foods, Inc., Hormel Foods Corporation, International Multifoods Corporation, Interstate Bakeries Corporation, Nash Finch Company, Performance Food Group Company, Seaboard Corporation, Smithfield Foods, Inc., and United Natural Foods, Inc. When we refer to the market we are referring to this peer group.

Compensation Committee Activities in Fiscal Year 2007

In fiscal year 2007, the Compensation Committee reviewed the existing mix, form, and calibration of the executive compensation programs and confirmed its commitment to the principles and structure it adopted during fiscal year 2006. In addition, the Compensation Committee modified components of some of those programs to reflect changes in the rules and regulations applicable to such components and to ensure that the components were in line with market medians. Some of the other significant actions the Compensation Committee undertook in fiscal year 2007 included:

- Reaffirming its objective of setting total direct compensation (including base salary, annual cash incentive awards, and long-term equity awards) for our executives at levels competitive with the market median for executives in comparable positions at companies of comparable size, complexity, and operational characteristics;
- Reviewing the performance targets and calibration ranges for economic profit and adjusted earnings per share to reflect current and anticipated business conditions and to ensure adequate performance stretch in the annual incentive plan goals;
- Evaluating the mix of pay to ensure that the appropriate balance between annual cash incentives and long-term performance and equity award opportunities is maintained;
- Reaffirming stock-settled, stock appreciation rights, which we refer to as SARs, and restricted stock and restricted stock units are appropriate forms of long-term incentive awards;
- Affirming stock ownership guidelines for all of our officers and officers of our main operating subsidiary, Universal Leaf Tobacco Company, Incorporated, which we refer to as Universal Leaf, with a title of Senior Vice President or above and monitoring our executive officers compliance with the guidelines; and
- Approving changes to the change of control employment agreements we have with senior management to ensure the agreements provide benefits consistent with change of control agreements offered by other companies in similar circumstances.

The Compensation Committee reports regularly to the Board of Directors on matters relating to the Compensation Committee s responsibilities. In addition, the Compensation Committee follows regulatory and legislative developments and considers corporate governance best practices in performing its duties.

Stock Ownership Guidelines

The Compensation Committee believes it is important to align the interests of members of senior management with our shareholders. While the Compensation Committee considers this principle when determining the appropriate mix of base salary, annual cash incentive awards, and long-term equity awards, the Compensation Committee also established stock ownership guidelines that encourage the accumulation and retention of Common Stock. At the outset of fiscal year 2006, the Compensation Committee adopted the following guidelines for fixed share ownership levels applicable to the Chief Executive Officer, Executive Vice Presidents, and Senior Vice Presidents of our subsidiary, Universal Leaf (which includes all our named executive officers).

Chief Executive Officer	65,000 shares of Common Stock
Executive Vice Presidents	25,000 shares of Common Stock
Senior Vice Presidents	7,500 shares of Common Stock

The intent of the stock ownership guidelines was to set minimum expectations for executives to meet and thereafter to maintain. Each executive of Universal Corporation is also a Universal Leaf executive, but the guidelines apply to other members of senior management at Universal Leaf as well. During fiscal year 2007, the guidelines applied to our named executive officers in the following manner:

Allen B. King	65,000 shares
George C. Freeman, III	25,000 shares
W. Keith Brewer	25,000 shares
David C. Moore	25,000 shares
Hartwell H. Roper	25,000 shares
Karen M. L. Whelan	7,500 shares

Executives are expected to comply with the guidelines within a period of five years from the later of April 1, 2005 (the date the guidelines were adopted) or the date of appointment to a qualifying position. Only shares beneficially owned (as defined by the Securities and Exchange Commission s rules and regulations) by our executive officers, excluding executives stock options and SARs but including the executive officers restricted stock and restricted stock unit awards (and corresponding dividend equivalent rights) are counted in determining compliance with the guidelines.

On May 24, 2007, the Compensation Committee revised the guidelines to set new, higher target levels for our executives. The revised guidelines are expressed as a multiple of base salary, ranging from 2.5 to 6 times base salary. This new methodology provides for greater individualization of ownership guidelines. The guidelines work in concert with the long-term incentive plan and are intended to foster strong executive ownership of our Common Stock. The Compensation Committee believes that it is important to achieve and maintain these guideline amounts as minimum target levels of ownership. The Compensation Committee will continue to review compliance with our stock ownership guidelines on an annual basis. When revising the guidelines, the Compensation Committee granted our executives one additional year to comply with the new guidelines, and some executives were provided additional time because they received recent promotions that resulted in higher ownership targets. The revised guidelines follow the same counting rules as the original guidelines. The revised guidelines apply to our named executive officers in the following manner:

Allen B. King	6 times salary
George C. Freeman, III	6 times salary
W. Keith Brewer	6 times salary
David C. Moore	5 times salary
Hartwell H. Roper	5 times salary
Karen M. L. Whelan	3.5 times salary

As of June 19, 2007, four of our named executive officers had met or exceeded the new stock ownership guidelines. The remaining named executive officers were promoted to their current positions during fiscal year 2007, but they expect to meet or exceed the applicable guidelines within the period of compliance.

Limitations on Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, generally disallows a tax deduction to public companies for compensation of more than $1 million paid in any year (not including amounts deferred) to a company s Chief Executive Officer and to the four other most highly compensated executive officers. The statute, however, exempts qualifying performance-based compensation from the deduction limit if certain requirements are met. In this regard, we have taken appropriate actions to maximize the deductibility of annual cash incentive awards, stock option grants, and restricted stock grants. While our policy is generally to preserve corporate tax deductions by qualifying compensation over $1 million paid to executive officers as performance-based, the Compensation Committee may, from time to time, conclude that compensation arrangements are in our best interests and the best interests of our shareholders despite the fact that such arrangements might not, in whole or part, qualify for tax deductibility.

Components of Executive Compensation

The Compensation Committee has a specific mix of compensation components that they target, with the intent to make each component of total direct compensation competitive with other companies of similar size and operational characteristics while also linking compensation to individual and corporate performance and encouraging stock ownership by senior management. The major components of our executive compensation program are the following:

- base salary,
- annual cash incentive awards,
- long-term equity participation,
- other benefits, and
- retirement and other post-termination compensation.

The tables contained in this Proxy Statement set forth amounts for these components applicable to our Chairman and Chief Executive Officer, our President, our Chief Financial Officer, and our three other highest paid executives for fiscal year 2007. We refer to these six executives as our named executive officers.

In determining executive compensation, the Compensation Committee reviews all components of the Chief Executive Officer s and each named executive officer s total compensation, including retirement benefits and the costs of all perquisites received to ensure such compensation meets the goals of the program. As a part of this review, the Compensation Committee considers corporate performance information, compensation survey data, the advice of consultants, and the recommendations of management. The Compensation Committee also takes into consideration individual and overall company operating performance to ensure executive compensation reflects past performance as well as future potential and adequately differentiates between employees, based on the scope and complexity of the employee s job position, market comparisons, individual performance and experience, and our ability to pay. The Chief Executive Officer s performance is reviewed annually by the Compensation Committee prior to considering changes in base salary, annual cash incentive awards, long-term equity awards, and total compensation. The Chief Executive Officer s performance is evaluated in light of company performance (as described in greater detail below) and non-financial goals and strategic objectives selected by the Compensation Committee. Based on its review, the Compensation Committee believes total compensation for each of the named executive officers is reasonable and not excessive.

1. Base Salaries

Set forth below and effective as of April 1, 2006, the Compensation Committee approved the following fiscal year 2007 base salaries for our named executive officers:

Allen B. King	$ 716,000
George C. Freeman, III	$ 300,000
W. Keith Brewer	$ 300,000
David C. Moore	$ 260,000
Hartwell H. Roper	$ 320,000
Karen M. L. Whelan	$ 237,000

The fiscal year 2007 base salary levels for our executives were evaluated as part of an annual assessment conducted by Mercer Consulting in fiscal year 2006. Fiscal year 2007 base salaries were determined in accordance with the responsibilities of each executive, personal performance of the executive in light of individual levels of responsibility, and the competitiveness of the executive s salary with the salaries of executives in comparable positions at companies of comparable size or operational characteristics. While the Compensation Committee considered each of these factors in their totality, the Compensation Committee did not assign a specific value to each factor. For purposes of assessing the competitiveness of salaries, the Compensation Committee reviewed Mercer Consulting s compensation data for our peer group described above to determine ranges of total compensation and the individual components of such compensation.

Base salaries were subsequently reviewed and adjusted as necessary during fiscal year 2007 to reflect significant promotions for Messrs. Freeman, D. Moore, and Brewer. In addition, we discontinued our car allowance perquisite for executives and, instead, adjusted salaries effective January 2007 to include the amounts previously paid as car allowances. The amounts attributable to car allowance adjustments were discounted to mitigate the benefit costs, and are set forth in Footnote 6 to Column (i), *All Other Compensation* , in the Summary Compensation Table on page 27 of this Proxy Statement. After the car allowance and promotion adjustments were made, our named executive officers were paid based on the following base salaries:

Allen B. King	$ 729,500
George C. Freeman, III	$ 430,800
W. Keith Brewer	$ 310,800
David C. Moore	$ 270,800
Hartwell H. Roper	$ 330,800
Karen M. L. Whelan	$ 246,200

As part of the compensation setting process for fiscal year 2007, the Compensation Committee met periodically with our Chief Executive Officer and reviewed company performance as well as that of our Chief Executive Officer for fiscal year 2006. Our Chief Executive Officer s fiscal year 2007 base salary represented an annualized increase of approximately 3% compared to base salary determined on April 1, 2005, after a thorough review and evaluation by the Compensation Committee of the competitiveness of Mr. King s salary and total cash compensation with those of other chief executive officers at comparable companies. The Compensation Committee believed this base amount was appropriate and not excessive when viewed in context with chief executive officer compensation for the peer group. Fiscal year 2007 salary increases applicable to the other named executive officers, after adjustments for promotions and the discontinued car allowance amounts, averaged approximately 17.7% above fiscal year 2006 levels.

For a number of years, Mr. King s base salary amount has been lower than the average base salaries of the chief executive officers at the companies composing our peer group. Prior to fiscal year 2008, the Compensation Committee reviewed the progress we made during the previous year towards restoring our profitability to prior levels, reducing our debt levels, and the strengthening of our balance sheet and determined that Mr. King s base salary was below the appropriate level of base salary compensation for the position in fiscal year 2007. Consequently, the Compensation Committee increased Mr. King s base salary compensation to $765,000 for fiscal year 2008, which represents an annualized increase of 4.6% over his 2007 base salary, as adjusted for the discontinued car allowance amounts. In addition, prior to fiscal year 2008, the Compensation Committee evaluated base salary levels for our other named executive officers as part of the Compensation Committee s routine annual assessment. The Compensation Committee completed its review and approved the following fiscal year 2008 base salaries for our named executive officers based on the responsibilities of each named executive officer, personal performance of the executive in light of individual levels of responsibility, and the competitiveness of the executive s salary with the salaries of executives in comparable positions at companies of comparable size or operational characteristics:

Allen B. King	$ 765,000
George C. Freeman, III	$ 475,000
W. Keith Brewer	$ 365,000
David C. Moore	$ 300,000
Hartwell H. Roper	$ 342,000
Karen M. L. Whelan	$ 255,000

2. <u>Annual Cash Incentives</u>

We have the Universal Leaf Tobacco Company, Incorporated Management Performance Plan, which we refer to as the Incentive Plan, under which key management employees, including our named executive officers, may receive annual cash incentive awards that vary from year to year based upon corporate and individual performance. The purpose of annual cash incentives is to drive our key employees to maximize shareholder value and to provide a means for recognizing individual contribution to our company s results. The cash incentive awards earned for fiscal year 2007 by our named executive officers were approved by the Compensation Committee in May 2007, and are set forth in Column (g), *Non-Equity Incentive Plan Compensation* , in the Summary Compensation Table on page 27 of this Proxy Statement.

Annual cash incentive payments are paid under the Incentive Plan if certain criteria established by the Compensation Committee are met. The annual cash incentive awards to our named executive officers in fiscal year 2007 were based 50% on the generation of economic profit and 50% on the generation of adjusted earnings per share. We use economic profit and adjusted earnings per share, as these performance measures strongly encourage capital discipline and better investment decisions and lead to enhanced cash flow. The Compensation Committee also believes that these measures are representative of our overall performance, and they provide transparency to investors and enable period-to-period comparability of financial performance. For purposes of the Incentive Plan, we define economic profit as consolidated earnings before interest and taxes after certain adjustments, minus a capital charge equal to the weighted average cost of capital times average funds employed, and we define adjusted earnings per share as the fully-diluted earnings per share of Common Stock, adjusted to exclude extraordinary gains and losses and annual cash incentive award accruals under the Incentive Plan. Economic profit and adjusted earnings per share should not be considered as alternatives to net income or earnings per share determined in accordance with accounting principles generally accepted in the United States.

The executive officers who participate in the Incentive Plan are eligible to receive an annual cash incentive award equal to a percentage of their base salary in the event certain threshold levels are met for economic profit and adjusted earnings per share. The following table sets forth the threshold and target levels for the economic profit and adjusted earnings per share metrics that were applicable for fiscal year 2007 awards:

	Threshold Level	Target Level	Fiscal Year 2007 Results
Economic Profit	$ (10 million)	$ 10 million	$ (10.2 million)
Adjusted Earnings Per Share	$ 2.50 per share	$ 3.50 per share	$ 3.67 per share

Each executive officer participating in the Incentive Plan is eligible to receive a cash incentive award based on a percentage of his or her base salary, which we call the target bonus opportunity percentage. The target bonus opportunity percentage for each executive officer, except the Chief Executive Officer, is initially set by our Chief Executive Officer, and is based on the executive officer s experience in their present position and their job responsibilities. Our Chief Executive Officer submits the recommended target bonus opportunity percentages to the Compensation Committee for their review and approval each year. For our Chief Executive Officer, the Compensation Committee determines the target bonus opportunity percentage.

The target bonus opportunity percentages, and the target bonus opportunity amounts, for fiscal year 2007 for our named executive officers were as follows:

	Target Bonus Opportunity Percentage (%)	Target Bonus Opportunity Amount ($)
Allen B. King	100	765,000
George C. Freeman, III	100	475,000
W. Keith Brewer	100	365,000
David C. Moore	83	250,000
Hartwell H. Roper	83	285,000
Karen M. L. Whelan	71	180,000

Each year, the Compensation Committee approves percent-of-target performance tables for each performance measure. As company performance deviates from targeted performance, the percentages in the tables increase or decrease at an accelerated rate. Once the economic profit and adjusted earnings per share performance measures have been calculated for the applicable fiscal year, the Compensation Committee compares the calculated performance to the preapproved tables to determine what percentage to apply to the executives target bonus opportunity amounts. The Compensation Committee applies the resulting percentage to the target bonus opportunity amount to determine the annual cash incentive award each executive is eligible to receive. The Compensation Committee reserves the right to exercise negative discretion in adjusting any such award, but the Compensation Committee has no discretion to increase the awards. Using our Chief Executive Officer as an example, for fiscal year 2006 we fell short of our threshold levels for economic profit and adjusted earnings per share, and Mr. King received no annual cash incentive award for the year. In fiscal year 2007, we improved economic profit and adjusted earnings per share over the 2006 fiscal year, and although economic profit fell short of the threshold set by the Compensation Committee, adjusted earnings per share exceeded the threshold and the target. The economic profit and adjusted earnings per share performance measures for the year corresponded to 55.9% on the Compensation Committee s preapproved table. Mr. King s cash incentive award for fiscal year 2007 was, therefore, 55.9% of his target bonus opportunity amount, or $427,600.

Beginning with fiscal year 2005, the amount of any annual cash incentive award earned above a targeted cash opportunity level determined for each officer, at the mid-point of conventional performance for economic profit and adjusted earnings per share, would be paid 50% in cash and 50% in restricted stock with vesting on the third year anniversary of the date of grant, referred to as three-year cliff vesting. Because economic profit and adjusted earnings per share did not reach such levels for the 2005, 2006, or 2007 fiscal years, the Compensation Committee did not award any shares of restricted stock under the Incentive Plan.

3. <u>Long-Term Equity Participation</u>

The Compensation Committee administers Universal Corporation s 1989, 1997, and 2002 Executive Stock Plans, pursuant to which it has granted to key executive officers SARs, restricted stock units, and options to purchase shares of our Common Stock, based upon a determination of competitive aggregate compensation levels. The primary objectives of issuing such equity awards have been to encourage significant ownership of Common Stock by management and to provide long-term financial incentives linked directly to market performance of our Common Stock. The Compensation Committee believes that significant ownership of Common Stock by senior management is the optimal method to align the interests of management and the shareholders, and our stock incentive program is effectively designed to further this objective.

With the exception of new hires, long-term incentives are awarded annually on a day between two and twelve business days following the public release of our annual earnings. This timing was selected by the Compensation Committee because it enables us to consider the prior year performance of the company and the participants and our expectations for the next performance period, while also guaranteeing that normal awards will be made after we publicly disclose our performance for the year. The awards also are made as early as practicable in our fiscal year in order to maximize the time-period for the incentives associated with the awards. The Compensation Committee s schedule is determined between six and twelve months in advance, and the proximity of any awards to market events other than earnings announcements is coincidental.

Executive long-term equity participation has historically been in the form of non-qualified stock option grants. In fiscal year 2006, the Compensation Committee re-evaluated the form of its long-term incentive awards, and selected SARs and restricted stock units as the preferred forms of long-term equity participation. The switch to SARs was due in large part to cost efficiencies when we adopted revised Statement of Financial Accounting Standards No. 123, which we refer to as FAS 123R. Restricted stock units were used as a cost effective addition to the compensation mix because such awards did not require the issuance of Common Stock until vesting.

The Compensation Committee, after consulting Mercer Consulting, determined that a portion of our executive officers total compensation should be paid in equity awards through our long-term incentive plans. For our named executive officers, such equity awards equal the following target percentage of total compensation:

Allen B. King	50%
George C. Freeman, III	50%
W. Keith Brewer	50%
David C. Moore	45%
Hartwell H. Roper	45%
Karen M. L. Whelan	40%

The Compensation Committee further determined that 50% of the target value of the equity awards should consist of SARs and the remaining 50% of this value should consist of restricted stock units. The Compensation Committee used the 50/50 mix of SARs and restricted stock units because it believes that such mix represents the appropriate balance for our company in rewarding stock appreciation and relative shareholder return. In order to allocate compensation between the two forms of equity participation, the Compensation Committee values restricted stock unit awards at the fair market value on the date of grant of the equivalent number of shares of Common Stock. The Compensation Committee values SARs as equal to 25% of the value of restricted stock units based on a Black-Scholes valuation method. All SARs have a three-year vesting period, with one third of the amount awarded vesting on each annual anniversary of the date of grant. All restricted stock units are awarded with five-year cliff vesting. In addition, our named executive officers have additional vesting restrictions or holding period requirements on their restricted stock unit awards in order to preserve deductibility under Section 162(m) of the Internal Revenue Code.

We have historically assigned an initial value to stock options granted by our Compensation Committee equal to the closing price of a share of our Common Stock as quoted on the New York Stock Exchange on the first business day following the date the stock options were granted by the Compensation Committee. This process was followed with the first set of SARs we issued, in June 2006. The Compensation Committee has changed this process for future SAR awards, starting with the May 24, 2007, SAR awards, by assigning an initial value to a SAR equal to the closing price of a share of our Common Stock as quoted on the New York Stock Exchange on the date the SAR is granted by the Compensation Committee. The exercise price for SARs is the closing price of a share of our Common Stock as quoted on the New York Stock Exchange on the date the SAR is exercised, except for the June 2006 SAR awards for which we used the closing price of a share of our Common Stock as quoted on the New York Stock Exchange on the day before exercise. When SARs become exercisable, they may be exercised on a date specified by the executive in writing to our Legal Department or, if no date is specified, then (a) the date of receipt of the executive s notice of exercise if our Legal Department receives the notice by 2:00 p.m. Eastern, or (b) the first business day following receipt of the executive s notice of exercise if the executive s notice is received by our Legal Department after 2:00 p.m. Eastern. Such written notices may only be given to our Legal Department during one of our trading windows.

On June 13, 2006, the Compensation Committee granted SARs and restricted stock units to key executives pursuant to the 2002 Executive Stock Plan. The Compensation Committee granted 265,500 SARs and 66,400 restricted stock units to 20 executives, including the named executive officers. Fiscal year 2007 equity participation awards for each of our named executive officers is set forth in the *Grants of Plan-Based Awards* table on page 30 of this Proxy Statement. On May 24, 2007, the Compensation Committee granted SARs and restricted stock units to key executives pursuant to the 2002 Executive Stock Plan. The Compensation Committee granted 272,800 SARs and 68,200 restricted stock units to 21 executives. The number of SARs and restricted stock units granted to our named executive officers on May 24, 2007, were as follows:

	SARs	**Restricted Stock Units**
Allen B. King	51,200	12,800
George C. Freeman, III	31,800	7,950
W. Keith Brewer	24,400	6,100
David C. Moore	15,000	3,750
Hartwell H. Roper	17,200	4,300
Karen M. L. Whelan	9,600	2,400

Prior to December 31, 2006, we offered all salaried employees the opportunity to participate in the Employees Stock Purchase Plan of Universal Leaf Tobacco Company, Incorporated and Designated Affiliated Companies, which we refer to as the Employee Stock Purchase Plan. The Employee Stock Purchase Plan permitted our employees to contribute after-tax income up to $11,000 annually into a qualified stock purchase plan, and the company would match the contributions up to 5% of the employee s monthly base salary up to an annual maximum of $11,000. Due to limitations under the Internal Revenue Code, certain of our executives were unable to derive the same benefit as others under the Employee Stock Purchase Plan. For those executives, we adopted the Universal Leaf Tobacco Company, Incorporated Supplemental Stock Purchase Plan, which we refer to as the Supplement Stock Purchase Plan. The Supplemental Stock Purchase Plan permitted certain after-tax contributions and employer matching contributions in addition to what would be received under the Employee Stock Purchase Plan. The Supplemental Stock Purchase Plan would pay out in cash all employee contributions and all company contributions, along with any appreciation and earnings on such amounts, at the time of the participant s death, disability, retirement, or termination. Effective January 1, 2007, we merged the Employee Stock Purchase Plan into our 401(k) savings plan due to administrative burdens raised by the Pension Protection Act of 2006. At the same time, we froze participation in the Supplemental Stock Purchase Plan and adopted a fixed, non-discretionary payment schedule. After-tax contributions were distributed to the participants in the fourth quarter of fiscal year 2007. Pre-tax amounts under the Supplemental Stock Purchase Plan will be paid to the participants in the future, at a date not earlier than six months after we froze the plan.

As noted in this Proxy Statement, we believe that it is in the company s and our shareholders best interest to approve and adopt a new stock incentive plan, which we call the Universal Corporation 2007 Stock Incentive Plan. This plan replaces our 2002 Executive Stock Plan. The proposed 2007 Stock Incentive Plan is similar in many respects to the 2002 Executive Stock Plan, but has a number of significant differences. The 2007 Stock Incentive Plan includes performance measures for purposes of satisfying Section 162(m) of the Internal Revenue Code; it contains key changes to ensure future compliance with Section 409A of the Internal Revenue Code; it eliminates provisions from the 2002 Executive Stock Plan that are no longer market practice such as option reloads; and it provides more flexibility in the compensation process to the Compensation Committee by, for example, adding incentive award opportunities to the Plan. For additional information with respect to the 2007 Stock Incentive Plan, please see page 49 of this Proxy Statement.

4. <u>Other Benefits</u>

The Compensation Committee believes employee benefits are an essential component of our competitive total compensation package. These benefits are designed to attract and retain our employees. The named executive officers may participate in the same benefit plans as our salaried employees, which include health and dental insurance, long-term disability insurance, and our 401(k) savings plan. Our 401(k) savings plan, Employee Stock Purchase Plan, and Supplemental Stock Purchase Plan include a defined company match component, and we have disclosed all company matches for our named executive officers in Column (i), *All Other Compensation* , in the Summary Compensation Table, and separately disclosed each amount in Footnote 6 to that table on page 27 of this Proxy Statement. We discontinued the Employee Stock Purchase Plan and froze the Supplemental Stock Purchase Plan during fiscal year 2007 to comply with the Pension Protection Act of 2006. Prior to such actions, we did not match employee contributions under our 401(k) savings plan.

In addition, we provide certain other benefits to our executives, including our named executive officers. The Compensation Committee believes these other benefits provide security for current and future needs of the executives and their families and therefore assist in attracting and retaining them. These other benefits are structured to be within the competitive range relative to our peer group. In general, we do not provide our executives with many of the types of perquisites that other companies offer their executives. The additional benefits we provide or have provided to some of our executives consist of the following and are included in the amounts set forth in Column (i), *All Other Compensation* , in the Summary Compensation Table, and separately disclosed in Footnote 6 to that table on page 27 of this Proxy Statement: car allowance, executive insurance program, executive preventative health evaluation program, financial planning and tax preparation services, tax equalization with respect to overseas assignments, use of company aircraft at the incremental cost to the company as calculated in accordance with applicable regulations, and relocation assistance. As noted in Footnote 6 to the Summary Compensation Table, we have discontinued car allowances and executive preventative health evaluations, and are in the process of selling our corporate aircraft, and therefore we no longer offer such perquisites to our executives.

5. <u>Retirement and Post-Termination Compensation</u>

Our named executive officers are covered by a defined benefit retirement plan, a supplemental retirement plan, deferred income plans, and a 401(k) savings plan. They also have Employment Agreements (except Ms. Whelan) addressing a change of control in our company. These items are defined and summarized below. Additional details, and all amounts earned by our named executive officers or contributed by the company to our named executive officers through those benefits, are disclosed in this Proxy Statement where noted below.

A. Defined Benefit Retirement Plan

Our salaried employees, including our named executive officers, participate in a defined benefit retirement plan, the Employees Retirement Plan of Universal Leaf Tobacco Company, Incorporated and Designated Affiliated Companies, which we refer to as the Pension Plan. The Pension Plan is a company-funded, qualified plan under the Internal Revenue Code, with the purpose of providing a fixed benefit for the life of the participant (and/or the spouse if the joint and survivor option is elected) beginning at the time of the participant s retirement or termination. The Pension Plan also has survivor benefits for participants spouses. The Pension Plan benefit under normal retirement circumstances is a percentage of the participant s average compensation, multiplied by the participant s credited years of service under the Pension Plan. Average compensation is calculated by taking the highest average of annual salary and annual cash incentive awards for any three consecutive calendar-year periods during the participant s participation in the Pension Plan. The normal retirement benefit under the Pension Plan is calculated as follows:

Base Benefit:	Designated Percentage of Average Compensation	Multiplied by	All years of service
	PLUS		
Excess Benefit:	Designated Percentage of Average Compensation less Covered Compensation	Multiplied by	Participant s first 35 years of service

Covered compensation, for purposes of the excess benefit, is defined as the average of the Social Security Taxable Wage Base for the 35 calendar-year period ending in the year preceding the executive s normal retirement age under the Social Security Act.

Benefits are paid as a straight life annuity for the participant s lifetime for a single participant, or a 50% joint and survivor annuity, if elected, for married participants for their joint lifetime. Benefits are normally payable when the participant reaches age 65; however, participants may begin receiving early retirement benefits when they reach age 55 with at least 5 years of service. The early retirement benefit is reduced based on the participant s age and years of service.

Further detail regarding the Pension Plan and disclosure of the estimated value of pension benefits for our named executive officers is set forth in the *Pension Benefits* table and related footnotes beginning on page 33 of this Proxy Statement.

B. Benefit Restoration Plan

To the extent benefits payable to our employees at retirement pursuant to the Pension Plan exceed amounts that may be payable under applicable provisions of the Internal Revenue Code, such benefits will be paid under our supplemental retirement plan called the Universal Leaf Tobacco Company, Incorporated 1996 Benefit Restoration Plan, which we refer to as the Benefit Restoration Plan. The Benefit Restoration Plan is a non-qualified defined benefit pension plan that provides eligible individuals the difference between the benefits they would actually accrue under the Pension Plan but for the maximum benefit limitations and the limitation on compensation pursuant to the Internal Revenue Code that may be recognized under the Pension Plan and deferrals of their compensation under DIP II, which is defined and discussed below. Benefits under the Benefit Restoration Plan are paid in one lump sum payment at retirement, and benefits under DIP II are paid out at or after retirement in accordance with the election option chosen by a participant prior to deferral. The purpose of the Benefit Restoration Plan is not to provide employees with additional benefits, but to ensure that our employees who earn more than the amounts set forth in the Internal Revenue Code for maximum benefit limitations receive a proportionately equivalent retirement benefit to our other salaried employees participating in the Pension Plan. We maintain the Pension Plan and Benefit Restoration Plan to ensure an overall competitive compensation and benefits offering and to attract and retain top talent. Our Compensation Committee believes it is essential that our overall compensation and benefits, including retirement benefits, be competitive in the market.

Certain participants in the Benefit Restoration Plan, including our named executive officers, entered into agreements with Universal Leaf providing for taxable cash compensation payments to be made by Universal Leaf to the participant to partially fund their Benefit Restoration Plan payment upon retirement. Under such agreements, the participant directs Universal Leaf to deposit the payments on behalf of the participant directly into an irrevocable trust established by the participant for this purpose. Funding is calculated to equal 85% of the Benefit Restoration Plan benefit to guard against overfunding. The agreements allow participants to withdraw current contributions deposited by us from their individual trusts; provided any such withdrawal occurs within ten business days after Universal Leaf makes the deposit. The agreements permit Universal Leaf to fund the trusts on a discretionary basis. On December 29, 2006, we amended the agreements with certain of our executive officers, including our named executive officers. We amended the agreements in order to permit the funding of vested and accrued Benefit Restoration Plan benefits in accordance with Section 409A of the Internal Revenue Code, which allows us to fund benefits under a fixed, non-discretionary formula. At retirement, the after-tax balance from each of the participants agreements is used to offset the after-tax lump sum benefit payable to a participant under the Benefit Restoration Plan.

The retirement benefit under the Benefit Restoration Plan is paid in a lump sum. Like the Pension Plan, the benefit payable under the Benefit Restoration Plan normally is distributed when the participant reaches age 65. Participants may receive an early distribution of their retirement benefit when they reach age 55 with at least 5 years of service, but such early retirement benefit is reduced based on the participant s age and years of service. Participants may elect to retire and receive an early distribution of their retirement benefit without reduction when they reach age 60 and have at least 25 years of service.

Section 409A of the Internal Revenue Code limits the ability of an employer to fund deferred benefits on a discretionary basis. The amended agreements we have with our named executive officers allow Universal Leaf to make an annual payment to the participant s trust based on the additional benefit accrued for the participant under the Benefit Restoration Plan for the previous calendar year. Universal Leaf may, at its discretion, elect to make such payments or it may notify the participant prior to the beginning of a calendar year that no such payment will be made during that year. If Universal Leaf elects to make an annual payment, the amended agreement establishes a fixed-funding formula to determine the specific non-discretionary amount of the annual contributions. During fiscal year 2007, we deposited the following amounts, less applicable taxes, in individual trusts for our named executive officers with respect to the present value of projected benefits expected to be earned through December 31, 2006, under the Benefit Restoration Plan: Mr. King, $2,341,351; Mr. Freeman, $9,014; Mr. Brewer, $140,886; Mr. D. Moore, $57,340; Mr. Roper, $492,906; and Ms. Whelan, $81,759.

C. Deferred Income Plans

We offer all salaried employees, including our named executive officers, the opportunity to participate in the Employees 401(k) Savings Plan of Universal Leaf Tobacco Company, Incorporated and Designated Affiliated Companies, which we refer to as the 401(k) Plan. Participants can contribute percentages on a monthly basis up to 100% of total compensation excluding annual cash incentive awards, subject to statutory limitations. We match the monthly contributions up to 5% on a monthly basis, subject to an annual contribution limit of $11,250. The company match becomes vested after the participant completes three years of service. All of our named executive officers participated in the 401(k) Plan in fiscal year 2007.

In addition, we have two nonqualified deferred compensation plans available to certain of our executives: the Universal Leaf Tobacco Company, Incorporated Deferred Income Plan of 1986, which we refer to as DIP I, and the Universal Leaf Tobacco Company, Incorporated Deferred Income Plan of 1994, which we refer to as DIP II. The plans are designed to permit participants to accumulate additional income for retirement and other personal financial goals through the deferral of their annual cash incentive award and portions of their salary, as more fully described in the narrative to the table entitled *Nonqualified Deferred Compensation* on page 35 of this Proxy Statement. Deferred compensation arrangements are common executive programs, and we believe that these arrangements help us in the recruitment and retention of executive talent for which we are competing.

Participants in DIP I entered into agreements in which they deferred specified amounts from the annual cash incentive awards they received that year. Pursuant to the agreements, those executives received pre-retirement payments equaling four times the total amount deferred. In addition, when the participating executives reach the age of 65 they will receive fixed monthly payments for 15 years starting July 1 of the year after they reach such age. Only two of our named executive officers, Messrs. King and Roper, participated in DIP I. No deferrals have been made into DIP I since 1990.

DIP II is a non-qualified savings plan, with eligibility based on Internal Revenue Code limits on deferrals into the 401(k) Plan. Under DIP II, participants elect to make contributions through the deferral of up to 50% of their salary, and up to 100% of their annual incentive award. DIP II is unfunded and unsecured by us and provides the participants a variety of investment options from which to choose, These options are selected by the Pension Investment Committee of the Board of Directors. Ms. Whelan and Messrs. Brewer and Roper were the only named executive officers who deferred income in DIP II in fiscal year 2007.

D. Change of Control Agreements

We do not offer severance agreements to our named executive officers. However, to ensure that we will have the continued dedicated service of certain executives (including Messrs. King, Freeman, Brewer, D. Moore, and Roper) notwithstanding the possibility, threat, or occurrence of a change of control, we have change of control employment agreements, which we call Employment Agreements. The Compensation Committee believes that the Employment Agreements serve the best interests of Universal Corporation and our shareholders by ensuring that if a hostile or friendly change in control is ever under consideration, our executives are able to perform their duties and responsibilities and advise the Board of Directors about the potential transaction in the best interests of shareholders, without being unduly influenced by the distracting uncertainty and risk associated with a change of control, such as fear of the economic consequences of losing their jobs as a result of a change in control.

A change of control is defined in the Employment Agreements, but is generally deemed to have occurred if:

- any individual, entity or group acquires 20% or more of either the outstanding shares of our Common Stock or the combined voting power of our outstanding voting securities;
- a majority of our directors are replaced;
- we reorganize, merge, consolidate, or sell all or substantially all of our assets except for certain situations in which control of outstanding shares of Common Stock or outstanding voting securities is maintained; or
- our shareholders approve a complete liquidation or dissolution of Universal Corporation.

During fiscal year 2007 we replaced all existing Employment Agreements with new Employment Agreements. The new Employment Agreements are similar to the original Employment Agreements but have a number of significant differences intended to reduce potential cost and eliminate outdated concepts. Our Compensation Committee believes these changes were in the best interests of Universal Corporation and our shareholders and they adequately protect the legitimate interests of our named executive officers in employment security without unduly burdening us or reducing shareholder value.

The new Employment Agreements:

- do not contain any obligation to gross-up severance payments for potential excise taxes incurred by the executive officer;
- contain a double trigger instead of a single trigger, meaning that payments are not made until there is a change of control and the executive officer is effectively terminated within three years of the change of control (under our prior Employment Agreements, payment could be triggered at the executive s option);
- contain non-competition and non-solicitation clauses; and

contain certain administrative elements intended to address the requirements of Section 409A of the Internal Revenue Code applicable to deferred compensation.

The terms and conditions in the Employment Agreements are identical for each executive officer. Our Employment Agreements provide that the executive officer will have generally the same authority, duties, and responsibilities during the three years after a change of control of Universal Corporation or until the executive officer s normal retirement at age 65 (if earlier), as such executive officer did immediately prior to the change of control. Each Employment Agreement also provides for the payment, during such period, of an annual base salary and annual cash incentive award at least at the same levels as prior to the change of control. Each executive officer will also participate at least at the same levels in incentive, savings and retirement plans, and welfare benefit plans as were offered prior to the change of control.

Each Employment Agreement provides benefits in the event of the executive s death or disability, or in the event the executive s employment is terminated for cause or for good reason. If the executive officer is terminated other than for cause, death, or disability within three years after a change of control, or if the executive officer terminates his employment for good reason within such three-year period, the executive officer is entitled to receive certain severance benefits. Severance benefits include a lump sum severance payment based on an amount equal to 2.99 times the sum of his annual base salary and the higher of such executive officer s most recent targeted bonus opportunity under our cash incentive plan and such executive officer s prior year s annual cash incentive award. This payment will be made in full if the date of termination of employment is more than three years prior to the executive officer s normal retirement at age 65, and it will be prorated if such period is less than three years. There will be no such payment if the executive officer has reached normal retirement. Severance benefits also include certain other payments and benefits, including continuation of benefits under retirement plans, continuation of employee welfare benefits, and outplacement services for the executive officer up to a maximum amount of $10,000. The Employment Agreements are described in more detail below in the section entitled *Potential Payments upon Termination or Change of Control* beginning on page 36 of this Proxy Statement.

REPORT OF THE EXECUTIVE COMPENSATION,

NOMINATING, AND CORPORATE GOVERNANCE COMMITTEE

We have reviewed and discussed the Compensation Discussion and Analysis section of this Proxy Statement with management. Based on that review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis section be included in this Proxy Statement.

THE EXECUTIVE COMPENSATION, NOMINATING, AND CORPORATE GOVERNANCE COMMITTEE

Jeremiah J. Sheehan, *Chairman*
Joseph C. Farrell
Charles H. Foster, Jr.
Hubert R. Stallard

June 12, 2007

COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the members of the Compensation Committee during fiscal year 2007 or as of the date of this Proxy Statement is or has been an officer or employee of us and no executive officer of us served on the compensation committee or board of any company that employed any member of our Compensation Committee or Board of Directors.

EXECUTIVE COMPENSATION

The individuals named below include the Chairman and Chief Executive Officer, the Chief Financial Officer, and the other named executive officers. Information relating to total compensation is provided for the 12-month period ended March 31, 2007.

SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Fiscal Year (b)	Salary[1] ($) (c)	Stock Awards[2] ($) (e)	Option Awards[2] ($) (f)	Non-Equity Incentive Plan Compensation[3] ($) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[4, 5] ($) (h)	All Other Compensation[6] ($) (i)	Total ($) (j)
Allen B. King Chairman and Chief Executive Officer	2007	719,375	852,163	567,539	427,600	229,586	142,488	2,938,751
George C. Freeman, III President	2007	332,700	50,124	69,366	265,500	28,010	39,613	785,313
W. Keith Brewer Executive Vice President, Universal Leaf	2007	302,700	38,820	52,027	204,000	354,844	122,249	1,074,640
David C. Moore Vice President and Chief Administrative Officer	2007	262,700	36,071	52,027	139,800	35,012	60,423	586,033
Hartwell H. Roper Vice President and Chief Financial Officer	2007	322,700	214,227	141,884	159,300	278,599	58,298	1,175,008
Karen M. L. Whelan Vice President and Treasurer	2007	239,300	143,838	97,293	100,600	79,378	36,486	696,895

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1 Salary amounts include cash compensation earned by each named executive officer during fiscal year 2007, as well as any amounts earned in fiscal year 2007 but contributed into the 401(k) Plan and/or deferred at the election of the named executive officer into our deferred compensation program. For a discussion of the deferred compensation program and amounts deferred by the named executive officers in fiscal year 2007, including earnings on amounts deferred, please see Nonqualified Deferred Compensation beginning on page 35 of this Proxy Statement.

2 The amounts represent the expense we recognized in fiscal year 2007 for financial statement reporting purposes in accordance with FAS 123R (excluding estimates for forfeitures related to service-based vesting conditions) and, accordingly, include amounts from awards granted in and prior to fiscal year 2007. These amounts reflect our accounting expense for these awards, and do not correspond to the actual cash value that will be recognized by each of the named executive officers when received. Assumptions used in the calculation of these award amounts are included in Notes 1 and 12 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2007, and incorporated by reference into this Proxy Statement. Beginning in fiscal year 2007, fair value

expense for stock-based compensation was recognized ratably over the period from grant date to the earlier of (a) the vesting date of the award, or (b) the date the grantee is eligible to retire without forfeiting the award. For employees who are already eligible to retire at the date an award is granted, the total fair value of the award is recognized as expense at the date of grant. Messrs. King and Roper and Ms. Whelan were eligible to retire at the date their SARs and restricted stock units were awarded. Information on individual equity awards granted to the named executive officers in fiscal year 2007 is set forth in the section entitled *Grants of Plan-Based Awards* on page 30 of this Proxy Statement.

[3] The amounts represent cash awards to the named executive officers under our performance-based annual cash incentive plan for fiscal year 2007, which is discussed in the section entitled *Annual Cash Incentives* beginning on page 19 of this Proxy Statement. While such amounts were earned for fiscal year 2007 performance, they were not paid to the named executive officers until June 8, 2007.

[4] The amounts represent (i) the actuarial increases in the present values of the named executive officers benefits under our pension plans during fiscal year 2007 determined using interest rate and mortality rate assumptions consistent with those used in our financial statements

and (ii) interest accrued to participants accounts under DIP I to the extent such interest exceeded 120% of the applicable federal long-term rate under Internal Revenue Code Section 1274(d). For all named executive officers except Messrs. King and Roper, the amounts only reflect changes in pension value because they had no above market interest earnings for fiscal year 2007. The amount reported for Mr. King includes $222,693 as the change in pension value and $6,893 as the above market interest earned on his DIP I account. The amount reported for Mr. Roper includes $273,052 as the change in pension value and $5,547 as the above market interest earned on his DIP I account. For additional information on our pension plans, please see the section entitled *Retirement and Post-Termination Compensation* on page 23 of this Proxy Statement and the tables entitled *Pension Benefits* on page 33 of this Proxy Statement and *Nonqualified Deferred Compensation* on page 35 of this Proxy Statement. For a full description of the pension plan assumptions used by us for financial reporting purposes, see Note 10 to our consolidated financial statements, which is included in our Annual Report on Form 10-K for the year ended March 31, 2007, and incorporated by reference into this Proxy Statement.

5 We provide funding payments, less applicable tax withholding, that are used for individual trusts for covered officers with vested accrued benefits under the Benefit Restoration Plan. These amounts are not included in the Summary Compensation Table because they do not represent compensation or earnings to the named executive officers. Instead, these amounts offset benefits otherwise payable by us at the named executive officers retirement so they are not intended to increase total promised benefits to a named executive officer. Pursuant to the Benefit Restoration Plan, participants are able to withdraw from their individual trusts current contributions deposited by us provided such withdrawal occurs within ten business days after we make the deposit. During fiscal year 2007, the following amounts were deposited in individual trusts for our named executive officers with respect to the present value of projected benefits expected to be earned through December 31, 2006, under our retirement plans as follows: Mr. King, $2,341,352; Mr. Freeman, $9,014; Mr. Brewer, $140,886; Mr. D. Moore, $57,340; Mr. Roper, $492,907; and Ms. Whelan $81,759. Additional information regarding the Benefit Restoration Plan is set forth in the section entitled *Benefit Restoration Plan* on page 23 of this Proxy Statement.

6 The table below reflects the types and dollar amounts of perquisites, additional compensation, and other personal benefits provided to the named executive officers during fiscal year 2007. For purposes of computing the dollar amounts of the items listed below, we used the actual out-of-pocket costs to us of providing the perquisite or other personal benefit to the named executive officer, with one exception. The incremental cost for personal use of company aircraft is calculated based on the cost of fuel, crew travel expenses, on-board catering costs, and landing, parking and hangar fees. Since our aircraft was used primarily for business travel in fiscal year 2007, fixed costs that do not change based on personal use, such as pilots salaries, were not included in our calculation. The named executive officers paid any taxes associated with these benefits without reimbursement from us. Each perquisite and personal benefit included in the table below is described in more detail in the narratives immediately following the table:

Column (i) Components	**A.B. King ($)**	**G.C. Freeman, III ($)**	**W.K. Brewer ($)**	**D.C. Moore ($)**	**H.H. Roper ($)**	**K.M.L. Whelan ($)**
Car Allowance[(a)]	11,250	9,000	9,000	9,000	9,000	7,650
Use of Corporate Aircraft[(b)]						
Professional Fees[(c)]	3,000				7,209	
Tax Equalization[(d)]				29,556		
Executive Insurance[(e)]	92,269	13,978	30,372	8,732	24,604	$ 15,792
Relocation[(f)]			67,742			
Health Program[(g)]						
401(k) Match[(h)]	9,119	5,385	3,885	3,385	4,135	3,077
ESPP Match[(i)]	26,850	11,250	11,250	9,750	8,850	6,367
DIP Stock[(j)]					4,500	3,600
TOTALS[(k)]	142,488	39,613	122,249	60,423	58,298	36,486

(a) *Automobile Allowance.* For a number of years, we provided a car allowance to certain executive officers, including our named executive officers. The purpose of the car allowance was to make our compensation program competitive with other companies. Effective January 1, 2007, we discontinued our car allowances as part of our efforts to simplify administration and our compensation program. In lieu of these benefits, the named executive officers each received an increase in fiscal year 2007 salary starting in January 2007, with such amounts discounted to mitigate the impact of the benefit costs. The amounts reflected in the table above represent fiscal year 2007 amounts paid to our named executive officers as car allowance prior to discontinuance.

(b) *Company Aircraft.* In the past, we have allowed executive management to use the company aircraft provided they reimburse the company for the use of the aircraft, based on a value determined in accordance with applicable Internal Revenue Code regulations. Mr. Freeman used the company aircraft once during fiscal year 2007 and reimbursed us based on our policy. We did not incur any incremental costs associated with his use above what he paid us, so no amounts are included in the table above. During the fourth quarter of fiscal year 2007, we discontinued this perquisite and we have taken steps to dispose of the company aircraft, so no further use of company aircraft is permitted.

(c) *Financial Planning and Tax Preparation Services.* Certain of our executives are eligible to be reimbursed for financial planning and tax preparation services they incur during the year, subject to an annual cap of $15,000. In addition, for certain executive management who are U.S. nationals working overseas, we reimburse them for similar tax preparation expenses they incur in connection with the filing of their

foreign and United States tax returns. All reimbursed amounts paid to our named executive officers during fiscal year 2007 pursuant to our financial planning and tax preparation policy are individually disclosed in the perquisites table above.

(d) *Tax Equalization.* We have a policy applicable to certain United States executives who perform extended international assignments which ensures that their overseas tax liability associated with their assignment does not exceed what it would have been had they remained in the United States. We bear any incremental United States and foreign tax costs associated with the additional overseas allowances and

payments the executives receive. Mr. D. Moore recently completed such an international assignment, and tax equalization payments he received during fiscal year 2007 are set forth in the table above. Mr. D. Moore will continue to be covered by the policy until such time that his United States and foreign tax return filings, including amended returns, have been finalized.

(e) *Executive Insurance Program.* We provide certain executives with executive life insurance policies in lieu of participation in our standard group life insurance program. The purpose of the executive life insurance program, which we call the Executive Insurance Program, is to provide our executive officers with the opportunity to participate in a policy that the executive officer owns directly and retains after retirement or termination of employment and will provide substantially more post-retirement coverage than the group term plan provides participants. The amounts listed for the Executive Insurance Program represent premiums we paid in fiscal year 2007 for such policies. We pay all premiums on two times covered compensation, which is the same as our group term plan, and the executive officers are required to contribute amounts equal to the income tax on group life insurance coverage in excess of $50,000 at various ages for which they would have paid assuming they had remained in our group term life insurance plan. The executives are eligible to purchase an additional one times covered compensation, at their own expense.

(f) *Relocation Assistance.* When extraordinary circumstances arise, we assist executives who are asked to relocate to other areas in which our subsidiaries operate. In these circumstances, determined on a case by case basis by our management, we provide assistance in connection with the relocation in the form of cost reimbursement and the advancement of a housing allowance as deemed appropriate. Mr. Brewer received relocation assistance during fiscal year 2007, and the amount of assistance is set forth in the table above.

(g) *Executive Preventative Health Evaluation Program.* For executives at Vice President level and higher with Universal Leaf, we offered a benefit providing a comprehensive annual physical. The program was an assurance to us that the individual was medically fit for his or her responsibilities. The individual benefited from receiving a comprehensive medical evaluation annually, and we covered all medical costs associated with the benefit in excess of what was covered by our medical plan. We discontinued this program effective September 20, 2006. No executives received any benefits under this program during fiscal year 2007.

(h) *401(k) Company Match.* Each named executive officer is eligible to participate in the 401(k) Plan, which offers them an opportunity to defer income and receive matching contributions from us subject to certain limits. The amounts set forth in the table above for company contributions under the 401(k) Plan are for the final three months of fiscal year 2007, which is when the named executive officers became eligible to participate. Information about the 401(k) Plan is set forth in the section entitled *Deferred Income Plans* beginning on page 24 of this Proxy Statement.

(i) *Employee Stock Purchase Plan Company Match.* Each named executive officer was eligible to participate in the Employee Stock Purchase Plan, which offers them an opportunity to contribute income toward the after-tax purchase of our Common Stock and to receive matching contributions from us in the form of Common Stock subject to certain limits. For those named executive officers whose deferrals exceeded the set limits, their remaining matching contributions were provided through the Supplemental Stock Purchase Plan. The amounts above represent company matching contributions for the named executive officers into the Employee Stock Purchase Plan and, except for Ms. Whelan, into the Supplemental Stock Purchase Plan. During fiscal year 2007, we discontinued the Employee Stock Purchase Plan and froze the Supplemental Stock Purchase Plan. Information about the Employee Stock Purchase Plan and Supplemental Stock Purchase Plan is set forth in the section entitled *Long-Term Equity Participation* beginning on page 20 of this Proxy Statement.

(j) *DIP Stock*. Deferrals for DIP II reduce the company matching contribution under the Employee Stock Purchase Plan. To help offset the reduction, we provided affected participants a lump sum cash payment equal to the additional company matching contribution the participant otherwise would have received into their Employee Stock Purchase Plan matching account. The amount included for this item in the table above represents the lump sum payments we made in fiscal year 2007.

(k) *Matching Gifts.* Each named executive officer is eligible to participate in our matching gifts program in which our charitable foundation matches employees contributions to charities. The maximum amount that can be matched in any fiscal year is $5,000 per employee. Each of the named executive officers participated in the matching gifts program in amounts equal to or below the maximum amount. The amounts matched have not been included in Column (i) in the Summary Compensation Table.

GRANTS OF PLAN-BASED AWARDS

The following table presents information regarding grants of plan-based awards to the named executive officers during the fiscal year ended March 31, 2007.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1] Threshold ($)	Target ($)	Max. ($)	All Other Stock Awards: Number of Shares of Stock or Units[2] (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Market Price of Option Awards on Grant Date[3] ($/Sh)	Grant Date Fair Value of Stock and Option Awards[4] ($)
(a)	(b)	(c)	(d)	(e)	(i)	(j)	(k)	(l)	(m)
Allen B. King	5/25/2006	0	765,000	N/A					
	6/13/2006				17,500		36.03	36.34	630,525
	6/13/2006					70,000	36.03	36.34	567,700
George C. Freeman, III	5/25/2006	0	475,000	N/A					
	6/13/2006				4,000		36.03	36.34	144,120
	6/13/2006					16,000	36.03	36.34	129,760
W. Keith Brewer	5/25/2006	0	365,000	N/A					
	6/13/2006				3,000		36.03	36.34	108,090
	6/13/2006					12,000	36.03	36.34	97,320
David C. Moore	5/25/2006	0	250,000	N/A					
	6/13/2006				3,000		36.03	36.34	108,090
	6/13/2006					12,000	36.03	36.34	97,320
Hartwell H. Roper	5/25/2006	0	285,000	N/A					
	6/13/2006				4,400		36.03	36.34	158,532
	6/13/2006					17,500	36.03	36.34	141,925
Karen M. L. Whelan	5/25/2006	0	180,000	N/A					
	6/13/2006				3,000		36.03	36.34	108,090
	6/13/2006					12,000	36.03	36.34	97,320

1 Amounts represent potential annual cash incentive awards for fiscal year 2008. The actual amount of the annual cash incentive award earned by each named executive officer for fiscal year 2007 is reported in Column (g), *Non-Equity Incentive Plan Compensation*, in the Summary Compensation Table on page 27 of this Proxy Statement. For additional information with respect to the annual cash incentive awards under the Incentive Plan, please see the section entitled *Annual Cash Incentives* beginning on page 19 of this Proxy Statement.

2 Amounts represent the award of restricted stock units. Each restricted stock unit will convert one-for-one into shares of our Common Stock upon vesting. Additional information with respect to restricted stock unit awards is set forth in the section entitled *Long-Term Equity Participation* beginning on page 20 of this Proxy Statement, and in Column (g) in the table entitled *Outstanding Equity Awards at Fiscal Year End* on page 31 of this Proxy Statement.

3 Each SAR represents the right to receive from us upon exercise an amount, payable in shares of Common Stock, equal to the excess, if any, of the fair market value of one share of Common Stock on the date of exercise over the base value per share. SARs granted during fiscal year 2007 were assigned an initial base value on the date of grant equal to the price of a share of our Common Stock on the trading day next preceding the date of grant. This process is dictated by the 2002 Executive Stock Plan. The 2007 Stock Incentive Plan proposed for approval in this Proxy Statement sets an initial base value of SARs on the date of grant equal to the price of a share of our Common Stock on the date of grant. For additional information with respect to the SAR awards, please see the section entitled *Long-Term Equity Participation* beginning on page 20 of this Proxy Statement.

4 Represents the grant date fair value of the award determined in accordance with FAS 123R. Grant date fair value for the restricted stock unit awards is based on the grant date fair value of the underlying shares of Common Stock. Grant date fair value of SARs is $8.11 per share based on a Black-Scholes option pricing model for use in valuing executive stock options. The actual value, if any, that a named executive officer may realize upon exercise of SARs will depend on the excess of the stock price over the base value on the date of exercise, so there is no assurance that the value realized by a named executive officer will be at or near the value estimated by the Black-Scholes model. The assumptions used in determining the grant date fair values of these awards are set forth in Note 12 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2007, and incorporated by reference into this Proxy Statement.

30

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table presents information concerning the number and value of unvested restricted stock units and unvested and unexercised stock options and SARs for the named executive officers outstanding as of the end of the year ended March 31, 2007.

	Option Awards				Stock Awards	
Name and Grant Date (a)	Number of Securities Underlying Unexercised Options Exercisable[1] (#) (b)	Number of Securities Underlying Unexercised Options Unexercisable[2] (#) (c)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested[2] (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested[3, 4] ($) (h)
Allen B. King						
May 24, 2005	70,000		46.34	23-May-15		
December 17, 2004	64,908		48.21	5-Dec-12		
June 17, 2004	15,928		47.28	5-Dec-12		
June 13, 2006		70,000	36.03	12-Jun-16		
May 24, 2005					18,796	1,153,127
June 13, 2006					18,036	1,106,523
George C. Freeman, III						
May 24, 2005	10,000		46.34	23-May-15		
December 17, 2002	4,144		48.03	5-Dec-12		
June 17, 2004	4,144		47.28	5-Dec-12		
June 17, 2003	3,506		42.82	5-Dec-12		
December 17, 2004	5,671		48.21	5-Dec-12		
June 13, 2006		16,000	36.03	12-Jun-16		
May 24, 2005					2,685	164,733
June 13, 2006					4,123	252,919
W. Keith Brewer						
December 5, 2002	9,000		35.67	5-Dec-12		
June 13, 2006		12,000	36.03	12-Jun-16		
May 24, 2005					2,148	131,787
June 13, 2006					3,092	189,690
David C. Moore						
May 24, 2005	6,000		46.34	23-May-15		
December 5, 2002	22,500		35.67	5-Dec-12		
June 13, 2006		12,000	36.03	12-Jun-16		
May 24, 2005					1,611	98,840
June 13, 2006					3,092	189,690
Hartwell H. Roper						
June 13, 2006		17,500	36.03	12-Jun-16		
May 24, 2005					4,726	289,929
June 13, 2006					4,535	278,211
Karen M. L. Whelan						
June 13, 2006		12,000	36.03	12-Jun-16		
May 24, 2005					3,007	184,500
June 13, 2006					3,092	189,690

1 Because no options were awarded during fiscal year 2007, the amounts represent options awarded prior to fiscal year 2007. All options held by the named executive officers at March 31, 2007, were fully vested and exercisable.

2 Amounts in Column (c) represent unvested SARs. SARs vest within three years of the date of grant, with one-third of the SARs vesting on each anniversary date of the date of grant. For each amount listed in Column (c), one-third vested June 13, 2007, one-third will vest June 13,

2008, and the remaining one-third will vest June 13, 2009. Amounts in Column (g) represent unvested restricted stock units. Restricted stock units have five-year cliff vesting, meaning all restricted stock units vest on the fifth anniversary of the date they are granted. At the time of vesting, restricted stock units are automatically converted into an equal number of shares of Common Stock without restriction except in the case of certain executives who are named executive officers at the time of vesting, in which case shares remain restricted until the executives are no longer named executive officers or they retire. All restricted stock units awarded on May 24, 2005 are scheduled to vest on May 24, 2010, and all restricted stock units awarded on June 13, 2006, are scheduled to vest on June 13, 2011. Restricted stock unit awards accumulate dividend equivalent rights, which track actual dividend amounts and are added to the total number of restricted stock units to be converted into shares of Common Stock at the time of vesting.

3 Based on the closing price of $61.35 for our Common Stock, as quoted on the New York Stock Exchange on March 31, 2007, the last trading day of fiscal year 2007.

4 We have historically assigned an initial value to stock options granted by our Compensation Committee equal to the closing price of a share of Common Stock as quoted on the New York Stock Exchange on the first trading day following the date of grant. As of May 27, 2007, the Compensation Committee has changed this process for future awards by assigning an initial value to an award equal to the closing price of a share of Common Stock as quoted on the New York Stock Exchange on the date of grant.

OPTION EXERCISES AND STOCK VESTED

The following table presents information concerning the exercise of stock options for the named executive officers during the year ended March 31, 2007. There were no other exercises of options, SARs or similar instruments or vesting of stock (including restricted stock units or other similar instruments) for the named executive officers during the year ended March 31, 2007.

	Option Awards	
Name	**Number of Shares Acquired on Exercise[1] (#)**	**Value Realized on Exercise[2] ($)**
(a)	**(b)**	**(c)**
Allen B. King	229,429	1,435,168
George C. Freeman, III	28,966	565,832
W. Keith Brewer	8,000	69,000
David C. Moore		
Hartwell H. Roper	173,342	1,332,761
Karen M. L. Whelan	105,040	870,694

1 Amounts represent the number of shares of Common Stock underlying stock options exercised during fiscal year 2007. Amounts include shares of Common Stock withheld by us in connection with the cashless exercise of the stock options by the named executive officers. The actual number of shares received by the named executive officers, therefore, is less than the number of shares underlying the stock options exercised.

2 Amounts were calculated by determining the difference between the market price of the underlying Common Stock at the time of exercise and the exercise or base price of the stock options.

PENSION BENEFITS

The following table shows the actuarial present value of accumulated benefits under each of our defined benefit plans, which are our only defined benefit plans that provide for payments or other benefits to the named executive officers at, following, or in connection with retirement.

Name (a)	Plan Name (b)	Number of Years Credited Service[1] (#) (c)	Present Value of Accumulated Benefit[2] ($) (d)	Payments During Last Fiscal Year ($) (e)
Allen B. King	Pension Plan	37.67	1,039,946	
	Benefit Restoration Plan	37.67	15,074,653	
George C. Freeman, III	Pension Plan	9.50	99,158	
	Benefit Restoration Plan	9.50	198,172	
W. Keith Brewer	Pension Plan	18.00	250,410	
	Benefit Restoration Plan	18.00	672,576	
David C. Moore	Pension Plan	29.00	466,823	
	Benefit Restoration Plan	29.00	565,703	
Hartwell H. Roper	Pension Plan	32.75	814,278	
	Benefit Restoration Plan	32.75	3,513,710	
Karen M. L. Whelan	Pension Plan	14.17	379,872	
	Benefit Restoration Plan	14.17	466,980	

1 We have not granted, and we do not have a policy with respect to granting, extra years of service to named executive officers under the Pension Plan or the Benefit Restoration Plan. Additional information with respect to the Pension Plan and the Benefit Restoration Plan is set forth in the section entitled *Retirement and Post-Termination Compensation* beginning on page 23 of this Proxy Statement.

2 Present value was determined assuming retirement