

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549

FORM S-3  
 REGISTRATION STATEMENT  
 UNDER  
 THE SECURITIES ACT OF 1933

XEROX CORPORATION  
 (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEW YORK 16-0468020  
 (STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER IDENTIFICATION  
 INCORPORATION OR ORGANIZATION) NUMBER)

P.O. BOX 1600  
 STAMFORD, CONNECTICUT 06904-1600  
 (203) 968-3000  
 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF  
 REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

MARTIN S. WAGNER  
 ASSISTANT SECRETARY  
 XEROX CORPORATION  
 P.O. BOX 1600  
 STAMFORD, CONNECTICUT 06904-1600  
 (203) 968-3000  
 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA  
 CODE, OF AGENT FOR SERVICE)

COPY TO:  
 JOHN W. WHITE  
 CRAVATH, SWAINE & MOORE  
 WORLDWIDE PLAZA  
 825 EIGHTH AVENUE  
 NEW YORK, NEW YORK 10019

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:  
 From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered  
 pursuant to dividend or interest reinvestment plans, please check the  
 following box.

If any of the securities being registered on this Form are to be offered on  
 a delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
 1933, other than securities offered only in connection with dividend or  
 interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering  
 pursuant to Rule 462(b) under the Securities Act, please check the following  
 box and list the Securities Act registration number of the earlier effective  
 registration statement for the initial offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c)  
 under the Securities Act, check the following box and list the Securities Act  
 registration statement number of the earlier effective registration statement  
 for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434,  
 please check the following box.

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
Convertible Subordinated Debentures.....	\$1,012,198,000	57.938%	\$586,447,278	\$173,002
Common Stock, par value \$1.00 per share.....	(2)			

(1) Estimated solely for the purpose of calculating the registration fee, in  
 accordance with Rule 457(c) under the Securities Act of 1933, as amended  
 (the "Securities Act"), on the basis of the average of the bid and asked  
 prices of \$579.38 quoted on the PORTAL system on July 14, 1998 for \$1,000  
 principal amount at maturity.

(2) Also being registered is such indeterminate number of shares of Common Stock as may be issuable upon conversion and/or redemption of the Convertible Subordinated Debentures registered hereby, which registration is not subject to an additional registration fee pursuant to Rule 457(i) under the Securities Act.

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +  
+REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +  
+SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +  
+OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +  
+BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +  
+THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +  
+SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +  
+UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +  
+ANY STATE. +  
+++++

SUBJECT TO COMPLETION, DATED JULY 17, 1998

PROSPECTUS	\$1,012,198,000	THE
	XEROX CORPORATION	DOCUMENT
[LOGO]	CONVERTIBLE SUBORDINATED DEBENTURES DUE 2018	COMPANY
	INTEREST PAYABLE APRIL 21 AND OCTOBER 21	XEROX

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This Prospectus relates to \$1,012,198,000 aggregate principal amount at maturity of Convertible Subordinated Debentures ("Debentures") of Xerox Corporation, a New York corporation (the "Company" or "Xerox"), and such indeterminate number of shares of Common Stock, par value \$1.00 per share, of the Company (the "Common Stock") as may be issuable upon the conversion of the Debentures, that may be offered and sold from time to time by the several holders thereof (the "Selling Holders"). The Debentures were issued or deemed issued by the Company on April 21, 1998 pursuant to an Indenture, dated as of April 21, 1998 (the "Indenture"), between the Company and The First National Bank of Chicago, as trustee (the "Trustee"), at the issue price of \$568.07 per \$1,000 principal amount at maturity (the "Issue Price").

The Debentures will mature on April 21, 2018. Interest on the Debentures at the rate of 0.57% per annum on the principal amount due at maturity is payable semiannually in arrears on April 21 and October 21 of each year, commencing October 21, 1998. Such rate of cash interest and accrual of Original Issue Discount (as defined herein) represent a yield to maturity of 3.625% per annum (computed on a semiannual bond equivalent basis) calculated from April 21, 1998. Upon the occurrence of a Tax Event (as defined herein), the Company may elect to have interest in lieu of future Original Issue Discount accrue. The Debentures are subordinated to all existing and future Senior Indebtedness (as defined herein) of the Company. The Debentures are also effectively subordinated to all existing and future liabilities of the Company's subsidiaries. At March 31, 1998, the Company and its consolidated subsidiaries had outstanding approximately \$13.557 billion of indebtedness ranking senior to the Debentures. See "Description of Debentures--Subordination of Debentures."

Each Debenture is convertible at the option of the holder thereof (the "Holder") at any time on or prior to maturity, unless previously redeemed or otherwise purchased. Upon conversion, the Company may elect to deliver Common Stock at a conversion rate of 3.904 shares per \$1,000 principal amount at maturity (the "Conversion Rate") or cash in an amount based upon the market value of the shares of Common Stock into which the Debentures are convertible. The Conversion Rate will not be adjusted for accrued Original Issue Discount or accrued cash interest but will be subject to adjustment upon the occurrence of certain events affecting the Common Stock. Subject to certain exceptions, upon conversion, the Holder will not receive any cash payment representing accrued Original Issue Discount or accrued cash interest; such accrued Original Issue Discount and cash interest will be deemed paid by the Common Stock or cash received on conversion. See "Description of Debentures--Conversion Rights." The Common Stock is listed and traded on the New York Stock Exchange (the "NYSE") and the Chicago Stock Exchange under the symbol "XRX."

The Debentures will be purchased by the Company, at the option of the Holder, on April 21, 2003 (the "Purchase Date"), for a Purchase Price per Debenture of \$648.91 (which amount represents the Issue Price plus accrued Original Issue Discount to the Purchase Date), plus accrued cash interest to the Purchase Date. The Company, at its option, may elect to pay the Purchase Price on the Purchase Date in cash or shares of Common Stock based on the market value thereof, or in any combination thereof. See "Description of Debentures--Purchase of Debentures at the Option of the Holder." In addition, as of 35 business days after the occurrence of any Change in Control (as defined herein) of the Company occurring on or prior to April 21, 2003, the Debentures will be purchased for cash by the Company, at the option of the Holder, for a Change in Control Purchase Price (as defined herein) equal to the Issue Price plus accrued Original Issue Discount and cash interest to the date set for such purchase. In certain circumstances, the Company's ability to pay the Change in Control Purchase Price may be limited. See "Description of Debentures--Change in Control Permits Purchase of Debentures at the Option of the Holder."

The Debentures are not redeemable by the Company prior to April 21, 2003. On and after such date, the Debentures are redeemable for cash at any time at the option of the Company, in whole or in part, at Redemption Prices equal to the Issue Price plus accrued Original Issue Discount, together with accrued cash interest, to the date of redemption. See "Description of Debentures--Redemption of Debentures at the Option of the Company."

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY

REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The date of this Prospectus is July 17, 1998.

From and after a Tax Event (as defined herein), at the option of the Company, interest in lieu of future Original Issue Discount and regular interest shall accrue on each Debenture from the Option Exercise Date (as defined herein) at 3.625% per annum on the Restated Principal Amount (as defined herein) and shall be payable semiannually on each Interest Payment Date (as defined herein) to holders of record at the close of business on each Regular Record Date immediately preceding such Interest Payment Date. See "Description of Debentures--Optional Conversion to Semiannual Coupon Debenture upon Tax Event."

For a discussion of certain United States federal income tax consequences for Holders of Debentures, see "Certain United States Federal Income Tax Considerations."

The Debentures and Common Stock issued upon conversion of the Debentures may be offered for sale and sold by the Selling Holders from time to time in varying amounts at prices and on terms to be determined at the time of sale. To the extent required, the name(s) of the Selling Holder(s), the number of Debentures or shares of Common Stock to be sold, the purchase price, the public offering price, if applicable, the name of any agent or broker-dealer, and any applicable commissions, discounts or other items constituting compensation thereto with respect to a particular offering will be set forth in a supplement or supplements to this Prospectus (each, a "Prospectus Supplement"). See "Plan of Distribution." The Company will not receive any proceeds from any sale of Debentures or Common Stock hereunder.

Selling Holders and any broker-dealers or agents that participate with a Selling Holder in the distribution of any of the Debentures or Common Stock issued upon conversion of the Debentures may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), and any discount or commission received by them and any profit on the resale of the Debentures or Common Stock issued upon conversion of the Debentures purchased by them may be deemed to be underwriting discounts or commissions under the Securities Act.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed by the Company can be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street N.W. (Room 1024), Judiciary Plaza, Washington, D.C. 20549, as well as at the Regional Offices of the Commission located at Northwestern Atrium Center, 500 West Madison Street (Suite 1400), Chicago, Illinois 60661-2511; and Seven World Trade Center (13th Floor), New York, New York 10048. Copies of such material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The Commission maintains a Web site that contains reports, proxy statements and other information regarding registrants that file electronically with the Commission at <http://www.sec.gov>. Such reports, proxy statements and other information concerning the Company also may be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, and the Chicago Stock Exchange, One Financial Plaza, 120 South LaSalle Street, Chicago, Illinois 60603.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

There are incorporated herein by reference the following documents filed with the Commission (File No. 1-4471) by the Company pursuant to the Exchange Act:

- (1) Annual Report on Form 10-K for the fiscal year ended December 31, 1997;
- (2) Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998;
- (3) Current Reports on Form 8-K dated January 16, 1998, March 5, 1998, March 11, 1998, April 1, 1998, April 7, 1998 and May 20, 1998;
- (4) The description of the Company's Shareholders Rights Plan (the "Rights Plan"), contained in Form 8-A filed with the Commission on April 7, 1997, and the Rights Agreement dated as of April 7, 1997, between the Company and The First National Bank of Boston, as Rights Agent (the "Rights Agreement"), with respect to the Rights Plan, which is filed as Exhibit 4.10 to the Company's Current Report on Form 8-K dated April 7, 1997, in each case, relating to the Rights to Purchase Series A Cumulative Preferred Stock (the "Preferred Stock Purchase Rights"); and
- (5) The description of the Company's Common Stock which is contained in Amendment No. 3 on Form 8-A dated April 7, 1997, relating to the Company's Common Stock and Preferred Stock Purchase Rights.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 (other than the information required by paragraphs (k) and (l) of (S)229.402 of Regulation S-K) or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Debentures offered hereby shall be deemed to be incorporated by reference into this Prospectus. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, including any beneficial owner, upon written or oral request of such person, a copy of any or all of the foregoing documents incorporated herein by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents). Requests should be directed to The First National Bank of Chicago, One First National Plaza, Suite 0126, Chicago, Illinois 60670-0126, telephone (800) 524-9472.

## THE COMPANY

Xerox is a New York corporation with its principal executive offices located at 800 Long Ridge Road, Stamford, Connecticut 06904, telephone (203) 968-3000.

Xerox is The Document Company and a leader in the global document market, providing document solutions that enhance productivity. References herein to "Xerox" refer to Xerox and consolidated subsidiaries unless the context specifically requires otherwise. Xerox distributes its products in the Western Hemisphere through divisions and wholly-owned subsidiaries. In Europe, Africa, the Middle East and parts of Asia, including Hong Kong, India and China, Xerox distributes through Xerox Limited and related companies ("Xerox Limited"). In June 1997, Xerox completed the acquisition of The Rank Group's remaining 20% financial interest in Xerox Limited for (Pounds)940 million, or approximately \$1.5 billion. As a result of this transaction, Xerox now owns 100% of Xerox Limited. Fuji Xerox Co., Limited ("Fuji Xerox"), an unconsolidated entity jointly owned by Xerox Limited and Fuji Photo Film Company Limited, develops, manufactures and distributes document processing products in Japan and the Pacific Rim. Japan represents approximately 90% of Fuji Xerox revenues, and Australia, New Zealand, Singapore and Malaysia represent the remaining 10%. Fuji Xerox conducts business in other Pacific Rim countries through joint ventures and distributors.

Xerox has engaged in Insurance and Other Financial Services ("IOFS") businesses. In 1993, however, Xerox announced its decision to sell or otherwise disengage from these businesses. Beginning in 1995, the results of Xerox' Insurance operations were accounted for as discontinued operations. Since that time, the Document Processing business has been the only component of continuing operations.

Xerox' Document Processing activities encompass developing, manufacturing, marketing, servicing and financing a complete range of document processing products and services designed to make offices around the world more productive. Xerox has traditionally had a strong position in the general office document market. Its production systems market segment includes production publishing and production printing. Xerox' other market segments include the small office/home office/personal document processing market and the document outsourcing market. Xerox offers a wide range of other document processing products, including ink-jet and electrostatic printers, multifunction products, facsimile products, scanners, personal computer and workstation software, and integrated systems solutions. Xerox also sells cut-sheet paper to its customers for use in their document processing products. The financing of Xerox equipment is generally carried out by Xerox Credit in the United States and internationally by foreign financing subsidiaries and divisions in most countries in which Xerox operations.

On April 7, 1998, Xerox announced a worldwide restructuring program associated with enhancing its competitive position and lowering its overall cost structure. Xerox will record a second quarter 1998 provision of approximately \$1.0 billion after taxes related to severance and other exit costs and the write-down of certain assets.

In May, 1998 Xerox acquired XLConnect Solutions, Inc., an information technology services company, and its parent company, Intelligent Electronics, Inc., for \$415 million, strengthening Xerox' worldwide service capabilities to design, build, and support networks that implement enterprise-wide document solutions.

During the disposal process of the IOFS businesses, Xerox will continue to be subject to all business risks and rewards of the insurance businesses. All of the insurance businesses have been sold except for Crum & Forster Holdings, Inc. ("CFI"). An agreement to sell CFI was announced in March 1998 and the sale is expected to close by the third quarter of 1998. Upon completion of the CFI sale, Xerox will have effectively completed its strategy for the disengagement from the IOFS businesses. In connection with its disengagement from the IOFS businesses, Xerox recorded an after-tax write-off of \$190 million in the first quarter of 1998.

## USE OF PROCEEDS

The Company will not receive any proceeds from sales of the Debentures or shares of Common Stock sold from time to time hereunder. The Company has agreed to bear certain expenses in connection with the registration of the Debentures and Common Stock issuable upon conversion of the Debentures being offered and sold by the Selling Holders.



RATIO OF EARNINGS TO FIXED CHARGES

The following table shows the ratio of earnings to fixed charges for the periods indicated.

	THREE MONTHS ENDED						
	MARCH 31,		YEAR ENDED DECEMBER 31,				
	1998	1997	1997	1996	1995	1994	1993*
Ratio of earnings to fixed charges							
(1) (2).....	3.20	3.41	3.64	3.71	3.54	3.23	0.66

(1) The ratio of earnings to fixed charges has been computed based on the Company's continuing operations by dividing total earnings available for fixed charges, excluding capitalized interest and preferred stock dividends of subsidiaries, by total fixed charges. Fixed charges consist of interest, including capitalized interest and preferred stock dividends of subsidiaries, and one-third of rent expense as representative of the interest portion of rentals. Debt has been assigned to discontinued operations based on historical levels assigned to the businesses when they were continuing operations, adjusted for subsequent paydowns. Discontinued operations consist of the Company's Insurance, Other Financial Services, and Third Party Financing and Real Estate businesses.

(2) The Company's ratio of earnings to fixed charges includes the effect of the Company's finance subsidiaries, which primarily finance Xerox equipment. Financing businesses are more highly leveraged and, therefore, tend to operate at lower earnings to fixed charges ratio levels than do non-financial businesses.

\* 1993 earnings were inadequate to cover fixed charges. The coverage deficiency was \$249 million.

## DESCRIPTION OF DEBENTURES

The Debentures were issued under the Indenture. A copy of the Indenture is available for inspection during normal business hours at the corporate trust office of the Trustee. The following summaries of certain provisions of the Debentures and the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Debentures and the Indenture, including the definitions therein of certain terms which are not otherwise defined in this Prospectus. Wherever particular provisions or defined terms of the Indenture (or of the form of Debenture which is a part thereof) are referred to, such provisions or defined terms are incorporated herein by reference.

### GENERAL

The Debentures are unsecured subordinated obligations of the Company limited to \$1,012,198,000 aggregate principal amount at maturity and will mature on April 21, 2018. The principal amount at maturity of each Debenture is \$1,000 (except as may be adjusted upon conversion of the Debentures to semiannual coupon debentures following a Tax Event) and will be payable at the office of the Paying Agent, which initially will be the Trustee, or an office or agency maintained by the Company for such purpose in the Borough of Manhattan, The City of New York.

The Debentures were originally issued at a substantial discount from their principal amount at maturity. See "Certain United States Federal Income Tax Considerations--Original Issue Discount." The calculation of the accrual of Original Issue Discount (the difference between the Issue Price and the principal amount at maturity of a Debenture) in the period during which a Debenture remains outstanding will be on a semiannual bond equivalent basis using a 360-day year composed of twelve 30-day months. Such accrual commenced on the issue date of the Debentures (the "Issue Date"). The Debentures bear interest at the rate of 0.57% per annum on the principal amount due at maturity from the Issue Date, or from the most recent date to which interest has been paid or provided for until the Debentures are paid in full or funds are made available for payment in full of the Debentures in accordance with the Indenture. Cash interest will be payable at maturity (or earlier conversion, purchase or redemption) and semiannually on April 21 and October 21 of each year (each an "Interest Payment Date"), commencing on October 21, 1998, to holders of record at the close of business on April 7 or October 7 (whether or not a business day) immediately preceding each Interest Payment Date. Each payment of cash interest on the Debentures will include interest accrued through the day before the applicable Interest Payment Date or the date of maturity (or earlier conversion, purchase or redemption), as the case may be. Any payment of principal and cash interest required to be made on any day that is not a business day will be made on the next succeeding business day. In the event of the maturity, conversion, purchase by the Company at the option of a Holder or redemption of a Debenture, Original Issue Discount and cash interest will cease to accrue on such Debenture, under the terms and subject to the conditions (summaries of which are set forth below) of the Indenture. The Company may not reissue a Debenture that has matured or been converted, purchased by the Company at the option of a Holder, redeemed or otherwise cancelled (except for registration of transfer, exchange or replacement thereof).

Because certain of the operations of the Company are conducted through subsidiaries, the Company's cash flow and consequent ability to meet its debt obligations are dependent in part upon the earnings of its subsidiaries and on dividends and other payments therefrom. Since the Debentures are solely an obligation of the Company, the Company's subsidiaries are not obligated or required to pay any amounts due pursuant to the Debentures or to make funds available therefor in the form of dividends or advances to the Company. At March 31, 1998, the Company and its consolidated subsidiaries had outstanding approximately \$13.557 billion of indebtedness ranking senior in right of payment to the Debentures. In addition, the Company and its consolidated subsidiaries had outstanding on such date foreign exchange contracts and interest rate swap contracts to which the Debentures would have been contractually or effectively subordinated.

### FORM, DENOMINATION AND REGISTRATION

The Debentures were issued in definitive registered form, without coupons, in minimum denominations of \$1,000 principal amount at maturity and in integral multiples of \$1,000 in principal amount at maturity in excess

thereof. The Debentures were issued in fully registered book-entry form and are represented by one or more global Debentures without coupons (each, a "Global Debenture") deposited with a custodian for and registered in the name of Cede & Co. (DTC's partnership nominee) in New York, New York. Beneficial interests in any such Global Debenture are shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, and any such interest may not be exchanged for Debentures in certificated form except in the limited circumstances described herein. The Debentures offered hereby may be transferred only in denominations of \$1,000 principal amount at maturity and integral multiples thereof.

So long as DTC, or its nominee, is the registered owner or Holder of a Global Debenture, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of the Debentures represented by such Global Debenture for all purposes under the Indenture and the Debentures. No beneficial owner of an interest in a Global Debenture will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Indenture referred to herein).

No service charge will be made for any registration of transfer or exchange of Debentures but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Ownership of beneficial interests in a Global Debenture will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in the Global Debentures will be shown on, and the transfer of that ownership will be effected through, records maintained by DTC (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

DTC has advised the Company as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions, such as transfers and pledges, among participants in deposited securities through electronic book-entry changes to accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Certain of such participants (or their representatives), together with other entities, own DTC. The rules applicable to DTC and its participants are on file with the Commission.

Payments on Global Debentures will be made to DTC or its nominee, as the registered owner thereof. Neither the Company, the Trustee nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Debentures or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that DTC or its nominee, upon receipt of any payment in respect of a Global Debenture held by it or its nominee, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Debenture as shown on the records of DTC or its nominee. The Company also expects that payments by participants to owners of beneficial interests in such Global Debenture held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments, however, will be the responsibility of such participants.

DTC will take any action permitted to be taken by a Holder of Debentures (including the presentation of Debentures for exchange as described below) only at the direction of one or more participants to whose account interests in the Global Debentures are credited and only in respect of such portion of the aggregate principal amount of the Debentures as to which such participant or participants has or have give such direction. However, if there is an Event of Default under the Debentures, DTC will exchange the Global Debentures for Debentures in certificated form, which it will distribute to its participants.

Transfers between participants in DTC will be effected in accordance with DTC rules and will be settled in same-day funds. The laws of some states, however, require that certain persons take physical delivery of securities in definitive form.

DTC may discontinue providing its services as securities depository with respect to the Debentures at any time by giving reasonable notice to the Company. If DTC or any successor depository notifies the Company that it is unwilling or unable to continue as depository for a Global Debenture or ceases to be a "Clearing Agency" registered or in good standing under the Exchange Act or other applicable statute or regulation and a successor depository is not appointed by the Company within 90 days, or an Event of Default has occurred and is continuing, owners of beneficial interests in such Global Debenture will receive physical delivery of Debentures in certificated form and will be considered to be the owners or Holders of such Debentures under the Indenture.

The Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, certificates representing the Debentures will be printed and delivered.

In case any Debenture in certificated form shall become mutilated, defaced, destroyed, lost or stolen, the Company will execute and upon the Company's request the Trustee will authenticate and deliver a new Debenture, of like tenor (including the same date of issuance) and equal principal amount at maturity, registered in the same manner, dated the date of its authentication in exchange and substitution for such Debenture (upon surrender and cancellation thereof) or in lieu of and substitution for such Debenture. In case such Debenture is destroyed, lost or stolen, the applicant for a substituted Debenture shall furnish to the Company and the Trustee such security or indemnity as may be required by them to hold each of them harmless, and, in every case of destruction, loss or theft of such Debenture, the applicant shall also furnish to the Company satisfactory evidence of the destruction, loss or theft of such Debenture and of the ownership thereof. Upon the issuance of any substituted Debenture, the Company may require the payment by the registered Holder thereof of a sum sufficient to cover fees and expenses connected therewith.

#### SUBORDINATION OF DEBENTURES

Indebtedness evidenced by the Debentures is subordinated in right of payment as set forth in the Indenture, to the prior payment in full of all existing and future Senior Indebtedness (as defined herein). No payment of the principal amount at maturity, Issue Price, accrued Original Issue Discount, Redemption Price, Change in Control Purchase Price or cash interest with respect to any Debenture may be made by the Company, nor may the Company pay cash with respect to the Purchase Price of any Debenture (other than for fractional shares) or acquire any Debentures for cash or property except as set forth in the Indenture if (i) any payment default on any Senior Indebtedness has occurred and is continuing beyond any applicable grace period or (ii) any default (other than a payment default) with respect to Senior Indebtedness occurs and is continuing that permits the acceleration of the maturity thereof and such default is either the subject of judicial proceedings or the Company receives notice of the default. Notwithstanding the foregoing, payments with respect to the Debentures may resume and the Company may acquire Debentures for cash when (a) the default with respect to the Senior Indebtedness is cured or waived or (b) in the case of a default described in (ii) above, 179 or more days pass after notice of the default is received by the Company, provided that the terms of the Indenture otherwise permit the payment or acquisition of the Debentures at that time. If the Company receives a notice of default referred to in clause (ii) of the preceding sentence, then a similar notice received within nine months thereafter relating to the same default on the same issue of Senior Indebtedness shall not be effective to prevent the payment or acquisition of the Debentures as provided above. In addition, no payment may be made on the Debentures if any Debentures are declared due and payable prior to their Stated Maturity by reason of the occurrence of an Event of Default until the earlier of (i) 120 days after the date of such acceleration or (ii) the payment in full of all Senior Indebtedness, but only if such payment is then otherwise permitted under the terms of the Indenture. Upon any payment or distribution of assets of the Company to creditors upon any dissolution, winding up, liquidation or reorganization of the Company, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other similar

proceedings, the holders of all Senior Indebtedness shall first be entitled to receive payment in full of all amounts due or to become due thereon, or payment of such amounts shall have been provided for, before the Holders of the Debentures shall be entitled to receive any payment or distribution with respect to any Debentures.

By reason of the subordination described herein, in the event of insolvency, upon any distribution of the assets of the Company, (i) the Holders of the Debentures are required to pay over their share of such distribution to the trustee in bankruptcy, receiver or other person distributing the assets of the Company for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all holders of Senior Indebtedness in full and (ii) unsecured creditors of the Company who are not Holders of Debentures or holders of Senior Indebtedness of the Company may recover less, ratably, than holders of Senior Indebtedness of the Company and may recover more, ratably, than the Holders of Debentures.

The term "Senior Indebtedness" of the Company means, without duplication, the principal, premium (if any) and unpaid interest on all present and future (i) indebtedness of the Company for borrowed money, (ii) obligations of the Company evidenced by bonds, debentures, notes or similar instruments, (iii) all obligations of the Company under (x) interest rate swaps, caps, collars, options and similar arrangements, (y) any foreign exchange contract, currency swap contract, futures contract, currency option contract or other foreign currency hedge, and (z) credit swaps, caps, floors, collars and similar arrangements, (iv) indebtedness incurred, assumed or guaranteed by the Company in connection with the acquisition by it or a subsidiary of any business, properties or assets (except purchase-money indebtedness classified as accounts payable under generally accepted accounting principles), (v) obligations of the Company as lessee under leases required to be capitalized on the balance sheet of the lessee under generally accepted accounting principles, (vi) reimbursement obligations of the Company in respect of letters of credit relating to indebtedness or other obligations of the Company that qualify as indebtedness or obligations of the kind referred to in clauses (i) through (v) above, and (vii) obligations of the Company under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (vi) above, in each case unless in the instrument creating or evidencing the indebtedness or obligation or pursuant to which the same is outstanding it is provided that such indebtedness or obligation is not superior in right of payment to the Debentures.

The Debentures are effectively subordinated to all existing and future liabilities of the Company's subsidiaries. Any right of the Company to participate in any distribution of the assets of any of the Company's subsidiaries upon the liquidation, reorganization or insolvency of such subsidiary (and the consequent right of the Holders of the Debentures to participate in those assets) will be subject to the claims of the creditors (including trade creditors) of such subsidiary, except to the extent that claims of the Company itself as a creditor of such subsidiary may be recognized, in which case the claims of the Company would still be subordinate to any security interest in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by the Company.

At March 31, 1998, the Company and its consolidated subsidiaries had outstanding approximately \$13.557 billion of indebtedness ranking senior to the Debentures. In addition, the Company and its consolidated subsidiaries had outstanding on such date foreign exchange contracts and interest rate swap contracts to which the Debentures would have been contractually or effectively subordinated. There is no restriction under the Indenture on the Company's incurring additional indebtedness, including Senior Indebtedness.

#### CONVERSION RIGHTS

A Holder of a Debenture may convert it into shares of Common Stock at any time before the close of business on April 21, 2018; provided, however, that if a Debenture is called for redemption, the Holder may convert it at any time before the close of business on the Redemption Date. On conversion of a Debenture, the Company may elect to deliver shares of Common Stock or an amount of cash determined as described below. A

Debenture in respect of which a Holder has delivered a Purchase Notice or a Change in Control Purchase Notice exercising the option of such Holder to require the Company to purchase such Debenture may be converted only if such notice is withdrawn by a written notice of withdrawal delivered by the Holder to the Paying Agent prior to the close of business on the Purchase Date or the Change in Control Purchase Date, as the case may be, in accordance with the terms of the Indenture.

The initial Conversion Rate for the Debentures is 3.904 shares of Common Stock per \$1,000 principal amount at maturity, subject to adjustment upon the occurrence of certain events described below. See "Price Range of Common Stock and Dividends." A Holder otherwise entitled to a fractional share of Common Stock will receive cash in an amount equal to the product of such fractional share and the Sale Price on the Trading Day immediately preceding the Conversion Date. A Holder may convert a portion of such Holder's Debentures so long as such portion is \$1,000 principal amount at maturity or an integral multiple thereof.

To convert a Debenture, a Holder must (i) complete and manually sign the conversion notice on the back of the Debenture (or complete and manually sign a facsimile thereof) and deliver such notice to the Conversion Agent (initially the Trustee) at the office maintained by the Conversion Agent for such purpose, (ii) surrender the Debenture to the Conversion Agent, (iii) if required, furnish appropriate endorsements and transfer documents, and (iv) if required, pay all transfer or similar taxes. Pursuant to the Indenture, the date on which all of the foregoing requirements have been satisfied is the Conversion Date.

Upon conversion of a Debenture, a Holder will not receive any cash payment representing accrued Original Issue Discount or (except as provided below) accrued cash interest thereon. The Company's delivery to the Holder of the fixed number of shares of Common Stock (or cash in the applicable amount as described below) into which the Debenture is convertible (together with the cash payment, if any, in lieu of any fractional shares) will satisfy the Company's obligation to pay the principal amount at maturity of the Debenture, including the accrued Original Issue Discount and accrued cash interest attributable to the period from the Issue Date to the Conversion Date. Thus, the accrued Original Issue Discount and accrued cash interest will be deemed to be paid in full rather than cancelled, extinguished or forfeited. Notwithstanding the foregoing, accrued but unpaid cash interest will be payable upon any conversion of Debentures at the option of the Holder made concurrently with or after acceleration of the Debentures following an Event of Default described under "--Events of Default; Notice and Waiver" below. The Conversion Rate will not be adjusted at any time during the term of the Debentures for accrued Original Issue Discount or accrued cash interest. A certificate for the number of full shares of Common Stock into which any Debenture is converted (and for cash in lieu of fractional shares) will be delivered through the Conversion Agent no later than the seventh business day following the Conversion Date. For a discussion of the tax treatment of a Holder receiving Common Stock upon conversion, see "Certain United States Federal Income Tax Considerations--Disposition or Conversion of Debentures."

In lieu of delivering shares of Common Stock upon notice or conversion of any Debentures, the Company may elect to pay the Holder surrendering such Debentures an amount in cash per Debenture equal to the Sale Price (as defined under "--Purchase of Debentures at the Option of the Holder") of a share of Common Stock on the Trading Day immediately prior to the Conversion Date multiplied by the Conversion Rate in effect on such Trading Day, subject to adjustment upon the occurrence of certain events described below; provided, that if such payment of cash is not permitted pursuant to the provisions of the Indenture or otherwise, the Company shall deliver shares of Common Stock (and cash in lieu of fractional shares) as set forth below. Upon conversion of any Debentures, the Company shall inform the Holders through the Conversion Agent of its election to deliver shares of Common Stock or to pay cash in lieu of delivery of such shares no later than two Business Days following the Conversion Date. If the Company elects to deliver shares of Common Stock, such shares will be delivered through the Conversion Agent no later than the seventh Business Day following the Conversion Date. If the Company elects to pay cash, such cash payment will be made to the Holder surrendering such Debentures no later than the fifth Business Day following such Conversion Date.

The Conversion Rate will be adjusted for dividends or distributions on Common Stock payable in Common Stock or other capital stock of the Company; certain subdivisions, combinations or reclassifications of Common Stock; distributions to all holders of Common Stock of certain rights, warrants or options to purchase Common

Stock or securities convertible into Common Stock for a period expiring within 60 days after the record date for such distribution at a price per share less than the Sale Price at the time; and distributions to all holders of Common Stock of assets or debt Securities of the Company or rights, warrants or options to purchase securities of the Company (excluding cash dividends or other cash distributions (except to the extent cash dividends or other cash distributions constitute Extraordinary Cash Dividends) from consolidated current net earnings or earned surplus or dividends payable in Common Stock). However, no adjustment need be made if Holders may participate in the transactions on a basis and with notice that the Board of Directors of the Company determines to be fair and appropriate, or in certain other cases. In cases where the fair market value of the portion of assets, debt securities or rights, warrants or options to purchase securities of the Company applicable to one share of Common Stock distributed to shareholders exceeds the Average Sale Price per share of Common Stock, or such Average Sale Price exceeds such fair market value of such portion of assets, debt securities or rights, warrants or options so distributed by less than \$1.00, rather than being entitled to an adjustment in the Conversion Rate, the Holder of a Debenture upon conversion thereof will be entitled to receive, in addition to the shares of Common Stock into which such Debenture is convertible, the kind and amounts of assets, debt securities or rights, options or warrants comprising the distribution that such Holder would have received if such Holder had converted such Debenture immediately prior to the record date for determining the shareholders entitled to receive the distribution. The Indenture permits the Company to increase the Conversion Rate from time to time.

"Average Sale Price" means the average of the Sale Prices of the Common Stock for the shorter of: (i) 30 consecutive Trading Days ending on the last full Trading Day prior to the Time of Determination with respect to the rights, options, warrants or distribution in respect of which the Average Sale Price is being calculated, or (ii) the period (x) commencing on the date next succeeding the first public announcement of (a) the issuance of rights, options or warrants or (b) the distribution, in each case, in respect of which the Average Sale Price is being calculated and (y) proceeding through the last full Trading Day prior to the Time of Determination with respect to the rights, warrants or distribution in respect of which the Average Sale Price is being calculated, or (iii) the period, if any, (x) commencing on the date next succeeding the Ex-Dividend Time with respect to the next preceding (a) issuance of rights, warrants, or options or (b) distribution, in each case, for which an adjustment is required by the provisions of the Indenture and (y) proceeding through the last full Trading Day prior to the Time of Determination with respect to the rights, warrants, or options or distribution in respect of which the Average Sale Price is being calculated. "Time of Determination" means the time and date of the earlier of (i) the determination of stockholders entitled to receive rights, warrants, or options or a distribution, in each case, to which Sections 13.07 and 13.08 of the Indenture apply and (ii) the time ("Ex-Dividend Time") immediately prior to the commencement of "ex-dividend" trading for such rights, options, warrants or distribution on the NYSE or such other national or regional exchange or market on which shares of the Common Stock are then listed or quoted.

If the Company is party to a consolidation, merger or binding share exchange or a transfer of all or substantially all of its assets which is otherwise permitted under the terms of the Indenture, the right to convert a Debenture into Common Stock may be changed into a right to convert it into the kind and amount of securities, cash or other assets which the Holder would have received if the Holder had converted such Holder's Debentures immediately prior to the transaction.

In the event of a taxable distribution to holders of Common Stock which results in an adjustment of the Conversion Rate (or in which Holders otherwise participate) or in the event the Conversion Rate is increased at the discretion of the Company, the Holders of the Debentures may in certain circumstances, be deemed to have received a distribution subject to United States federal income tax as a dividend. See "Certain United States Federal Income Tax Considerations--Adjustment of Conversion Rate."

In the event the Company exercises its option to have interest in lieu of Original Issue Discount accrue on a Debenture following a Tax Event, the Holder will be entitled on conversion to receive the same number of shares of Common Stock such Holder would have received if the Company had not exercised such option. If the Company exercises such option, Debentures surrendered for conversion during the period from the close of business on any Regular Record Date next preceding any Interest Payment Date to the opening of business of

such Interest Payment Date (except Debentures to be redeemed on a date within such period) must be accompanied by payment of an amount equal to the interest thereon that the registered Holder is to receive. Except where Debentures surrendered for conversion must be accompanied by payment as described above, no interest on converted Debentures will be payable by the Company on any Interest Payment Date subsequent to the date of conversion. See "--Optional Conversion to Semiannual Coupon Debenture upon Tax Event."

REDEMPTION OF DEBENTURES AT THE OPTION OF THE COMPANY

No sinking fund is provided for the Debentures. Prior to April 21, 2003, the Debentures will not be redeemable at the option of the Company. Thereafter, the Company may redeem the Debentures for cash as a whole at any time, or from time to time in part, upon not less than 30 days' nor more than 60 days' notice of redemption given by mail to Holders of Debentures (unless a shorter notice shall be satisfactory to the Trustee) at the Redemption Prices set forth below plus accrued cash interest to the Redemption Date. Any such redemption must be in integral multiples of \$1,000 principal amount at maturity.

The table below shows Redemption Prices of a Debenture per \$1,000 principal amount at maturity on April 21, 2003, at each April 21 thereafter prior to maturity, and at maturity on April 21, 2018, which prices reflect the accrued Original Issue Discount calculated to each such date. The Redemption Price of a Debenture redeemed between such dates would include an additional amount reflecting the additional Original Issue Discount accrued since the next preceding date in the table to the Redemption Date.

REDEMPTION DATE	(1) ISSUE PRICE	(2) ACCRUED ORIGINAL ISSUE DISCOUNT	(3)
			REDEMPTION PRICE (1) + (2)
April 21, 2003.....	\$568.07	\$ 80.84	\$ 648.91
April 21, 2004.....	568.07	98.82	666.89
April 21, 2005.....	568.07	117.46	685.53
April 21, 2006.....	568.07	136.79	704.86
April 21, 2007.....	568.07	156.82	724.89
April 21, 2008.....	568.07	177.58	745.65
April 21, 2009.....	568.07	199.11	767.18
April 21, 2010.....	568.07	221.42	789.49
April 21, 2011.....	568.07	244.54	812.61
April 21, 2012.....	568.07	268.52	836.59
April 21, 2013.....	568.07	293.37	861.44
April 21, 2014.....	568.07	319.12	887.19
April 21, 2015.....	568.07	345.82	913.89
April 21, 2016.....	568.07	373.50	941.57
April 21, 2017.....	568.07	402.19	970.26
At Stated Maturity.....	568.07	431.93	1,000.00

If converted to semiannual coupon debentures following the occurrence of a Tax Event, the Debentures will be redeemable at the Restated Principal Amount (as defined below) plus accrued and unpaid interest from the date of such conversion to the Redemption Date; provided, however, that in no event may the Debentures be redeemed prior to April 21, 2003. See "--Optional Conversion to Semiannual Coupon Debenture upon Tax Event."

If fewer than all of the Debentures are to be redeemed, the Trustee shall select the Debentures to be redeemed in principal amounts at maturity of \$1,000 or integral multiples thereof by lot, pro rata or by another method the Trustee considers fair and appropriate. If a portion of a Holder's Debentures is selected for partial redemption and such Holder converts a portion of such Debentures prior to such redemption, such converted portion shall be deemed, solely for purposes of determining the aggregate Principal Amount of Debentures to be redeemed by the Company, to be of the portion selected for redemption.



## PURCHASE OF DEBENTURES AT THE OPTION OF THE HOLDER

On April 21, 2003 (the "Purchase Date"), the Company will become obligated to purchase, at the option of the Holder thereof, any outstanding Debenture for which a written notice (a "Purchase Notice") has been delivered by the Holder to the Paying Agent or an office or agency maintained by the Company for such purpose in the Borough of Manhattan, The City of New York, at any time from the opening of business on the date that is 20 business days preceding the Purchase Date until the close of business on the Purchase Date and for which such Purchase Notice has not been withdrawn, subject to certain additional conditions set forth in part in the following paragraphs. The Purchase Price for such Debentures will be \$648.91 per \$1,000 principal amount at maturity plus accrued cash interest to the Purchase Date.

If prior to the Purchase Date the Debentures have been converted to semiannual coupon debentures following the occurrence of a Tax Event, the Purchase Price will be equal to the Restated Principal Amount plus accrued and unpaid cash interest from the date of such conversion to, but excluding, the Purchase Date. See "---Optional Conversion to Semiannual Coupon Debenture upon Tax Event."

The Company, at its option, may elect to pay such Purchase Price in cash or Common Stock, or any combination thereof. For a discussion of the tax treatment of such a transaction, see "Certain United States Federal Income Tax Considerations--Disposition or Conversion of Debentures."

The Company will give notice (the "Company Notice") not less than 20 business days prior to the Purchase Date (the "Company Notice Date") to all Holders at their addresses shown in the register of the Registrar (and to beneficial owners as required by applicable law) stating, among other things (i) whether the Company will pay the Purchase Price of the Debentures in cash or Common Stock, or any combination thereof, and (ii) the procedures that Holders must follow to require the Company to purchase Debentures from such Holders.

The Purchase Notice given by any Holder requiring the Company to purchase Debentures shall state (i) the certificate numbers of the Debentures to be delivered by such Holder for purchase by the Company; (ii) the portion of the principal amount at maturity of Debentures to be purchased, which portion must be \$1,000 or an integral multiple thereof; (iii) that such Debentures are to be purchased by the Company pursuant to the applicable provisions of the Debentures; and (iv) if the Company elects, pursuant to the Company Notice, to pay a specified percentage of the Purchase Price in Common Stock but such specified percentage is ultimately to be paid in cash because any of the conditions to payment of such specified percentage of the Purchase Price in Common Stock contained in the Indenture is not satisfied prior to the close of business on the Purchase Date, as described below, that such Holder elects (a) to withdraw such Purchase Notice as to some or all of the Debentures; to which it relates (stating the principal amount at maturity and certificate numbers of the Debentures as to which such withdrawal shall relate) or (b) to receive cash in respect of the Purchase Price of all Debentures subject to such Purchase Notice. If the Holder fails to indicate such Holder's choice with respect to the election described in clause (iv) above in the Purchase Notice, such Holder shall be deemed to have elected to receive cash for the specified percentage that was to have been payable in Common Stock.

Any Purchase Notice may be withdrawn by the Holder by a written notice of withdrawal delivered to the Paying Agent prior to the close of business on the Purchase Date. The notice of withdrawal shall state the principal amount at maturity and the certificate numbers of the Debentures as to which the withdrawal notice relates and the principal amount at maturity, if any, which remains subject to the Purchase Notice.

If the Company elects to pay the Purchase Price, in whole or in part, in shares of Common Stock, the number of shares to be delivered in respect of the specified percentage of the Purchase Price to be paid in Common Stock shall be equal to the dollar amount of such specified percentage of the Purchase Price divided by the Market Price (as defined below) of a share of Common Stock. However, no fractional shares of Common Stock will be delivered upon any purchase by the Company of Debentures in payment, in whole or in part, of the Purchase Price. Instead, the Company will pay cash based on the Market Price for all fractional shares of Common Stock. Each Holder whose Debentures are purchased at the option of such Holder as of the Purchase Date shall receive the same percentage of cash or Common Stock in payment of the Purchase Price for such Debentures, except as described above with regard to the payment of cash in lieu of fractional shares of Common

Stock. For a discussion of the resulting tax consequences, see "Certain United States Federal Income Tax Considerations--Disposition or Conversion of Debentures."

The "Market Price" means the average of the Sale Price of the Common Stock for the five Trading Day period ending on the third Trading Day prior to the applicable Purchase Date, appropriately adjusted to take into account the actual occurrence, during the seven Trading Days preceding such Purchase Date, of certain events that would result in an adjustment of the Conversion Rate with respect to the Common Stock. The "Sale Price" on any Trading Day means the closing per share sale price for the Common Stock (or, if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such Trading Day as reported in the composite transactions for the principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System. A "Trading Day" means each day on which the securities exchange or quotation system which is used to determine the Sale Price is open for trading or quotation. Because the Market Price of the Common Stock is determined prior to the Purchase Date, Holders of Debentures bear the market risk with respect to the value of the Common Stock to be received from the date such Market Price is determined to the Purchase Date. The Company may pay the Purchase Price, in whole or in part, in Common Stock only if the information necessary to calculate the Market Price at that time is reported in The Wall Street Journal or another daily newspaper of national circulation.

The Company's right to purchase Debentures, in whole or in part, with shares of Common Stock is subject to the Company's satisfying various conditions, including the registration of the Common Stock under the Securities Act and the Exchange Act, unless there exists an applicable exemption from registration thereunder. If such conditions are not satisfied prior to the close of business on the Purchase Date, the Company will pay the Purchase Price of the Debentures in cash. The Company will comply with the provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act which may then be applicable and will file Schedule 13e-4 or any other schedule required thereunder in connection with any offer by the Company to purchase Debentures at the option of the Holders thereof on a Purchase Date. The Company may not change the form of consideration (or components or percentages of components thereof) to be paid once the Company has given its Company Notice to Holders of Debentures except as described in the second sentence of this paragraph.

Payment of the Purchase Price for a Debenture for which a Purchase Notice has been delivered and not withdrawn is conditioned upon delivery of such Debenture (together with any necessary endorsements) to the Paying Agent or an office or agency maintained by the Company for such purpose in the Borough of Manhattan, The City of New York, at any time (whether prior to, on or after the Purchase Date) after delivery of such Purchase Notice. Payment of the Purchase Price for such Debenture will be made promptly following the later of the business day following the Purchase Date and the time of delivery of such Debenture. If the Paying Agent holds, in accordance with the terms of the Indenture, money or securities sufficient to pay the Purchase Price of such Debenture on the business day following the Purchase Date, then, on and after the Purchase Date, such Debenture will cease to be outstanding and cash interest and Original Issue Discount on such Debenture will cease to accrue and will be deemed paid, whether or not such Debenture is delivered to the Paying Agent, and all other rights of the Holder shall terminate (other than the right to receive the Purchase Price upon delivery of such Debenture).

The Company's ability to purchase Debentures with cash may be limited by the terms of its then-existing borrowing agreements. No Debentures may be purchased pursuant to the provisions described above if there has occurred and is continuing an Event of Default described under "Events of Default; Notice and Waiver" below (other than a default in the payment of the Purchase Price with respect to such Debentures).

#### CHANGE IN CONTROL PERMITS PURCHASE OF DEBENTURES AT THE OPTION OF THE HOLDER

In the event of any Change in Control (as defined below) of the Company occurring on or prior to April 21, 2003, each Holder of Debentures will have the right, at the Holder's option, subject to the terms and conditions of the Indenture, to require the Company to purchase all or any part (provided that the principal amount at

maturity must be \$1,000 or an integral multiple thereof) of the Holder's Debentures on the date that is 35 business days after the occurrence of such Change in Control (the "Change in Control Purchase Date") at a cash price equal to the Issue Price plus accrued Original Issue Discount and accrued cash interest to the Change in Control Purchase Date (the "Change in Control Purchase Price"). If prior to a Change in Control Purchase Date the Debentures have been converted to semiannual coupon debentures following the occurrence of a Tax Event, the Company will be required to purchase the Debentures at a cash price equal to the Restated Principal Amount plus accrued and unpaid interest from the date of such conversion to, but excluding, the Change in Control Purchase Date. Holders will not have any right to require the Company to purchase Debentures in the event of any Change in Control of the Company occurring after April 21, 2003.

Within 15 business days after the Change in Control, the Company shall mail to the Trustee and to each Holder (and to beneficial owners as required by applicable law) a notice regarding the Change in Control, which notice shall state, among other things: (i) the date of such Change in Control and, briefly, the events causing such Change in Control, (ii) the date by which the Change in Control Purchase Notice (as defined below) must be given, (iii) the Change in Control Purchase Date, (iv) the Change in Control Purchase Price, (v) the name and address of the Paying Agent and the Conversion Agent, (vi) the Conversion Rate and any adjustments thereto, (vii) that Debentures with respect to which a Change in Control Purchase Notice is given by the Holder may be converted into shares of Common Stock only if the Change in Control Purchase Notice has been withdrawn in accordance with the terms of the Indenture, (viii) the procedures that Holders must follow to exercise these rights, (ix) the procedures for withdrawing a Change in Control Purchase Notice, (x) that Holders who want to convert Debentures must satisfy the requirements set forth in the Debentures and (xi) briefly, the conversion rights of Holders of Debentures. The Company will cause a copy such notice to be published in The Wall Street Journal or another daily newspaper of national circulation.

To exercise the purchase right, the Holder must deliver written notice of the exercise of such right (a "Change in Control Purchase Notice") to the Paying Agent or an office or agency maintained by the Company for such purpose in the Borough of Manhattan, The City of New York, prior to the close of business on the Change in Control Purchase Date. The Change in Control Purchase Notice shall state (i) the certificate numbers of the Debentures to be delivered by the Holder thereof for purchase by the Company; (ii) the portion of the principal amount at maturity of Debentures to be purchased, which portion must be \$1,000 or an integral multiple thereof; and (iii) that such Debentures are to be purchased by the Company pursuant to the applicable provisions of the Debentures.

Any Change in Control Purchase Notice may be withdrawn by the Holder by a written notice of withdrawal delivered to the Paying Agent prior to the close of business on the Change in Control Purchase Date. The notice of withdrawal shall state the principal amount at maturity and the certificate numbers of the Debentures as to which the withdrawal notice relates and the principal amount at maturity, if any, which remains subject to a Change in Control Purchase Notice.

Payment of the Change in Control Purchase Price for a Debenture for which a Change in Control Purchase Notice has been delivered and not withdrawn is conditioned upon delivery of such Debenture (together with any necessary endorsements) to the Paying Agent or an office or agency maintained by the Company for such purpose in the Borough of Manhattan, The City of New York, at any time (whether prior to, on or after the Change in Control Purchase Date) after the delivery of such Change in Control Purchase Notice. Payment of the Change in Control Purchase Price for such Debenture will be made promptly following the later of the business day following the Change in Control Purchase Date and the time of delivery of such Debenture. If the Paying Agent holds, in accordance with the terms of the Indenture, money sufficient to pay the Change in Control Purchase Price of such Debenture on the business day following the Change in Control Purchase Date, then, on and after the Change in Control Purchase Date, such Debenture will cease to be outstanding and cash interest and Original Issue Discount on such Debenture will cease to accrue and will be deemed paid, whether or not such Debenture is delivered to the Paying Agent, and all other rights of the Holder shall terminate (other than the right to receive the Change in Control Purchase Price upon delivery of such Debenture).

Under the Indenture, a "Change in Control" of the Company is deemed to have occurred at such time as (i) any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) other than the Company, any Subsidiary of the Company, or any employee benefit plan of either the Company or any Subsidiary of the Company, files a Schedule 13D or Schedule 14D-1 under the Exchange Act (or any successor schedule, form or report) disclosing that such person has become the beneficial owner of 50% or more of the total voting power in the aggregate of all classes of Capital Stock of the Company then outstanding normally entitled to vote in elections of directors, or (ii) there shall be consummated any consolidation or merger of the Company pursuant to which the Common Stock would be converted into cash, securities or other property, in each case other than a consolidation or merger of the Company in which the holders of Common Stock immediately prior to the consolidation or merger have, directly or indirectly, at least a majority of the total voting power in the aggregate of all classes of capital stock of the continuing or surviving corporation immediately after the consolidation or merger. The Indenture does not permit the Board of Directors to waive the Company's obligation to purchase Debentures at the option of a Holder in the event of a Change in Control of the Company.

The Company will comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act which may then be applicable, and will file Schedule 13E-4 or any other schedule required thereunder in connection with any offer by the Company to purchase Debentures at the option of the Holders thereof upon a Change in Control. The Change in Control purchase feature of the Debentures may in certain circumstances make more difficult or discourage a takeover of the Company and, thus, the removal of incumbent management. The Change in Control purchase feature, however, is not the result of management's knowledge of any specific effort to accumulate shares of Common Stock or to obtain control of the Company by means of a merger, tender offer, solicitation or otherwise, or part of a plan by management to adopt a series of anti-takeover provisions. Instead, the Change in Control purchase feature is a standard term contained in other offerings of securities comparable to the Debentures that have been marketed by the Purchasers and the terms of such feature result from negotiations between the Company and the Purchasers.

If a Change in Control were to occur, there can be no assurance that the Company would have funds sufficient to pay the Change in Control Purchase Price for all of the Debentures that might be delivered by Holders seeking to exercise the purchase right since the Company might also be required to prepay certain Senior Indebtedness having financial covenants with change of control provisions in favor of the holders thereof. In addition, the Senior Indebtedness of the Company may have cross-default provisions that could be triggered by a default under the change of control provisions in such Senior Indebtedness, thereby possibly accelerating the maturity of such Senior Indebtedness. In such case, the Holders of the Debentures would be subordinated to the prior claims of the holders of such Senior Indebtedness. In addition, the Company's ability to purchase Debentures with cash may be limited by the terms of its then-existing borrowing agreements. No Debentures may be purchased pursuant to the provisions described above if there has occurred and is continuing an Event of Default described under "--Events of Default, Notice and Waiver" below (other than a default in the payment of the Change in Control Purchase Price with respect to such Debentures).

#### REGISTRATION RIGHTS

Pursuant to the Registration Rights Agreement dated as of April 21, 1998, among the Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc., the Company has agreed to use reasonable efforts to keep the registration statement of which this Prospectus forms a part effective with respect to the Debentures until two years from the date of initial issuance of the Debentures or such earlier date as all securities registrable thereunder (the "Registrable Securities") shall have been disposed of (the "Effectiveness Period").

#### MERGERS AND SALES OF ASSETS BY THE COMPANY

The Company may, without the consent of any Holders of outstanding Debentures, consolidate with or merge into, or transfer or lease its assets substantially as an entirety to, any individual, corporation, partnership, joint venture, trust, association, unincorporated organization or limited liability company (each a "Person") organized under the laws of any United States jurisdiction, provided that (i) the successor Person assumes the Company's obligations on the Debentures and under the Indenture and (ii) immediately after giving effect to the

transaction no Event of Default, and no event which, after notice or lapse of time would become an Event of Default, shall have occurred and be continuing. Certain of the foregoing transactions, if they occur on or prior to April 21, 2003, could constitute a Change in Control of the Company permitting each Holder to require the Company to purchase the Debentures of such Holder as described above.

#### OPTIONAL CONVERSION TO SEMIANNUAL COUPON DEBENTURE UPON TAX EVENT

From and after the date (the "Tax Event Date") of the occurrence of a Tax Event (as defined below), the Company shall have the option to elect to have interest in lieu of future Original Issue Discount (and other cash interest provided for under the Indenture) accrue at 3.625% per annum on a principal amount per Debenture (the "Restated Principal Amount") equal to the Issue Price plus Original Issue Discount accrued to the date immediately prior to the Tax Event Date or the date on which the Company exercises the option described herein, whichever is later (such date hereinafter referred to as the "Option Exercise Date"). Such interest shall accrue from the Option Exercise Date and shall be payable semiannually on each Interest Payment Date to holders of record at the close of business on the Regular Record Date immediately preceding such Interest Payment Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Option Exercise Date.

A "Tax Event" means that the Company shall have received an opinion from independent tax counsel experienced in such matters to the effect that, on or after the date of this Prospectus, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations by any legislative body, court, governmental agency or regulatory authority, in each case which amendment or change is enacted, promulgated, issued or announced or which interpretation is issued or announced or which action is taken, on or after the date of this Prospectus, there is more than an insubstantial risk that interest (including Original Issue Discount) payable on the Debentures either (i) would not be deductible on a current accrual basis or (ii) would not be deductible under any other method, in either case in whole or in part, by the Company (by reason of deferral, disallowance, or otherwise) for United States federal income tax purposes.

President Clinton's fiscal year 1998 budget proposed a series of tax law changes that would have, if enacted and made applicable to the Debentures, prevented the Company from deducting interest (including Original Issue Discount) payable on the Debentures on a current accrual basis for United States federal income tax purposes and could have caused some or all of the interest (including Original Issue Discount) payable on the Debentures to fail to be deductible by the Company under any other method for United States federal income tax purposes. This proposal was not adopted by Congress and was not part of the Taxpayer Relief Act of 1997, although a similar proposal was included in President Clinton's fiscal year 1999 budget proposal. If the President's current proposal or a similar proposal were ever made applicable to the Debentures in a manner that would limit the ability of the Company to either (i) deduct the interest (including Original Issue Discount) payable on the Debentures on a current accrual basis or (ii) deduct the interest (including Original Issue Discount) payable on the Debentures under any other method for United States federal income tax purposes, such enactment would result in a Tax Event and the terms of the Debentures would be subject to modification at the option of the Company as described above. The modification of the terms of Debentures by the Company upon a Tax Event as described above could possibly alter the timing of income recognition by holders of the Debentures with respect to the semiannual payments of interest due on the Debentures after the Option Exercise Date. See "Certain United States Federal Income Tax Considerations--Tax Event."

#### EVENTS OF DEFAULT, NOTICE AND WAIVER

The Indenture provides that, if an Event of Default specified therein shall have occurred and be continuing, either the Trustee or the Holders of not less than 25% in aggregate principal amount at maturity of the Debentures then outstanding may declare the Issue Price plus Original Issue Discount accrued, together with any accrued cash interest (or if the Debentures have been converted to semiannual coupon debentures following a Tax Event,

the Restated Principal Amount, plus accrued cash interest) to the date of default (in the case of an Event of Default specified in (i), (ii) or (iii) of the following paragraph) or to the date of such declaration (in the case of an Event of Default specified in (iv) of the following paragraph) on all the Debentures to be immediately due and payable. In the case of certain events of bankruptcy or insolvency, the Issue Price of the Debentures plus the Original Issue Discount accrued thereon, together with any accrued cash interest (or if the Debentures have been converted to semiannual coupon debentures following a Tax Event, the Restated Principal Amount, plus accrued cash interest) to the occurrence of such event shall automatically become and be immediately due and payable. Upon any such acceleration, the subordination provisions of the Indenture preclude any payment being made to Holders of Debentures until the earlier of (i) 120 days or more after the date of such acceleration and (ii) the payment in full of all Senior Indebtedness, but only if such payment is then otherwise permitted under the terms of the Indenture. See "Subordination of Debentures" above. Under certain circumstances, the Holders of a majority in aggregate principal amount at maturity of the outstanding Debentures may rescind any such acceleration with respect to the Debentures and its consequences. Interest shall accrue and be payable on demand upon a default in the payment of principal amount at maturity, Issue Price, accrued Original Issue Discount, cash interest when due, Redemption Price, Purchase Price, Change in Control Purchase Price or shares of Common Stock (and cash in lieu of fractional shares) or cash in lieu of such Common Stock to be delivered on conversion of Debentures, in each case to the extent that the payment of such interest shall be legally enforceable.

Under the Indenture, Events of Default include: (i) default in payment of the principal amount at maturity, Issue Price, accrued Original Issue Discount, cash interest or interest upon conversion to a semiannual coupon debenture following a Tax Event (if such default in payment of interest shall continue for 31 days), Redemption Price, Purchase Price or Change in Control Purchase Price with respect to any Debenture, when the same becomes due and payable (whether or not such payment is prohibited by the provisions of the Indenture); (ii) failure by the Company to deliver shares of Common Stock (including cash in lieu of fractional shares) or cash in lieu thereof when such Common Stock (and cash in lieu of fractional shares) or cash is required to be delivered following conversion of a Debenture and continuance of such default for 10 days; (iii) failure by the Company to comply with any of its other agreements in the Debentures or the Indenture upon the receipt by the Company of notice of such default from the Trustee or from Holders of not less than 25% in aggregate principal amount at maturity of the Debentures then outstanding and the Company's failure to cure such default within 90 days after receipt by the Company of such notice; or (iv) certain events of bankruptcy or insolvency.

The Trustee shall, within 90 days after the occurrence of any default, mail to all Holders of the Debentures notice of all defaults of which the Trustee shall be aware, unless such defaults shall have been cured or waived before the giving of such notice; provided, that the Trustee may withhold such notice as to any default other than a payment default, if it determines in good faith that withholding the notice is in the interest of the Holders.

The Holders of a majority in aggregate principal amount at maturity of the outstanding Debentures may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; provided that such direction shall not be in conflict with any law or the Indenture and subject to certain other limitations. The Trustee may refuse to perform any duty or exercise any right or power or extend or risk its own funds or otherwise incur any financial liability unless it receives indemnity satisfactory to it against any loss, liability or expense. No Holder of any Debenture will have any right to pursue any remedy with respect to the Indenture or the Debentures unless (i) such Holder shall have previously given the Trustee written notice of a continuing Event of Default; (ii) the Holders of at least 25% in aggregate principal amount at maturity of the outstanding Debentures shall have made a written request to the Trustee to pursue such remedy; (iii) such Holder or Holders shall have offered to the Trustee reasonable security or indemnity against any loss, liability or expense satisfactory to it; (iv) the Trustee shall have failed to comply with the request within 60 days after receipt of such notice, request and offer of security or indemnity; and (v) the Holders of a majority in aggregate principal amount at maturity of the outstanding Debentures shall not have given the Trustee a direction inconsistent with such request within 60 days after receipt of such request.

The right of any Holder: (a) to receive payment of the principal amount at maturity, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price or interest in respect of the Debentures held by such Holder on or after the respective due dates expressed in the Debentures or as of any Redemption Date or (b) to bring suit for the enforcement of any such payment on or after such respective dates or the right to convert, shall not be impaired or adversely affected without such Holder's consent.

The Holders of a majority in aggregate principal amount at maturity of Debentures at the time outstanding may waive any existing default and its consequences except (i) any default in any payment on the Debentures, (ii) any default with respect to the conversion rights of the Debentures, or (iii) any default in respect of certain covenants or provisions in the Indenture which may not be modified without the consent of the Holder of each Debenture as described in "Modification" below. When a default is waived it is deemed cured and shall cease to exist, but no such waiver shall extend to any subsequent or other default or impair any consequent right.

The Company is required to furnish to the Trustee annually a statement as to any default by the Company in the performance and observance of its obligations under the Indenture. In addition, the Company shall file with the Trustee written notice of the occurrence of any default or Event of Default within five Business Days of its becoming aware of such default or Event of Default.

#### MODIFICATION

Modification and amendment of the Indenture or the Debentures may be effected by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount at maturity of the Debentures then outstanding. However, without the consent of each Holder affected thereby, no amendment may, among other things, (i) reduce the principal amount at maturity, Issue Price, Purchase Price, Change in Control Purchase Price, Redemption Price or amount of cash paid in lieu of shares of Common Stock on conversion with respect to any Debenture, or extend the stated maturity of any Debenture or alter the manner or rate of accrual of Original Issue Discount or cash interest, or make any Debenture payable in money or securities other than that stated in the Debenture; (ii) make any change to the principal amount at maturity of Debentures whose Holders must consent to an amendment or any waiver under the Indenture or modify the Indenture provisions relating to such amendments or waivers; (iii) make any change that adversely affects the right to convert any Debenture or the right to require the Company to purchase a Debenture; (iv) modify the provisions of the Indenture relating to the subordination of the Debentures in a manner adverse to the Holders of the Debentures; or (v) impair the right to institute suit for the enforcement of any payment with respect to, or conversion of, the Debentures. No change that adversely affects the rights of any holder of Senior Indebtedness of the Company under the subordination provisions of the Indenture may be made unless requisite consents to such change are obtained from holders of Senior Indebtedness pursuant to the terms of the related Senior Indebtedness instrument.

Without the consent of any Holder of Debentures, the Company and the Trustee may amend the Indenture to (i) cure any ambiguity, defect or inconsistency; provided, however, that such amendment does not adversely affect the rights of any Holder, (ii) provide for the assumption by a successor to the Company of the obligations of the Company under the Indenture, (iii) provide for uncertificated Debentures in addition to certificated Debentures, as long as such uncertificated Debentures are in registered form for United States federal income tax purposes, (iv) make any change that does not adversely affect the rights of any Holder of Debentures, (v) make any change necessary to comply with the Trust Indenture Act of 1939, as amended, or (vi) add to the covenants or obligations of the Company under the Indenture or surrender any right, power or option conferred by the Indenture on the Company.

#### DISCHARGE OF THE INDENTURE

The Company may satisfy and discharge its obligations under the Indenture by delivering to the Trustee for cancellation all outstanding Debentures or by depositing with the Trustee, the Paying Agent or the Conversion Agent, if applicable, after the Debentures have become due and payable, whether at stated maturity, or any Redemption Date, or any Purchase Date, a Change of Control Purchase Date, or upon conversion or otherwise,

cash or Common Stock (as applicable under the terms of the Indenture) sufficient to pay all of the outstanding Debentures and paying all other sums payable under the Indenture by the Company.

#### LIMITATIONS OF CLAIMS IN BANKRUPTCY

If a bankruptcy proceeding is commenced in respect of the Company, under Title 11 of the United States Code, the claim of the Holder of a Debenture may be limited to (i) the Issue Price of the Debenture plus that portion of the Original Issue Discount, together with any cash interest, that is deemed to have accrued from the date of issue to the commencement of the proceeding or (ii) if the Debentures have been converted to semiannual coupon debentures, the Restated Principal Amount plus accrued but unpaid interest to such commencement.

#### INFORMATION CONCERNING THE TRUSTEE

The First National Bank of Chicago is the Trustee, Registrar, Paying Agent and Conversion Agent under the Indenture. The Company has banking and certain other relationships with one or more affiliates of the Trustee.



## CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain United States federal income tax consequences of the purchase, ownership, disposition, and conversion of Debentures. Unless otherwise stated, this summary deals only with Debentures held as capital assets (generally, assets held for investment under the Internal Revenue Code of 1986, as amended (the "Code"), by Holders who purchase Debentures upon original issuance. The tax treatment of a Holder of Debentures may vary depending on his particular situation. This summary does not address all of the tax consequences that may be relevant to Holders who may be subject to special tax treatment such as, for example, insurance companies, broker-dealers, tax-exempt organizations, or, except to the extent described below, foreign taxpayers. In addition, this summary does not address any aspects of state, local, or foreign tax laws. This summary is based on the United States federal income tax law in effect as of the date hereof, which is subject to change, possibly on a retroactive basis. Each investor is urged to consult his tax advisor as to the particular tax consequences of purchasing, owning, and disposing of Debentures, including the application and effect of United States federal, state, local, and foreign tax laws.

The Company has been advised by its counsel that, based on current laws, regulations and administrative and judicial standards, all of which are subject to change, the Debentures will be treated as indebtedness for United States federal income tax purposes.

### ORIGINAL ISSUE DISCOUNT

The Debentures are being issued at a substantial discount from their stated principal amount at maturity. For United States federal income tax purposes, the difference between the issue price (the initial offering price to the public at which a substantial amount of the Debentures are sold for money, other than sales to bond houses, brokers, or similar persons acting in the capacity of underwriters, placement agents, or wholesalers) and the stated principal amount at maturity of each Debenture constitutes original issue discount ("Original Issue Discount"). Holders of Debentures will be required to include Original Issue Discount in income periodically over the term of the Debentures before receipt of the cash or other payment attributable to such income.

For United States federal income tax purposes, each Holder of a Debenture must generally include in gross income a portion of the Original Issue Discount in each taxable year during which the Debenture is held in an amount equal to the Original Issue Discount that accrues on the Debenture during such period, determined by using a constant yield to maturity method. The Original Issue Discount included in income for each year will be calculated under a compounding formula that will result in the allocation of less Original Issue Discount to the earlier years of the term of the Debenture and more Original Issue Discount to later years. For the approximate cumulative total amount of the Original Issue Discount accrued annually, see the chart under "Description of Debentures--Redemption of Debentures at the Option of the Company." Any amount included in income as Original Issue Discount will increase a Holder's basis in the Debenture.

### DISPOSITION OR CONVERSION OF DEBENTURES

Except as described below, gain or loss upon a sale or other disposition of a Debenture will generally be capital gain or loss, which will be subject to tax as described below in the discussion of the Taxpayer Relief Act of 1997 and the Internal Revenue Service Restructuring and Reform Act of 1998. If a Holder elects to exercise his option to tender a Debenture to the Company on a Purchase Date or a Change in Control Purchase Date for cash, such tender will be treated as a sale of the Debenture.

A Holder that receives Common Stock in exchange for a Debenture (whether upon conversion of a Debenture or at the Company's option upon tender of a Debenture) will generally not recognize gain or loss (except with respect to cash received in lieu of a fractional share). A Holder's tax basis in the Common Stock received on conversion or tender of a Debenture will be the same as the Holder's adjusted tax basis in the Debenture at the time of conversion or tender (exclusive of any basis allocable to a fractional share), and the holding period for the Common Stock received on conversion or tender will include the holding period of the Debenture converted. It is possible, however, the Internal Revenue Service may argue that the holding period of the Common Stock allocable to accrued Original Issue Discount will commence on the date of accrual or conversion.

If a Holder elects to exercise his option to tender a Debenture to the Company on the Purchase Date and the Company issues Common Stock in satisfaction of the Purchase Price, such exchange will be treated the same as a conversion. If a Holder elects to exercise his option to tender a Debenture to the Company on the Purchase Date and the Company delivers a combination of cash and Common Stock in satisfaction of the Purchase Price, a Holder that is an original purchaser of the Debenture generally should not have gain or loss. A Holder's basis in the Common Stock received would be the same as the Holder's basis in the Debenture, reduced by the cash received and increased by any gain recognized (exclusive of any basis allocable to a fractional share).

Under the Taxpayer Relief Act of 1997, net capital gain (i.e., generally, capital gain in excess of capital loss) recognized by an individual Holder upon the disposition of such Common Stock or Debentures that has been held for more than 18 months is generally be subject to tax at a rate not to exceed 20%. Net capital gain recognized by an individual Holder upon the disposition of such Common Stock or Debentures that has been held for more than 12 months but not for more than 18 months will continue to be subject to tax at a rate not to exceed 28% and capital gain recognized from the disposition of Common Stock or Debentures that has been held for 12 months or less will continue to be subject to tax at ordinary income tax rates. The U.S. Congress recently passed the Internal Revenue Service Restructuring and Reform Act of 1998 (the "1998 Act") which, if signed into law by the President, would reduce the 18 month holding period to one year for net capital gain realized by individuals, generally effective for net capital gains realized on or after January 1, 1998. Thus, capital gain recognized from the disposition of Common Stock or Debentures that has been held for more than one year will generally be subject to tax at a rate not to exceed 20% if the 1998 Act is enacted in its current form. However, capital gain recognized by a corporate taxpayer will continue to be subject to tax at the ordinary income tax rates applicable to corporations.

#### ADJUSTMENT OF CONVERSION PRICE

If at any time the Company makes a distribution of property to shareholders that would be taxable to such shareholders as a dividend for United States federal income tax purposes and, in accordance with the anti-dilution provisions of the Debentures, the Conversion Rate of the Debentures is increased, the amount of such increase may be deemed to be the payment of a taxable dividend to holders of the Debentures. For example, an increase in the Conversion Rate in the event of distributions of evidences of indebtedness or assets of the Company will generally result in deemed dividend treatment to holders of the Debentures, but generally a decrease in the event of stock dividends or a stock split will not. In addition, if the Conversion Rate is increased at the discretion of the Company, such increase may result in taxable income for the Holders of the Debentures.

#### TAX EVENT

The modification of the terms of the Debentures by the Company upon a Tax Event as described in "Description of Debentures--Optional Conversion to Semiannual Coupon Debenture upon Tax Event," could possibly alter the timing of income recognition by the Holders of the Debentures with respect to the semiannual payments of interest due on the Debentures after the Option Exercise Date.

#### TAX CONSEQUENCES TO NON-US HOLDERS

General. The following is a summary of certain special tax consequences to Non-U.S. Holders. As used herein, "Non-U.S. Holder" means a beneficial owner of the Debentures or Common Stock that is not (i) a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate that is subject to United States federal income taxation without regard to the source of its income or (iv) a trust whose administration is subject to the primary supervision of a United States court and which has one or more fiduciaries who have authority to control substantial decisions of the trust.

(a) Payments of Interest. Subject to the discussion of Backup Withholding and Information Reporting below, no withholding of United States federal income tax will be required with respect to accruals of Original Issue Discount and payments by the Company of cash interest (including amounts in respect of Original Issue Discount) on a Debenture to a Non-U.S. Holder of such Debenture, provided that, in the case of Original Issue Discount and cash interest (i) the Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote, is not a controlled foreign corporation that is related to the Company through stock ownership, a

foreign tax-exempt organization or foreign private foundation for United States federal income tax purposes, and (ii) the requirements of section 871(h) or 881(c) of the Code, as set forth in paragraph (f) below, are satisfied. Notwithstanding the above, a Non-U.S. Holder that is engaged in the conduct of a United States trade or business will be subject to (i) United States federal income tax on Original Issue Discount and interest that is effectively connected with such trade or business and (ii) if the Non-U.S. Holder is a corporation, a United States branch profits tax equal to 30% of its "effectively connected earnings and profits" (as adjusted) for the taxable year, unless it qualifies for an exemption from such tax or a lower tax rate under an applicable treaty.

(b) Gain on Sale of Debentures or Common Stock. An individual Non-U.S. Holder who does not have a United States trade or business will generally not be subject to tax on any capital gains recognized upon the sale, exchange, redemption or other disposition of a Debenture or upon a sale, exchange, redemption or other disposition of Common Stock unless (i) such gains are effectively connected with the conduct of a United States trade or business by the Non-U.S. Holder or (ii) in the case of a Non-U.S. Holder who is a nonresident alien individual, such holder is present in the United States for 183 or more days in the taxable year and certain other requirements are met. In such a case, the Non-U.S. Holder will be subject to tax at a rate of 30% on any such capital gains to the extent that such capital gains exceed his United States source capital losses.

(c) Conversion of Debentures. No United States federal income tax will be imposed upon the conversion of a Debenture into shares of Common Stock for a Non-U.S. Holder who does not have a connection with or status with respect to the United States as described in paragraph (a) above except that such Holder may be subject to United States federal withholding tax on constructive dividends, if any, upon conversion.

(d) Dividends. Dividends on shares of Common Stock held by a Non-U.S. Holder will be subject to United States withholding tax at a rate of 30% (or graduated rates if such dividends are effectively connected with the conduct of a trade or business within the United States) or such lower rate as may be provided by an applicable tax treaty and the Company must report to the Internal Revenue Service the amount of the dividends paid to the registered holder of the Common Stock but the payment will not be subject to, any additional backup withholding or information reporting.

(e) Federal Estate Tax. A Debenture held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to United States federal estate tax as a result of such individual's death, provided that the individual does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote and that the Original Issue Discount and cash interest accrued on such Debenture was not effectively connected with a United States trade or business. Shares of Common Stock held by an individual at the time of his death (or theretofore transferred subject to certain rights and powers) will be subject to United States federal estate tax unless otherwise provided by applicable treaty.

(f) Owner Statement Requirement. Sections 871(h) and 881(c) of the Code require that either the beneficial owner of a Debenture or a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "Financial Institution") and that holds a Debenture on behalf of such owner file a statement with the Company or its agent to the effect that the beneficial owner is not a U.S. person in order to avoid withholding of United States federal income tax. Under current regulations, this requirement will be satisfied if the Company or its agent receives (i) a statement (an "Owner's Statement") from the beneficial owner of a Debenture in which such owner certifies, under penalties of perjury, that such owner is not a U.S. person and provides such owner's name and address, or (ii) a statement from the Financial Institution holding the Debenture on behalf of the beneficial owner in which the Financial Institution certifies, under penalties of perjury, that it has received the Owner's Statement together with a copy of the Owner's Statement. The beneficial owner must inform the Company or its agent (or, in the case of a statement described in clause (ii) of the immediately preceding sentence, the Financial Institution) within 30 days of any change in information on the Owner's Statement.

## BACKUP WITHHOLDING AND INFORMATION REPORTING

Under current United States federal income tax law, a 31% "backup" withholding tax is applied to certain payments (including amounts in respect of Original Issue Discount) made to, and to the proceeds of sales before maturity by, certain U.S. persons if such persons (i) fail to furnish their taxpayer identification numbers which, for an individual, would be his Social Security number or (ii) in certain circumstances, fail to certify, under penalties of perjury, that they have both furnished a correct taxpayer identification number and not been notified by the Internal Revenue Service that they are subject to backup withholding for failure to report interest and dividend payments. Under current regulations, this backup withholding will not apply to payments made outside the United States by the Company or a paying agent on a Debenture if the Owner's Statement is received, provided in each case that the Company or the paying agent, as the case may be, does not have actual knowledge that the payee is a U.S. person.

Under current regulations, payments of the proceeds of the sale of a Debenture or Common Stock to or through a foreign office of a "broker" will not be subject to backup withholding but will be subject to information reporting if the broker is a U.S. person, a controlled foreign corporation for United States federal income tax purposes, or a foreign person 50% or more of whose gross income is from a United States trade or business for a specified three-year period ("U.S. Connected Broker"), unless the broker has in its records documentary evidence that the holder of a Debenture or Common Stock is not a U.S. person and certain conditions are met or the holder of a Debenture or Common Stock otherwise establishes an exemption. Payment of the proceeds of a sale to or through the United States office of a broker is subject to backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

On October 7, 1997, the Treasury Department released new Treasury Regulations governing the backup withholding and information reporting requirements described above. The new regulations would not generally alter the treatment of Non-U.S. Holders who furnish an Owner's Statement to the payor. The new regulations would alter the procedures for claiming treaty benefits, such as in the case of dividends, and may change certain procedures applicable to U.S. Connected Brokers. The new regulations are generally effective for payments made after December 31, 1999.

SELLING SECURITY HOLDERS

The Debentures were originally issued by the Company and resold by Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc., as initial purchasers (the "Initial Purchasers"), in transactions exempt from the registration requirements of the Securities Act, to persons reasonably believed by the Initial Purchasers to be "qualified institutional buyers," as defined in Rule 144A promulgated under the Securities Act. The Selling Holders (which term includes their transferees, pledgees, donees or their successors) may from time to time offer and sell pursuant to this Prospectus any or all of the Debentures and Common Stock issued upon conversion of the Debentures.

The following table sets forth information with respect to the Selling Holders and the respective principal amounts at maturity of Debentures beneficially owned by each Selling Holder. Such information has been obtained from the Selling Holders. Except as otherwise disclosed herein, none of the Selling Holders has, or within the past three years has had, any position, office or other material relationship with the Company or any of its predecessors or affiliates. Because the Selling Holders may offer all or some portion of the Debentures or the Common Stock issuable upon conversion thereof pursuant to this Prospectus, no estimate can be given as to the amount of the Debentures or the Common Stock issuable upon conversion thereof that will be held by the Selling Holders upon termination of any such sales. In addition, the Selling Holders identified below may have sold, transferred or otherwise disposed of all or a portion of their Debentures, since the date on which they provided to the Company the information regarding their Debentures, in transactions exempt from the registration requirements of the Securities Act.

Selling Holder -----	Principal Amount at Maturity of Debentures Beneficially Owned and that may be Offered Hereby -----
Allstate Insurance Company.....	3,500,000
Allstate Life Insurance Company.....	5,000,000
American Community Mutual Insurance Company.....	640,000
American Pioneer Life Insurance Company of New York.....	110,000
American Progressive Life & Health Insurance Company of New York.....	110,000
American Public Entity Excess Pool.....	120,000
American Republic Insurance Company.....	1,390,000
Amwest Surety Insurance Company.....	825,000
Anthracite Mutual Fire Insurance Company.....	25,000
Argent Classic Convertible Arbitrage Fund L.P... Argent Classic Convertible Arbitrage Fund (Bermuda) L.P.....	129,000,000 115,000,000
Argent Convertible Arbitrage Fund Ltd.....	5,000,000
Argent Offshore Fund L.P.....	40,000,000
Arpeggio Fund, LP.....	2,900,000
Associated Physicians Insurance Company.....	50,000
Baltimore Life Insurance Company.....	80,000
BancAmerica Robertson Stephens.....	2,000,000
Bankers Trust Trustee For Chrysler Corp. Emp. #1 Pension Plan dated 4/1/89.....	4,380,000
BCS Life Insurance Company.....	500,000
Blue Cross of the Rochester Area c/o Income Research and Management.....	10,560,000
Blue Shield of the Rochester Area c/o Income Research and Management.....	3,450,000
Bond Fund Series--Oppenheimer Convertible Securities Fund.....	12,000,000
Bostik Inc.....	100,000
BT Holdings (New York) Inc.....	15,000,000

Selling Holder -----	Principal Amount at Maturity of Debentures Beneficially Owned and that may be Offered Hereby -----
California Public Employees' Retirement System..	8,500,000
Capital Markets Transactions Inc.....	31,000,000
Care America Life Insurance Company.....	190,000
Century-National Insurance Company .....	700,000
Chase Manhattan NA Trustee For IBM Retirement Plan dated 12/18/45.....	7,060,000
Chicago Mutual Insurance Company.....	100,000
Chrysler Insurance Company.....	4,920,000
Commonwealth Dealers Life Insurance.....	120,000
Compass Variable Accounts--Total Return Variable Account.....	1,180,000
Condor Insurance Company.....	250,000
CSA Fraternal Life Insurance Company.....	190,000
Davis Convertible Securities Fund.....	9,600,000
DeMoss Foundation.....	300,000
Deutsche Bank Securities Inc.(1).....	4,000,000
EQ Financial Consultants Equi-Vest Total Return Fund.....	1,020,000
Farmers Home Mutual Insurance Company.....	420,000
Federated Rural Electric Insurance Corp.....	460,000
Financial American Life Insurance Company.....	70,000
Finger Lakes Long Term Care Insurance Co. c/o Income Research and Management.....	1,915,000
First Delaware Insurance Company.....	20,000
First Mercury Insurance Company.....	680,000
First Patriot Insurance Company.....	100,000
Franklin & Marshall College.....	310,000
Frontier Insurance Company.....	1,800,000
GLG Global Convertible Fund.....	15,000,000
Goldman, Sachs & Co.....	1,100,000
Goodville Mutual Casualty Company.....	80,000
Gopher State Mutual Insurance Company.....	160,000
Grain Dealers Mutual Insurance .....	330,000
Healthcare Underwriters Mutual Insurance Company.....	1,700,000
Highbridge Capital Corporation.....	37,500,000
Holy Family Society.....	80,000
HSBC Securities Inc.....	3,150,000
IL Annuity and Insurance.....	10,000,000
Illinois Founders Insurance Company.....	140,000
Illinois Health Care Insurance Company.....	160,000
Illinois State Bar Association Mutual Insurance Company.....	350,000
Indiana Lumbermens Mutual Insurance Company.....	650,000
Integrity Mutual Insurance Company.....	470,000
Investcorp--Sam Fund Limited.....	8,200,000
Kanawha Insurance Company.....	100,000
LB Series Fund, Inc., Income Portfolio .....	1,250,000
Lebanon Mutual Insurance Company.....	160,000
Lincoln Mutual Life Insurance Company.....	80,000
Lipper Convertibles, L.P.....	45,600,000
Lipper Offshore Convertibles, L.P.....	14,400,000
Lone Star Life Insurance Company.....	2,190,000
Lutheran Brotherhood .....	6,000,000

Selling Holder -----	Principal Amount at Maturity of Debentures Beneficially Owned and that may be Offered Hereby -----
Lutheran Brotherhood Income Fund.....	1,000,000
Med America Insurance Co. c/o Income Research and Management.....	3,700,000
Medical Liability Mutual Insurance Company.....	35,000,000
Medico Life Insurance Company.....	1,200,000
Medmarc Insurance Company.....	600,000
Merrill Lynch, Pierce, Fenner & Smith, Inc.(2)..	16,748,000
MFS Series Trust I--MFS Equity Income Fund.....	260,000
MFS Series Trust V--MFS Total Return Fund.....	16,400,000
MFS/Sunlife Series Trust--Equity Income Series..	25,000
MFS/Sunlife Series Trust--Total Return Series...	6,750,000
MFS Total Return Portfolio LPT Variable Insurance Series Trust.....	35,000
MFS Variable Insurance Trust--MFS Total Return Series .....	460,000
Michigan Mutual Insurance Company.....	3,000,000
Mid America Life Insurance Company.....	160,000
Middle Cities Risk Management Trust.....	350,000
Midwest Security Life.....	440,000
Midwestern National Life Insurance Company of Ohio.....	700,000
Millville Mutual Insurance Company.....	170,000
Mutual Protective Insurance Company.....	1,700,000
New Castle Mutual Insurance Company.....	50,000
The Northwestern Mutual Life Insurance Company..	6,000,000
OHIC Insurance Company.....	1,850,000
Old Guard Fire Insurance Company.....	310,000
Old Guard Insurance Company.....	750,000
Ozark National Life Insurance Company.....	2,100,000
Pacific Life Insurance Company.....	1,000,000
Paloma Securities LLC.....	12,000,000
Physicians Mutual Insurance Company.....	560,000
Pioneer Insurance Company.....	40,000
Police & Firemen's Insurance Association.....	170,000
Reassurance Company of Hannover.....	490,000
Secura Insurance, A Mutual Company.....	820,000
Security Mutual Life Insurance Company of Lincoln, NE .....	240,000
Service Life and Casualty Insurance Company....	100,000
Service Lloyds Insurance Company.....	130,000
Shepherd Investments International, Ltd.....	6,625,000
Standard Mutual Insurance Company.....	430,000
State Street Bank Custodian for GE Pension Trust.....	2,250,000
Tennessee Consolidated Retirement System.....	14,000,000
Texas Builders Insurance Company.....	220,000
The Travelers Indemnity Company.....	9,916,000
The Travelers Insurance Company.....	6,340,000
The Travelers Life & Annuity Company.....	744,000
Transguard Insurance Company Inc.....	1,400,000
Travelers Total Return Series Trust.....	1,370,000
Tufts Associated Health Maintenance Organization, Inc.....	3,000,000
Tufts Associated Health Plan c/o Income Research and Management.....	3,000,000
UBS A.G.--London Branch.....	40,000,000

Principal Amount at  
Maturity of Debentures  
Beneficially Owned and  
that may be Offered Hereby

Selling Holder  
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University of Massachusetts Medical Center c/o Income Research and Management.....	2,375,000
Warburg Dillon Read LLC.....	44,450,000
Western Home Insurance Company.....	300,000
Westward Life Insurance Company.....	200,000
William M. Keck Jr. Foundation.....	200,000
Wisconsin Lawyers Mutual Insurance Company.....	330,000
Wisconsin Mutual Insurance Company.....	330,000
World Insurance Company.....	750,000

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- (1) Deutsche Bank Securities Inc. and affiliates have engaged, and may in the future engage, in commercial banking transactions, which include or may include foreign exchange, lending, credit and other financial transactions, with the Company and its affiliates.
- (2) Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc. were the initial purchasers of the Debentures. Each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc. has provided from time to time, and may continue to provide in the future, investment banking and investment advisory services to the Company, for which it has received and may receive customary fees and commissions.



## PLAN OF DISTRIBUTION

The Debentures and Common Stock issued upon conversion thereof may be offered for sale and sold by the several Selling Holders in one or more transactions, including block transactions, at a fixed price or fixed prices (which may be changed), at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices determined on a negotiated or competitive bid basis. Debentures and Common Stock issued upon conversion thereof may be sold by a Selling Holder directly, through agents designated from time to time or to or through broker-dealers designated from time to time, or by such other means as may be specified in the applicable Prospectus Supplement.

Debentures and Common Stock issued upon conversion thereof may be sold through a broker-dealer acting as agent or broker for the Selling Holders or to a broker-dealer acting as principal. In the latter case, the broker-dealer may then resell such Debentures or Common Stock to the public at varying prices to be determined by such broker-dealer at the time of resale.

The Selling Holders and any agents or broker-dealers that participate with the Selling Holders in the distribution of any of the Debentures or Common Stock issued upon conversion thereof may be deemed to be "underwriters" within the meaning of the Securities Act, and any discount or commission received by them and any profit on the resale of the Debentures or Common Stock issued upon conversion thereof purchased by them may be deemed to be underwriting discounts or commissions under the Securities Act.

To the extent required, the number of Debentures or shares of Common Stock issued upon conversion thereof to be sold, certain information relating to the Selling Holders, the purchase price, the public offering price, if applicable, the name of any underwriter, agent or broker-dealer, and any applicable commissions, discounts or other items constituting compensation to such underwriters, agents or broker-dealers with respect to a particular offering will be set forth in an accompanying Prospectus Statement.

## LEGAL MATTERS

The validity of the Debentures offered hereby and the shares of Common Stock issuable upon conversion thereof was passed upon for the Company by Martin S. Wagner, Esq., Associate General Counsel, Corporate Finance and Ventures of the Company. Certain United States Federal income tax consequences resulting from the purchase, ownership, disposition and conversion of the Debentures was passed upon for the Company by Ivins, Phillips & Barker, Chartered, 1700 Pennsylvania Avenue, N.W., Washington, D.C.

## EXPERTS

The consolidated financial statements and schedule of the Company and consolidated subsidiaries as of December 31, 1997 and 1996, and for each of the years in the three-year period ended December 31, 1997, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, have been incorporated by reference herein, in reliance upon the reports set forth therein of KPMG Peat Marwick LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING MADE BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE PURCHASERS. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE DEBENTURES OFFERED HEREBY IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

NO ACTION HAS BEEN OR WILL BE TAKEN IN ANY JURISDICTION BY THE COMPANY THAT WOULD PERMIT A PUBLIC OFFERING OF THE DEBENTURES OR POSSESSION OR DISTRIBUTION OF THIS PROSPECTUS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES ARE REQUIRED BY THE COMPANY TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY RESTRICTIONS AS TO THE OFFERING OF THE DEBENTURES AND THE DISTRIBUTION OF THIS PROSPECTUS.

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\$1,012,198,000

XEROX CORPORATION  
CONVERTIBLE SUBORDINATED  
DEBENTURES DUE 2018

-----  
PROSPECTUS  
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JULY 17, 1998  
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PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.\*

The following statement sets forth the expenses to be borne by the Company in connection with the issuance and distribution of the Debentures.

Securities and Exchange Commission Registration Fee.....	\$173,002
Printing and Engraving.....	40,000
Legal Fees and Expenses.....	10,000
Fees of Company's Independent Auditors.....	50,000
Trustee Fees and Expenses (including counsel fees).....	50,000
	-----
Total.....	\$323,002
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\* The foregoing expenses, other than the Securities and Exchange Commission Registration Fee, are estimated.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article VIII, Section 2 of the Company's By-laws states:

"Indemnification of Directors and Officers: Except to the extent expressly prohibited by law, the Company shall indemnify any person, made or threatened to be made, a party in any civil or criminal action or proceeding, including an action or proceeding by or in the right of the Company to procure a judgment in its favor or by or in the right of any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any Director or officer of the Company served in any capacity at the request of the Company, by reason of the fact that he, his testator or intestate is or was a Director or officer of the Company or serves or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in any capacity, against judgments, fines, penalties, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred in connection with such action or proceeding, or any appeal therein, provided that no such indemnification shall be required with respect to any settlement unless the Company shall have given its prior approval thereto. Such indemnification shall include the right to be paid advances of any expenses incurred by such person in connection with such action, suit or proceeding, consistent with the provisions of applicable law. In addition to the foregoing, the Company is authorized to extend rights to indemnification and advancement of expenses to such persons by i) resolution of the shareholders, ii) resolution of the Directors or iii) an agreement, to the extent not expressly prohibited by law."

Reference is made to Sections 721 through 726 of the Business Corporation Law of the State of New York.

ITEM 16. EXHIBITS.

- (4) (a) --Indenture between the Company and The First National Bank of Chicago, as Trustee.
- (4) (b) --Form of Convertible Subordinated Debenture.
- (4) (c) --Restated Certificate of Incorporation of the Company filed by the Department of State of New York on October 29, 1996 (incorporated by reference to Exhibit 3(a) (1) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1996).

- (4) (d) --By-Laws of the Company, as amended through February 2, 1998 (incorporated by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997).
- (5) (a) --Opinion of Martin S. Wagner, Esq., as to legality of securities being registered.
- (5) (b) --Opinion of Ivins, Phillips & Barker, Chartered, special tax counsel to the Company, as to material tax consequences.
- (10)--Registration Rights Agreement among the Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc.
- (12)--Computation of Ratio of Earnings to Fixed Charges.
- (23) (a) --Consent of Independent Auditors (see page II-5).
- (23) (b) --Consent of Martin S. Wagner, Esq. (see Exhibit 5(a)).
- (23) (c) --Consent of Ivins, Phillips & Barker, Chartered, special tax counsel to the Company (see Exhibit 5(b)).
- (24) (a) --Certified Resolution.
- (24) (b) --Power of Attorney.
- (25)--Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 on Form T-1 of The First National Bank of Chicago to act as Trustee under the Indenture.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales of the securities registered hereby are being made, a post-effective amendment to the registration statement: (i) to include any prospectus required by section 10(a)(3) of the Securities Act of 1933 (the "Act"); (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement, provided, however, that paragraphs (i) and (ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Company pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement.

(2) That, for the purpose of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Act, such filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(5) The undersigned registrant hereby undertakes to deliver or cause to be delivered with the Prospectus, to each person to whom the Prospectus is sent or given, the latest annual report, to security holders that is incorporated by reference in the Prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Exchange Act; and, where interim financial information required to be presented by Article 3 of Regulation S-X is not set forth in the Prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the Prospectus to provide such interim financial information.

(6) That, for the purposes of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described under Item 15 above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF STAMFORD AND STATE OF CONNECTICUT, ON THE 17TH DAY OF JULY, 1998.

XEROX CORPORATION (Registrant)

By: Paul A. Allaire\*  
-----  
(Chairman of the Board and Chief  
Executive Officer)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES INDICATED ON JULY 17, 1998.

SIGNATURE -----	TITLE -----
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PRINCIPAL EXECUTIVE OFFICER: Paul A. Allaire*	Chairman of the Board, Chief Executive and Director
--	--

PRINCIPAL FINANCIAL OFFICER: Barry D. Romeril*	Executive Vice President and Chief Financial Office
---	--

PRINCIPAL ACCOUNTING OFFICER: Philip D. Fishbach*	Vice President and Controller
--	-------------------------------

DIRECTORS:	
Antonia Ax:son Johnson	}
Vernon E. Jordan, Jr.	}
Yotaro Kobayashi	}
Hilmar Kopper	}
Ralph S. Larsen	}
John D. Macomber	}
N.J. Nicholas, Jr.	} *
John E. Pepper	}
Patricia F. Russo	}
Martha R. Seger	}
Thomas C. Theobald	}
G. Richard Thoman	}

Martin S. Wagner

\*By: \_\_\_\_\_  
(MARTIN S. WAGNER, ATTORNEY-IN-FACT)

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors  
Xerox Corporation:

We consent to the use of our reports incorporated herein by reference and to the reference to our firm under the heading "Experts" in the Prospectus.

KPMG Peat Marwick LLP

Stamford, Connecticut  
July 17, 1998

EXHIBIT INDEX

- (4) (a) --Indentures between the Company and The First National Bank of Chicago, as Trustee.
- (4) (b) --Form of Convertible Subordinated Debenture.
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- (5) (b) --Opinion of Ivins, Phillips & Barker, Chartered, special tax counsel to the Company, as to material tax consequences.
- (10) --Registration Rights Agreement among the Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc.
- (12) --Computation of Ratio of Earnings to Fixed Charges.
- (23) (a) --Consent of Independent Auditors (see page II-5).
- (23) (b) --Consent of Martin S. Wagner, Esq. (see Exhibit 5(a)).
- (23) (c) --Consent of Ivins, Phillips & Barker, Chartered, special tax counsel to the Company (see Exhibit 5(b)).
- (24) (a) --Certified Resolution.
- (24) (b) --Power of Attorney.
- (25) --Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 on Form T-1 of The First National Bank of Chicago to act as Trustee under the Indenture.



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INDENTURE

between

XEROX CORPORATION

and

THE FIRST NATIONAL BANK OF CHICAGO, Trustee

Convertible Subordinated Debentures Due April 21, 2018

Dated as of April 21, 1998

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INDENTURE, dated as of April 21, 1998, between XEROX CORPORATION, a corporation duly organized and existing under the laws of the State of New York (herein called the "Company"), and THE FIRST NATIONAL BANK OF CHICAGO, a national banking association banking corporation duly organized and existing under the laws of the United States of America, as Trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its Convertible Subordinated Debentures Due April 21, 1998 (herein called the "Securities"), to be issued in one or more series as in this Indenture provided.

All things necessary to make the Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, as follows:

ARTICLE I

Definitions and Other Provisions

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of General Application  
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SECTION 1.01. Definitions. For all purposes of this Indenture,  
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except as otherwise expressly provided or unless the context otherwise requires:

1. the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;



2. all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

3. all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation;

4. unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or Section, as the case may be, of this Indenture; and

5. the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms used in Article XIV have the meanings specified therein.

"Act", when used with respect to any Holder, has the meaning specified in Section 1.04.

"Affiliate" of any specified Person means any other Person who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent Members" has the meaning specified in Section 3.05.

"Applicable Procedures" has the meaning specified in Section 3.05.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 6.14 to act on behalf of the Trustee to authenticate Securities.

"Average Sale Price" has the meaning specified in Section 13.01.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means a day on which banking institutions are open for business and carrying out transactions in Dollars at the relevant place of payment.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Stock" means the Common Stock of the Company, par value \$1 per share, as it exists on the date of this Indenture and any other shares of capital stock of the Company into which such common stock shall be reclassified or changed.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its Vice Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Corporate Trust Agency" means the corporate trust agency located at 14 Wall Street, 8th Floor, New York, New York 10005 or such other location as designated in writing by the Trustee.

"Corporate Trust Office" means the principal office of the Trustee at One First National Plaza,

Suite 0126, Chicago, IL 60670-0186 at which at any particular time its corporate trust business shall be administered.

"Corporation" means a corporation, association, company, joint-stock company or business trust.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Defaulted Interest" has the meaning specified in Section 3.07.

"Definitive Security" means a certificated Security bearing the restricted securities legend set forth in Section 2.02 and which is held by an Institutional Accredited Investor in accordance with Section 2.01(c).

"Depository" means, with respect to the Securities issued in whole or in part in the form of one or more Global Securities, a clearing agency registered under the Exchange Act that is designated to act as Depository for such Securities as contemplated by Section 3.05.

"Dollar" means a Dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

"Event of Default" has the meaning specified in Section 5.01.

"Ex-Dividend Time" has the meaning specified in Section 13.01.

"Excess Shares" has the meaning specified in Section 2.03.

"Exchange Act" means the Securities Exchange Act of 1934 as it may be amended from time to time, and any successor act thereto, and the rules and regulations of the Commission promulgated thereunder.

"Expiration Date" has the meaning specified in Section 1.04.

"Global Security" has the meaning specified in Section 2.01.

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

"Initial Purchasers" means Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc.

"Institutional Accredited Investor" means an institutional "accredited investor" as described in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Securities.

"Issue Date" means the date of first issuance of the Securities under this Indenture.

"Issue Price" of any Security means, in connection with the original issuance of such Security, the initial issue price at which the Security is sold as set forth on the face of the Security.

"Market Price" means the average of the Sale Price of the Common Stock for the five Trading Day period ending on and including the third Trading Day immediately prior to but not including, the applicable Purchase Date appropriately adjusted to take into account the actual occurrence, during the seven Trading Days preceding such Purchase Date, of any event described in Section 13.06, 13.07 or 13.08; subject, however, to the conditions set forth in  
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 Sections 13.09 and 13.10.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, exercise of the conversion or repurchase right or otherwise.

"Notice of Default" means a written notice of the kind specified in Section 5.01(3) or 5.01(4).

"Officers' Certificate" means a certificate signed by any of the Chairman of the Board, the President or a Vice President, and by any of the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of the Company.

"Original Issue Discount" of any Security means the difference, if any, between the Issue Price and the Principal Amount of such Security as set forth on the face of such Security.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

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(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; provided that, if such Securities are

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to be redeemed, notice of such redemption shall have been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee shall have been made;

(iii) Securities which have been paid pursuant to Section 3.06 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company; and

(iv) Securities which have been defeased pursuant to Section 15.02;

provided, however, that in determining whether the Holders of the requisite

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Principal Amount of the Outstanding Securities have given, made or taken any request, demand, authorization, direction, notice, consent, waiver or other

action hereunder as of any date, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.06 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Principal Amount" of a Security means the Principal Amount at Stated Maturity as set forth on the face of the Security.

"Purchase Notice" has the meaning specified in Section 14.02.

"Qualified Institutional Buyer" means a "qualified institutional buyer" as defined in Rule 144A.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed as set forth in the Securities.

"Regular Record Date" for the interest payable on any Interest Payment Date means the close of business on April 7 or October 7 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

"Responsible Officer", when used with respect to the Trustee, means any officer or authorized employee of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Rule 144A" has the meaning specified in Section 2.01.

"Rule 144A Information" has the meaning specified in Section 10.09.

"Sale Price" on any Trading Day means the closing per share sale price for the Common Stock (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case the average of the average bid and the average ask prices) on the New York Stock Exchange or, if the Common Stock is not then listed thereon, such other national or regional securities exchange upon which the Common Stock is listed on such Trading Day, as reported in composite transactions for such exchange or, if the Common Stock is not listed on the New York Stock Exchange or a United States national or regional stock exchange, as reported by the National Association of Securities Dealers Automated Quotation System. In the absence of one or more such quotations, the Company shall be entitled to determine "Sale Price" on the basis of such quotations as it deems appropriate.

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture and "Security" means one of such Securities.

"Securities Act" means the Securities Act of 1933 as it may be amended from time to time, and any successor act thereto, and the rules and regulations of the Commission promulgated thereunder.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 3.05.

"Senior Indebtedness" means without duplication, the principal, premium (if any) and unpaid interest on all present and future (i) indebtedness of the Company for borrowed money, (ii) obligations of the Company evidenced by bonds, debentures, notes or similar instruments, (iii) all

obligations of the Company under (a) interest rate swaps, caps, collars, options and similar arrangements, (b) any foreign exchange contract, currency swap contract, futures contract, currency option contract or other foreign currency hedge, and (c) credit swaps, caps, floors, collars and similar arrangements, (iv) indebtedness incurred, assumed or guaranteed by the Company in connection with the acquisition by it or a Subsidiary of any business, properties or assets (except purchase-money indebtedness classified as accounts payable under generally accepted accounting principles), (v) obligations of the Company as lessee under leases required to be capitalized on the balance sheet of the lessee under generally accepted accounting principles, (vi) reimbursement obligations of the Company in respect of letters of credit relating to indebtedness or other obligations of the Company that qualify as indebtedness or obligations of the kind referred to in clauses (i) through (v) above, and (vii) obligations of the Company under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (vi) above, in each case unless in the instrument creating or evidencing the indebtedness or obligation or pursuant to which the same is outstanding it is provided that such indebtedness or obligation is not superior in right of payment to the Securities

"Share Certificate" means a certificate evidencing ownership of shares of Common Stock.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.07.

"Stated Maturity", when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.



"Surrendered Securities" has the meaning specified in Section 2.06.

"Tax Event" means that the Company shall have received an opinion from independent tax counsel experienced in such matters to the effect that, on or after April 16, 1998, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations by any legislative body, court, governmental agency or regulatory authority, in each case which amendment or change is enacted, promulgated, issued or announced or which interpretation is issued or announced or which action is taken, on or after April 16, 1998, there is more than an insubstantial risk that interest (including Original Issue Discount) payable on the Securities either (i) would not be deductible on a current accrual basis or (ii) would not be deductible under any other method, in either case in whole or in part, by the Company (by reason of deferral, disallowance, or otherwise) for United States federal income tax purposes.

"Time of Determination" means the time and date of the determination of stockholders entitled to receive rights, warrants, options or a distribution, in each case, to which Sections 13.07 or 13.08 apply.

"Trading Day" means each day on which the securities exchange or quotation system which is used to determine the Sale Price is open for trading or quotation.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed and the rules and regulations thereunder; provided, however, that in the event the Trust Indenture

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Act of 1939 or such rules and regulations are amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 and such rules and regulations as so amended.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"United States" means the United States of America (including the States thereof and the District of Columbia),

its territories, its possessions and other areas subject to its jurisdiction.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

SECTION 1.02. Compliance Certificates and Opinions. Upon any  
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application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.03. Form of Documents Delivered to Trustee. In any case  
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where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify

or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.04. Acts of Holders; Record Dates. Any request, demand,

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 authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the indivi-

dual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

The ownership of Securities shall be proved by the Security Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

The Company may, but shall not be obligated to, set any day as a record date for the purpose of determining the Holders of Outstanding Securities entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given or taken by Holders of Securities; provided that the Company may not set a

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 record date for, and the provisions of this paragraph shall not apply with respect to, the giving or making of any notice, declaration, request or direction referred to in the next paragraph. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities on such record date, and no other Holders, shall be entitled to take the relevant action, whether or not such Holders remain Holders after such record date; provided that no such

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 action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite Principal Amount of Outstanding Securities on such record date; and provided, further, that for the purpose of

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 determining whether Holders of the requisite Principal Amount of such Securities have taken such action, no Security shall be deemed to have been Outstanding on such record date unless it is also Outstanding on the date such action is to become effective. Nothing in this paragraph shall prevent the Company from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), nor shall anything in

this paragraph be construed to render ineffective any action taken by Holders of the requisite Principal Amount of Outstanding Securities on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Company, at its own expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Trustee in writing and to each Holder of Securities in the manner set forth in Section 1.06.

The Trustee may set any day as a record date for the purpose of determining the Holders of Outstanding Securities entitled to join in the giving or making of (i) any Notice of Default, (ii) any declaration of acceleration referred to in Section 5.02, (iii) any request to institute proceedings referred to in Section 5.07(2) or (iv) any direction referred to in Section 5.12. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities on such record date, and no other Holders, shall be entitled to join in such notice, declaration, request or direction, whether or not such Holders remain Holders after such record date; provided that no such action shall be

effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite Principal Amount of Outstanding Securities on such record date; and provided, further, that for the purpose of determining whether

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 Holders of the requisite Principal Amount of such Securities have taken such action, no Security shall be deemed to have been Outstanding on such record date unless it is also Outstanding on the date such action is to become effective. Nothing in this paragraph shall be construed to prevent the Trustee from setting a new record date for any action (whereupon the record date previously set shall automatically and without any action by any Person be cancelled and of no effect), nor shall anything in this paragraph be construed to render ineffective any action taken by Holders of the requisite Principal Amount of Outstanding Securities on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Trustee, at the Company's expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Company in writing and to each Holder of Securities in the manner set forth in Section 1.06.

With respect to any record date set pursuant to this Section, the party hereto that sets such record date may designate any day as the "Expiration Date" and from time to time may change the Expiration Date to any earlier or later day; provided that no such change shall be effective unless notice of the  
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 proposed new Expiration Date is given

to the other party hereto in writing, and to each Holder of Securities in the manner set forth in Section 1.06, on or before the existing Expiration Date. Notwithstanding the foregoing, no Expiration Date shall be later than the 180th day after the applicable record date and, if an Expiration Date is not designated with respect to any record date set pursuant to this Section, the party hereto that set such record date shall be deemed to have designated the 180th day after such record date as the Expiration Date with respect thereto.

Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Security may do so with regard to all or any part of the Principal Amount of such Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such Principal Amount.

SECTION 1.05. Notices, Etc., to Trustee and Company. Any request,  
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demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficiently given if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Finance, or

(2) the Company by the Trustee or by any Holder shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 1.06. Notice to Holders; Waiver. Where this Indenture  
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provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular

Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 1.07. Conflict with Trust Indenture Act. If any provision  
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hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act which is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act which may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be. To the extent a Security conflicts with a provision in the Indenture, the Indenture governs.

SECTION 1.08. Effect of Headings and Table of Contents. The Article  
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and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.09. Successors and Assigns. All covenants and agreements  
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in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.10. Separability Clause. In case any provision in this  
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Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.11. Benefits of Indenture. Nothing in this Indenture or in  
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the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the holders of Senior Indebtedness and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.12. Governing Law. THIS INDENTURE AND THE SECURITIES SHALL  
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BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

SECTION 1.13. Legal Holidays. In any case where any Interest Payment  
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Date, Redemption Date, Repurchase Date or Stated Maturity of any Security or the last date on which a Holder has the right to convert his Securities shall not be a Business Day then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal (and premium, if any) or conversion of the Securities need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date, Redemption Date, Repurchase Date or at the Stated Maturity, or on such last day for conversion, provided that no interest or  
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Original Issue Discount shall accrue for the period from and after such Interest Payment Date, Redemption Date, Repurchase Date or Stated Maturity, as the case may be.

## ARTICLE II

### Security Forms -----

SECTION 2.01. Forms Generally. The Securities and the Trustee's  
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certificate of authentication shall be in substantially the form set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or Depository therefor or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities.

The definitive Securities shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

In certain cases described elsewhere herein, the legends set forth in the first four paragraphs of Section 2.02 may be omitted from Securities issued hereunder.

(a) Rule 144A Securities. Securities offered and sold in reliance on  
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Rule 144A ("Rule 144A") under the Securities Act and to subsequent transferees, directly or



indirectly, of such Securities shall be issued in fully registered book-entry form one or more Global Securities (each a "Global Security") without interest coupons, substantially in the form of Security set forth in Sections 2.02 and 2.03, with such applicable legends as are provided for in Section 2.02, except as otherwise permitted herein. Such Global Securities shall be registered in the name of a nominee of the Depositary and deposited with the Trustee, as custodian for the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate Principal Amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depositary, in consequence of the issue of Definitive Securities, as hereinafter provided.

(b) Definitive Securities. Except as provided in this Section 2.01

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 or Section 3.05, owners of beneficial interests in Global Securities will not be entitled to receive physical delivery of certificated Securities. Purchasers of Securities who are Institutional Accredited Investors and are not Qualified Institutional Buyers will receive Definitive Securities; provided, however, that

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 upon transfer of such Definitive Securities to a Qualified Institutional Buyer, such Definitive Securities will, unless the Global Security has previously been exchanged, be exchanged for an interest in a Global Security pursuant to the provisions of Section 3.05.

SECTION 2.02. Form of Face of Security. FOR PURPOSES OF SECTIONS

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 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT WITH RESPECT TO EACH \$1,000 OF PRINCIPAL AMOUNT OF THIS SECURITY IS \$431.93, THE ISSUE DATE IS APRIL 21, 1998, AND THE YIELD TO STATED MATURITY IS 3.625% PER ANNUM (COMPUTED ON A SEMIANNUAL BOND EQUIVALENT BASIS).

[INCLUDE UNLESS PURSUANT TO SECTION 3.05(d) OF THE INDENTURE, THE ISSUER DETERMINES THAT THE FOLLOWING LEGEND MAY BE REMOVED--THIS SECURITY AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY, THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN OR THEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY AND THE COMMON STOCK ISSUABLE UPON THE CONVERSION THEREOF, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE"), WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OR SUCCESSOR OF SUCH SECURITY) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, (D) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (C) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO THE COMPANY, AND IN EACH OF THE FOREGOING CASES, A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.]

[INCLUDE IF SECURITY IS A GLOBAL SECURITY DEPOSITED WITH DTC -- UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO., OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ARTICLE THREE OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.]

[INCLUDE IF SECURITY IS A DEFINITIVE SECURITY TO BE HELD BY AN INSTITUTIONAL ACCREDITED INVESTOR--IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.]

Xerox Corporation

Convertible Subordinated Debentures Due , 2018

No. \_\_\_\_\_ Principal Amount at  
Stated Maturity:  
Cusip No. \_\_\_\_\_ \$ \_\_\_\_\_

Issue Date: April 21, 1998 Issue Price: \$568.07  
(for each \$1,000  
Principal Amount at  
Stated Maturity)

Original Issue Discount: \$431.93 (for each  
\$1,000 Principal Amount at Stated Maturity)

Xerox Corporation, a corporation duly organized and existing under the laws of New York (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, the principal sum of \_\_\_\_\_ Dollars on April 21, 2018, and to pay cash interest thereon as specified on the other side of this Security.

Original Issue Discount will accrue as specified on the other side of this Security. This Security is convertible as specified on the other side of this Security. All capitalized terms used herein without definition shall have the respective meanings assigned thereto in the Indenture referred to on the other side of this Security.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: \_\_\_\_\_

XEROX CORPORATION,

by

\_\_\_\_\_  
Name:  
Title:

[Seal]

Attest:

\_\_\_\_\_  
Name:  
Title:

SECTION 2.03. Form of Reverse of Security.

1. Cash Interest; Original Issue Discount

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The Company promises to pay interest in cash on the Principal Amount of this Security at the rate per annum of 0.57%. The Company will pay cash interest semiannually on April 21 and October 21 of each year (each an "Interest Payment Date") to holders of record at the close of business on each April 7 or October 7 (whether or not a business day) (each a "Regular Record Date") immediately preceding such Interest Payment Date. Cash interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal, or if shares of Common Stock (or cash in lieu of fractional shares) in respect of a conversion of this Security in accordance with the terms of

Article XIII of the Indenture are not delivered when due, at the rate borne by the Securities plus 1% per annum, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand.

Original Issue Discount shall accrue on this Security as set forth below so long as this Security remains outstanding, calculated on a semiannual bond equivalent basis using a 360-day year composed of twelve 30-day months, from the Issue Date of this Security. As of any date (the "Specified Date"), the amount of Original Issue Discount accrued on this Security per \$1,000 Principal Amount shall be:

(i) If the Specified Date occurs on one of the Interest Payment Dates set forth below, the amount of accumulated Original Issue Discount will equal the amount set forth below for such Interest Payment Date:

Date	Accretion of Original Issue Discount (per \$1,000 Principal Amount)	Accreted Amount (per \$1,000 Principal Amount)
October 21, 1998	\$ 7.44	\$ 568.07
April 21, 1999	7.59	575.51
October 21, 1999	7.71	583.10
April 21, 2000	7.86	590.81
October 21, 2000	8.00	598.67
April 21, 2001	8.15	606.67
October 21, 2001	8.29	614.82
April 21, 2002	8.45	623.11
October 21, 2002	8.59	631.56
April 21, 2003	8.76	640.15
October 21, 2003	8.91	648.91
April 21, 2004	9.07	657.82
October 21, 2004	9.24	666.89
April 21, 2005	9.40	676.13
October 21, 2005	9.58	685.53
April 21, 2006	9.75	695.11
October 21, 2006	9.92	704.86
April 21, 2007	10.11	714.78
October 21, 2007	10.29	724.89
April 21, 2008	10.47	735.18
October 21, 2008	10.67	745.65
April 21, 2009	10.86	756.32
October 21, 2009	11.05	767.18
April 21, 2010	11.26	778.23
		789.49

Date	Accretion of Original Issue Discount (per \$1,000 Principal Amount)	Accreted Amount (per \$1,000 Principal Amount)
October 21, 2010	11.46	800.95
April 21, 2011	11.66	812.61
October 21, 2011	11.88	824.49
April 21, 2012	12.10	836.59
October 21, 2012	12.31	848.90
April 21, 2013	12.54	861.44
October 21, 2013	12.76	874.20
April 21, 2014	12.99	887.19
October 21, 2014	13.23	900.42
April 21, 2015	13.47	913.89
October 21, 2015	13.72	927.61
April 21, 2016	13.96	941.57
October 21, 2016	14.22	955.79
April 21, 2017	14.47	970.26
October 21, 2017	14.74	985.00
At Stated Maturity	15.00	1,000.00

(ii) if the Specified Date occurs before the first Interest Payment Date, the amount of accrued Original Issue Discount will equal the sum of (A) the Issue Price of this Security and (B) an amount equal to the amount of accrued Original Issue Discount for the first Interest Payment Date multiplied by a fraction, the numerator of which is the number of days elapsed from the Issue Date to the Specified Date, using a 360-day year of twelve 30-day months, and the denominator of which is the number of days from the Issue Date to the first Interest Payment Date, using a 360-day year of twelve 30-day months;

(iii) if the Specified Date occurs between two Interest Payment Dates, the amount of accrued Original Issue Discount will equal the sum of (A) the amount of accrued Original Issue Discount set forth in paragraph (i) for the Interest Payment Date immediately preceding such Specified Date and (B) an amount equal to the product of (1) the amount of accrued Original Issue Discount for the immediately following Interest Payment Date less the amount of accrued Original Issue Discount for the immediately preceding Interest Payment Date multiplied by (2) a fraction, the numerator of which is the number of days elapsed from the immediately preceding Interest Payment Date to the Specified Date, using a 360-day year of twelve 30-day months, and the denominator of which is 180; or

(iv) if the Specified Date occurs after the Stated Maturity of this Security, the amount of accrued Original Issue Discount will equal the amount of accrued Original Issue Discount as of such Stated Maturity.

2. Special Tax Event Conversion.  
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From and after the date (the "Tax Event Date") of the occurrence of a Tax Event, at the option of the Company, interest in lieu of future Original Issue Discount and regular cash interest shall accrue at 3.625% per annum on a principal amount per Security (the "Restated Principal Amount") equal to the Issue Price plus Original Issue Discount accrued to the date immediately prior to the Tax Event Date or the date on which the Company exercises the option described in this paragraph, whichever is later (such date hereunder referred to as the "Option Exercise Date"), and shall be payable semiannually on each Interest Payment Date to holders of record at the close of business on the Regular Record Date immediately preceding such Interest Payment Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Option Exercise Date.

3. Method of Payment.  
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Subject to the terms and conditions of the Indenture, the Company will make payments in respect of the principal of, premium, if any, and cash interest on this Security, and in respect of Redemption Prices to Holders who surrender Securities to a Paying Agent to collect such payments in respect of the Securities. The Company will pay cash amounts in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check payable in such money.

4. Paying Agent; Registrar; Exchange Agent.  
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Initially, The First National Bank of Chicago (the "Trustee"), will act as Paying Agent, Registrar and Exchange Agent. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice, other than notice to the Trustee, except that the Company will maintain at least one Paying Agent in the State of New York, City of New York, Borough of Manhattan. The Company or any of its Subsidiaries or Affiliates incorporated in the United States may act as Paying Agent, Registrar or co-registrar.

## 5. Indenture.

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The Company issued the Securities under an Indenture dated as of April 21, 1998 (the "Indenture"), between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as in effect from time to time (the "TIA"). Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of those terms.

The Securities are unsecured subordinated obligations of the Company limited to the aggregate Principal Amount specified in Section 3.01 of the Indenture.

## 6. Redemption at the Option of the Company.

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No sinking fund is provided for this Security. On and after April 21, 2003, this Security is redeemable for cash as a whole, or from time to time in part, at any time at the option of the Company at the prices set forth below (each a "Redemption Price") (equal to its Issue Price plus accrued Original Issue Discount, together with accrued cash interest, to the Redemption Date).

The table below shows Redemption Prices of a Security per \$1,000 Principal Amount at maturity on April 21, 2003, at each April 21 thereafter prior to maturity, and at maturity on April 21, 2018, which prices reflect the accrued Original Issue Discount calculated to each such date. The Redemption Price of a Security redeemed between such dates would include an additional amount reflecting the additional Original Issue Discount accrued since the next preceding date in the table to, but excluding, the Redemption Date, calculated as set forth under paragraph 1(iii).



Redemption Date	(1) Issue Price	(2) Accrued Original Issue Discount	(3) Redemption Price (1)+(2)
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April 21, 2003	\$568.07	\$ 80.84	\$ 648.91
April 21, 2004	568.07	98.82	666.89
April 21, 2005	568.07	117.46	685.53
April 21, 2006	568.07	136.79	704.86
April 21, 2007	568.07	156.82	724.89
April 21, 2008	568.07	177.58	745.65
April 21, 2009	568.07	199.11	767.18
April 21, 2010	568.07	221.42	789.49
April 21, 2011	568.07	244.54	812.61
April 21, 2012	568.07	268.52	836.59
April 21, 2013	568.07	293.37	861.44
April 21, 2014	568.07	319.12	887.19
April 21, 2015	568.07	345.82	913.89
April 21, 2016	568.07	373.50	941.57
April 21, 2017	568.07	402.19	970.26
At Stated Maturity	568.07	431.93	1,000.00

If converted to a semiannual coupon security following the occurrence of a Tax Event, this Security will be redeemable at the Restated Principal Amount plus accrued and unpaid interest from the date of such conversion to, but excluding, the Redemption Date; provided, however, that in no event may this

Security be redeemed prior to April 21, 2003.

7. Notice of Redemption.

Notice of Redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Securities (or portions thereof which are in an integral multiple of \$1,000 in Principal Amount) to be redeemed on the Redemption Date is deposited with the Paying Agent prior to or on the Redemption Date, immediately after such Redemption Date cash interest and

Original Issue Discount shall cease to accrue on such Securities or portions thereof.

8. Purchase by the Company at the Option of the Holder.  
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Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, this Security on April 21, 2003 at a Purchase Price per \$1,000 in Principal Amount of \$648.91 (equal to the Issue Price plus accrued Original Issue Discount to such Purchase Date), plus accrued cash interest to the Purchase Date, upon delivery by the Holder of a Purchase Notice containing the information set forth in the Indenture, at any time from the opening of business on the date that is 20 Business Days prior to such Purchase Date until the close of business on such Purchase Date and upon delivery of this Security to the Paying Agent by the Holders as set forth in the Indenture. Such Purchase Price may be paid, at the option of the Company, in cash or by the delivery of Common Stock, or in any combination thereof.

Notwithstanding anything herein to the contrary, if prior to the Purchase Date this Security has been converted to a semiannual coupon security following the occurrence of a Tax Event, the Purchase Price will be equal to the Restated Principal Amount plus accrued cash interest from the date of conversion to, but excluding, the Purchase Date.

At the option of the Holder and subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase this Security held by such Holder 35 Business Days after the occurrence of a Change in Control for a Change in Control Purchase Price equal to the Issue Price plus accrued Original Issue Discount and cash interest to the Change in Control Purchase Date, which shall be paid in cash.

The Holder has the right to withdraw any Purchase Notice or Change in Control Purchase Notice, as the case may be, by delivering to the Paying Agent prior to the close of business on the Purchase Date a written notice of withdrawal in accordance with the provisions of the Indenture.

If cash sufficient to pay the Purchase Price or Change in Control Purchase Price, as the case may be, of all Securities (or any portion thereof which is in an integral multiple of \$1,000 in Principal Amount) to be purchased prior to or on the Purchase Date or the Change in Control Purchase Date, as the case may be, is deposited with the Paying Agent on the Purchase Date or the Change in Control

Purchase Date, as the case may be, this Security shall cease to be outstanding and cash interest and Original Issue Discount shall cease to accrue on this Security (or such portions thereof) and will be deemed paid, whether or not this Security is delivered to the Paying Agent, immediately after such Purchase Date or Change in Control Purchase Date, as the case may be, and the Holder shall have no other rights as such (other than the right to receive the Purchase Price or Change in Control Purchase Price, as the case may be, upon surrender of this Security or portion hereof).

9. Conversion Rights.

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At the option of the Holder and subject to the terms and conditions of the Indenture, this Security (or any portion hereof which is an integral multiple of \$1,000 in Principal Amount) may be surrendered for conversion into shares of Common Stock at an initial conversion rate (the "Conversion Rate") of 3.904 shares of Common Stock per \$1,000 Principal Amount of this Security. The Conversion Rate is subject to adjustment as set forth in the Indenture. The Holder's right to convert this Security for Common Stock is subject to the Company's right to elect to pay the Holder surrendering this Security pursuant to Article XIII of the Indenture an amount of cash as set forth in the succeeding sentence, in lieu, in whole or in part, of delivering such Common Stock. The amount of cash to be paid in lieu of shares pursuant to such election by the Company upon conversion of this Security shall be equal to the Sale Price of a share of Common Stock on the Trading Day immediately preceding the Conversion Date multiplied by the Conversion Rate in effect on such Trading Day. The right to surrender this Security for conversion pursuant to Article XIII of the Indenture shall terminate on the close of business on April 21, 2018, or, if this Security or any portion hereof shall be called for redemption pursuant to the terms hereof, then in respect of any portion so called for redemption, at the close of business on the Redemption Date (unless in the case of any such redemption the Company shall default in the payment due upon the redemption hereof).

Except as otherwise expressly provided in the Indenture, no payment or adjustment shall be made on account of any dividends or distributions on Common Stock delivered upon such conversion. The Conversion Rate will not be adjusted at any time during the term of this Security for accrued Original Issue Discount or cash interest. Upon conversion of this Security, that portion of accrued Original Issue Discount or (except as provided below) accrued cash interest thereon attributable to the period from the Issue Date through the Conversion Date with respect

to this Security shall not be canceled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through the delivery of the Common Stock (together with the cash payment(s), if any, in lieu thereof, in whole or in part, or in lieu of fractional interests therein) in exchange for this Security; and the fair market value of such Common Stock (together with any such cash payment(s)), if any, shall be treated as delivered or paid, to the extent thereof, first in exchange for accrued Original Issue Discount and accrued cash interest through the Conversion Date, and the balance, if any, of such fair market value of such Common Stock (and any such cash payment(s)) shall be treated as delivered or paid in exchange for the Issue Price of this Security, to the extent of such Issue Price. Notwithstanding the foregoing, accrued but unpaid cash interest will be payable upon conversion of this Security if such conversion is made concurrently with or after acceleration of the indebtedness represented by this Security following an Event of Default.

No fractional shares of Common Stock shall be delivered upon exchanges but the Conversion Agent on behalf of the Company shall make a cash payment in lieu thereof equal to the product of such fractional share and the Sale Price on the Trading Day immediately preceding the Conversion Date.

To convert this Security the Holder must (1) complete and manually sign the conversion notice hereon (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent (initially the Trustee) or, if applicable, complete and deliver to the Depository Trust Company ("DTC") the appropriate instruction form for conversion pursuant to DTC's book entry conversion program, (2) surrender (or arrange for book-entry delivery of) this Security to the Conversion Agent (which is not necessary in the case of conversion pursuant to DTC's book entry conversion program), (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Trustee and (4) pay any transfer or similar tax if required. Book entry delivery of a Security to the Conversion Agent may be made by any financial institution that is a participant in DTC; conversion through DTC's book entry conversion program is available for any security that is held in an account maintained at DTC by any such Participant. A conversion shall be deemed to have been effected at the close of business on the date all such requirements have been satisfied (the "Conversion Date"). A Holder may convert a portion of this Security only if the portion is \$1,000 Principal Amount or an integral multiple of \$1,000.

In the event the Company exercises its option pursuant to Section 15.01 of the Indenture to have interest in lieu of Original Issue Discount accrue on this Security following a Tax Event, the Holder will be entitled on conversion to receive the same number of shares of Common Stock such Holder would have received if the Company had not exercised such option. If the Company exercises such option, Securities surrendered for conversion during the period from the close of business on any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date (except Securities to be redeemed on a date within such period) must be accompanied by payment of an amount equal to the interest thereon that registered Holder is to receive. Except where Securities surrendered for conversion must be accompanied by payment as described above, no interest on converted Securities will be payable by the Company on any Interest Payment Date subsequent to the date of conversion.

The Conversion Rate shall be adjusted as provided in Article XIII of the Indenture.

10. Conversion Arrangement on Call for Redemption.  
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Any Securities called for redemption, unless surrendered for exchange before the close of business on the Redemption Date, may be deemed to be purchased from the Holders of such Securities at an amount not less than the Redemption Price plus accrued cash interest to the Redemption Date, by one or more third parties who may agree with the Company to purchase such Securities from the Holders, to exchange them for Common Stock and to make payment for such Securities to the Trustee in trust for such Holders.

11. Subordination.  
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The Securities are subordinated to Senior Indebtedness of the Company. To the extent provided in the Indenture, Senior Indebtedness of the Company must be paid before the Securities may be paid. The Company and each Holder of Securities, by accepting a Security, agrees to the subordination provisions contained in the Indenture and authorizes the Trustee to give it effect and appoints the Trustee as attorney-in-fact for such purpose.

12. Denominations; Transfer; Exchange.  
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The Securities are in fully registered form, without coupons, in denominations of \$1,000 of Principal Amount and integral multiples of \$1,000. The Holder may

transfer or exchange this Security in accordance with the Indenture. The Registrar may require the Holder, among other things, to furnish appropriate endorsements and transfer documents. The Registrar need not transfer or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities in respect of which a Purchase Notice or Change in Control Purchase Notice has been given and not withdrawn (except, in the case of a Security to be purchased in part, the portion of the Security not to be purchased) or any Securities for a period of 15 days before a selection of Securities to be redeemed.

13. Persons Deemed Owners.  
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The registered Holder of this Security may be treated as the owner of this Security for all purposes.

14. Unclaimed Money for Securities.  
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The Trustee and the Paying Agent shall return to the Company upon written request any money or securities held by them for the payment of any amount with respect to this Security that remain unclaimed for two years. After return to the Company, the Holder must look to the Company for payment.

15. Amendment; Waiver.  
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Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the written consent of the Holders of at least a majority in aggregate Principal Amount of the Securities at the time Outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of a majority in the aggregate Principal Amount of the Securities at the time outstanding. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company and the Trustee may amend the Indenture or the Securities to cure any ambiguity, omission, defect, or inconsistency, or to comply with Article VIII or Section 13.14 of the Indenture, to provide for uncertificated Securities in addition to or in place of certificated Securities, to make any change that does not adversely affect the rights of any Holder, to comply with any requirement of the Commission in connection with the qualification of the Indenture under the TIA or to add to the covenants or obligations of the Company under the Indenture or surrender any right, power or option conferred by the Indenture on the Company.

16. Defaults and Remedies.  
-----

Under the Indenture, Events of Default include, among other things (i) default by the Company in (A) payment of the Principal Amount, Issue Price, accrued Original Issue Discount, the Redemption Price, the Purchase Price or the Change in Control Purchase Price, as the case may be, in respect of the Securities when the same becomes due and payable, (B) cash interest or interest upon conversion to a semiannual coupon security following a Tax Event, when due (if such default in payment of any such interest shall continue for 31 days) or (C) the delivery of shares of Common Stock (including cash in lieu of fractional shares of Common Stock), or cash in lieu thereof in accordance with the terms of the Indenture when such are required to be delivered upon conversion of a Security (if such default shall continue for 10 days); (ii) failure by the Company to comply with any other agreements in the Indenture or the Securities upon the receipt by the Company of notice of such default from the Trustee or Holders of not less than 25% in aggregate Principal Amount of the Securities then Outstanding and the Company's failure to cure such default within 90 days after receipt by the Company of such notice; and (iii) certain events of bankruptcy or insolvency. If an Event of Default occurs and is continuing, the Trustee, or the Holders of at least 25% in aggregate Principal Amount of the Securities at the time outstanding, may by notice to the Company declare the Issue Price of, plus accrued Original Issue Discount and accrued cash interest through the date of such declaration on, all the Securities to be immediately due and payable. Certain events of bankruptcy or insolvency are Events of Default which will result in the Issue Price plus accrued Original Issue Discount and accrued cash interest through the occurrence of such Event of Default on the Securities becoming due and payable immediately upon the occurrence of such Event of Default.

Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in aggregate Principal Amount of the Securities at the time outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withheld from Holders notice of any continuing Default (except a Default in payment of amounts specified in clause (i) above) if it in good faith determines that withholding notice is in their interests.

17. Trustee Dealings with the Company.  
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Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates with the same rights it would have if it were not Trustee.

18. No Recourse Against Others.  
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A director, officer, employee, agent or stock holder, as such, of the Company shall not have any liability for any obligations of the Company under this Security or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

19. Authentication.  
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This Security shall not be valid until an authorized officer of the Trustee manually signs the Trustee's Certificate of Authentication on the other side of this Security.

20. Abbreviations.  
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Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (-tenants in common), TEN ENT (-tenants by the entirety), JT TEN (-joint tenants with right of survivorship and not as tenants in common), CUST (-custodian), and U/G/M/A (-Uniform Gift to Minors Act).

21. GOVERNING LAW.  
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THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.



SECTION 2.04. Form of Trustee's Certificate of Authentication.

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This is one of the Securities referred to in the within-mentioned Indenture.

Dated: \_\_\_\_\_ The First National Bank of Chicago,

\_\_\_\_\_,  
as Trustee

by

\_\_\_\_\_  
Authorized Signatory

SECTION 2.05. Form of Conversion Notice.

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CONVERSION NOTICE

To: Xerox Corporation

The undersigned registered owner of this Security hereby irrevocably exercises the option to convert this Security, or the portion hereof (which is \$1,000 Principal Amount or an integral multiple thereof), below designated into shares of Common Stock (in the form of a Share Certificate) in accordance with the terms of the Indenture referred to in this Security, and directs that the shares issuable and deliverable upon conversion, together with any check in payment for a fractional share and any Security representing any unconverted Principal Amount hereof, be issued and delivered to the registered owner hereof unless a different name has been provided below. If shares or any portion of this Security not converted are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith a certificate in proper form certifying that the applicable restrictions on transfer

have been complied with. Any amount required to be paid by the undersigned on account of interest accompanies this Security.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If a corporation, partnership or fiduciary, the title of the Person signing must be stated.)

Signature(s) must be Medallion Guaranteed by a national bank or trust company or a member firm of a national stock exchange or a member of the National Association of Securities Dealers, Inc. if shares of Common Stock are to be delivered, or unconverted Securities are to be issued, other than to and in the name of the registered owner.

\_\_\_\_\_  
Signature Guarantee

Fill in for registration of shares if they are to be delivered, or unconverted Securities if they are to be issued, other than to and in the name of the registered owner:

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Street Address)

\_\_\_\_\_  
(City, State and zip code)

(Please print name and address)

Register:  Common Stock  
 Securities

(Check appropriate line(s))

Principal Amount to be converted  
(if less than all):  
\$\_\_\_\_\_,000

\_\_\_\_\_  
Social Security or other Taxpayer  
Identification Number of owner

SECTION 2.06. Form of Certification.  
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TRANSFER CERTIFICATE

The undersigned registered owner of this Security hereby certifies with respect to \$\_\_\_\_\_ Principal Amount of the above-captioned securities presented or surrendered on the date hereof (the "Surrendered Securities") for registration of transfer, or for exchange or conversion where the securities issuable upon such exchange or conversion are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Securities for the reason checked below:

\_\_\_\_\_ The transfer of the Surrendered Securities complies with Rule 144 under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or

\_\_\_\_\_ The transfer of the Surrendered Securities complies with Rule 144A under the Securities Act; or

\_\_\_\_\_ The transfer of the Surrendered Securities is to an institutional accredited investor, as defined under Rule 501 of Regulation D under the Securities Act; or

The transfer of the Surrendered Securities is pursuant to an effective registration statement under the Securities Act.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

ARTICLE III

The Securities  
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SECTION 3.01. Title and Terms. The aggregate Principal Amount of  
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Securities which may be authenticated and delivered under this Indenture is \$880,173,000 upon a Company Order without any further action by the Company; provided, however, that if the Company sells any Securities pursuant to the  
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over-allotment option granted pursuant to Section 2 of the Purchase Agreement between the Company and the Initial Purchasers dated April 16, 1998, then the Trustee shall authenticate and deliver Securities for original issue in an aggregate Principal Amount of \$880,173,000 plus up to \$132,025,000 aggregate Principal Amount upon receipt by the Trustee of a Company Order.

The principal of (and premium, if any) and cash interest on the Securities shall be payable at the Corporate Trust Office and at any other office or agency maintained by the Company for such purpose by check drawn on an account maintained with a bank in New York, New York; provided, however, that  
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upon application by the Holder to the Security Registrar not later than the April 7 or October 7 immediately preceding the relevant Interest Payment Date, such Holder may receive payment by wire transfer to a U.S. Dollar account (such transfers to be made only to Holders of an aggregate Principal Amount in excess of U.S. \$10,000,000 in Principal Amount) maintained by the payee with a bank in the United States upon compliance with the reasonable regulations of the Trustee.

The Securities shall be redeemable by the Company as provided in Article XI.

The Securities shall be subordinated in right of payment to the prior payment in full of Senior Indebtedness as provided in Article XII.

The Securities shall be convertible as provided in Article XIII.

The Securities shall be subject to purchase by the Company at the option of the Holder as provided in Article XIV.

SECTION 3.02. Denominations. The Securities shall be issuable only  
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in registered form without coupons and only in denominations of \$1,000 in Principal Amount and any integral multiple thereof.

SECTION 3.03. Execution, Authentication, Delivery and Dating. The  
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Securities shall be executed on behalf of the Company by any of its Chairman of the Board, its President or one of its Vice Presidents, under its corporate seal reproduced thereon and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

SECTION 3.04. Temporary Securities. Pending the preparation of  
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definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they

are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Company designated pursuant to Section 10.02, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like Principal Amount of definitive Securities of authorized denominations. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 3.05. Registration; Registration of Transfer and Exchange.  
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(a) The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 10.02 being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers and exchanges thereof. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers and exchanges thereof as herein provided. Upon surrender for registration of transfer or exchange of any Security at an office or agency of the Company designated pursuant to Section 10.02 for such purpose, accompanied by a written instrument of transfer or exchange in the form provided by the Company, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series, of any authorized denominations and of a like aggregate Principal Amount.

(b) Notwithstanding any other provisions of this Indenture or the Securities, (A) transfers of a Global Security, in whole or in part, shall be made only in accordance with Section 3.05(b)(i), and (B) transfers of a

Definitive Security shall comply with Section 3.05(b)(iii) and (iv) below.

(i) Transfer of Global Security. A Global Security may not be

transferred, in whole or in part, to any Person other than the Depository or a nominee or any successor thereof, and no such transfer to any such other Person may be registered; provided that this clause (i) shall not

prohibit any transfer of a Security that is issued in exchange for a Global Security but is not itself a Global Security. No transfer of a Security to any Person shall be effective under this Indenture or the Securities unless and until such Security has been registered in the name of such Person. Nothing in this Section 3.05(b)(i) shall prohibit or render ineffective any transfer of a beneficial interest in a Global Security effected in accordance with the other provisions of this Section 3.05(b).

(ii) Other Exchanges. In the event that a Global Security or any

portion thereof is exchanged for Securities other than Global Securities, such other Securities may in turn be exchanged (on transfer or otherwise) for Securities that are not Global Securities or for beneficial interests in a Global Security (if any is then outstanding) only in accordance with such procedures (including the certification requirements intended to insure that transfers of beneficial interests in a Global Security comply with Rule 144A or Rule 144 under the Securities Act, as the case may be) and any procedures, as may be from time to time adopted by the Company and the Trustee.

(iii) Transfer and Exchange of Definitive Securities. When

Definitive Securities are presented to the Security Registrar with a request:

(x) to register the transfer of such Definitive Securities; or

(y) to exchange such Definitive Securities for an equal Principal Amount of Definitive Securities of other authorized denominations,

the Security Registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided,

however, that the Definitive Securities surrendered for transfer or exchange:

(i) shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and the Security Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing; and

(ii) are being transferred or exchanged pursuant to an effective registration statement under the Securities Act or pursuant to clause (A), (B) or (C) below, and are accompanied by the following additional information and documents, as applicable:

(A) if such Definitive Securities are being delivered to the Security Registrar by a Holder for registration in the name of such Holder, with out transfer, a certification from such Holder to that effect (in the form set forth in Section 2.06); or

(B) if such Definitive Securities are being transferred to the Company, a certification to that effect (in the form set forth in Section 2.06); or

(C) if such Definitive Securities are being transferred pursuant to an exemption from registration in accordance with Rule 144, (i) a certification to that effect (in the form set forth in Section 2.06) and (ii) if the Company or Security Registrar so requests, an opinion of counsel or other evidence reasonably satisfactory to them as to the compliance with the restrictions set forth in the legend set forth in Section 2.02.

(iv) Restrictions on Transfer of a Definitive Security for a  
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 Beneficial Interest in a Global Security. A Definitive Security may not be  
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 exchanged for a beneficial interest in a Global Security except upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a Definitive Security, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Trustee, together with:

(i) certification, in the form set forth on the reverse of the Security, that such Definitive Security is being transferred to a Qualified Institutional Buyer in accordance with Rule 144A; and



(ii) written instructions directing the Trustee to make, or to direct the Securities Registrar to make, an adjustment on its books and records with respect to such Global Security to reflect an increase in the aggregate Principal Amount of the Securities represented by the Global Security, such instructions to contain information regarding the Depository account to be credited with such increase,

then the Trustee shall cancel such Definitive Security and cause, or direct the Securities Registrar to cause, in accordance with the standing instructions and procedures existing between the Depository and the Securities Registrar, the aggregate Principal Amount of Securities represented by the Global Security to be increased by the aggregate Principal Amount of the Definitive Security to be exchanged and shall credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in the Global Security equal to the Principal Amount of the Definitive Security so cancelled. If no Global Securities are then Outstanding, the Company shall issue and the Trustee shall authenticate, upon written order of the Company in the form of an Officers' Certificate, a new Global Security in the appropriate Principal Amount.

(c) Subject to the succeeding paragraph, every Security shall be subject to the restrictions on transfer provided in the legend set forth in the first paragraph of Section 2.02. Whenever any Security is presented or surrendered for registration of transfer or for exchange for a Security registered in a name other than that of the Holder, such Security must be accompanied by a certificate in substantially the form set forth in Section 2.06, dated the date of such surrender and signed by the Holder of such Security, as to compliance with such restrictions on transfer. The Security Registrar shall not be required to accept for such registration of transfer or exchange any Security not so accompanied by a properly completed certificate.

(d) The restrictions imposed by the legend set forth in the first paragraph of Section 2.02 upon the transferability of any Security shall cease and terminate when such Security has been sold pursuant to an effective registration statement under the Securities Act or transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto). Any Security as to which such restrictions on transfer shall have expired in accordance with their terms or shall have terminated may, upon surrender of such Security for exchange to the Security

Registrar in accordance with the provisions of this Section 3.05 (accompanied, in the event that such restrictions on transfer have terminated by reason of a transfer in compliance with Rule 144 or any successor provision, by an opinion of counsel having substantial experience in practice under the Securities Act and otherwise reasonably acceptable to the Company, addressed to the Company and in form acceptable to the Company, to the effect that the transfer of such Security has been made in compliance with Rule 144 or such successor provision), be exchanged for a new Security, of like tenor and aggregate Principal Amount, which shall not bear the restrictive legend set forth in the first paragraph of Section 2.02. The Company shall inform the Trustee of the effective date of any registration statement registering the Securities under the Securities Act. The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the aforementioned opinion of counsel or registration statement.

(e) As used in the preceding two paragraphs of this Section 3.05, the term "transfer" encompasses any sale, pledge, transfer, hypothecation or other disposition of any Security.

(f) No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 3.04, 9.06, 11.06, 13.02 or 14.01 not involving any transfer.

(g) The Company shall not be required (i) to issue, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities selected for redemption under Section 11.02 and ending at the close of business on the day of such mailing, (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part or (iii) to register the transfer of or exchange any Securities in respect of which a Purchase Notice or a Change of Control Purchase Notice has been given and not withdrawn by the Holder thereof in accordance with the terms of this Indenture and such Securities (except, in the case of Securities to be purchased in part, the portion thereof not be purchased).

(h) The provisions of clauses (1), (2), (3) and (4) below shall apply only to Global Securities:

(1) Notwithstanding any other provisions of this Indenture or the Securities, a Global Security shall not be exchanged in whole or in part for a Security registered in the name of any Person other than the Depository or one or more nominees thereof, provided that a Global Security

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 may be exchanged for Securities registered in the names of any person designated by the Depository in the event that (i) the Depository has notified the Company that it is unwilling or unable to continue as Depository for such Global Security or such Depository has ceased to be a "clearing agency" registered under Exchange Act, (ii) an Event of Default has occurred and is continuing with respect to the Securities, or (iii) a request for certificates has been made upon 60 days' prior written notice given to the Trustee in accordance with the Depository's customary procedures and a copy of such notice has been received by the Company from the Trustee. Any Global Security exchanged pursuant to clause (i) above shall be so exchanged in whole and not in part and any Global Security exchanged pursuant to clause (ii) or (iii) above may be exchanged in whole or from time to time in part as directed by the Depository. Any Security issued in exchange for a Global Security or any portion thereof shall be a Global Security; provided that any such Security so issued that is

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 registered in the name of a Person other than the Depository or a nominee thereof shall not be a Global Security.

(2) Securities issued in exchange for a Global Security or any portion thereof shall be issued in definitive, fully registered form, without interest coupons, shall have an aggregate Principal Amount equal to that of such Global Security or portion thereof to be so exchanged, shall be registered in such names and be in such authorized denominations as the Depository shall designate and shall bear the applicable legends provided for herein. Any Global Security to be exchanged in whole shall be surrendered by the Depository to the Trustee, as Security Registrar. With regard to any Global Security to be exchanged in part, either such Global Security shall be so surrendered for exchange or, if the Trustee is acting as custodian for the Depository or its nominee with respect to such Global Security, the Principal Amount thereof shall be reduced, by an amount equal to the portion thereof to be so exchanged, by means of an appropriate adjustment

made on the records of the Trustee. Upon any such surrender or adjustment, the Trustee shall authenticate and deliver the Security issuable on such exchange to or upon the order of the Depositary or an authorized representative thereof.

(3) Subject to the provisions of clause (5) below, the registered Holder may grant proxies and otherwise authorize any Person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a holder is entitled to take under this Indenture or the Securities.

(4) In the event of the occurrence of any of the events specified in clause (1) above, the Company will promptly make available to the Trustee a reasonable supply of certificated Securities in definitive, fully registered form, without interest coupons.

(5) Neither any members of, or participants in, the Depositary ("Agent Members") nor any other Persons on whose behalf Agent Members may act shall have any rights under this Indenture with respect to any Global Security registered in the name of the Depositary or any nominee thereof, or under any such Global Security, and the Depositary or such nominee, as the case may be, may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner and holder of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or such nominee, as the case may be, or impair, as between the Depositary, its Agent Members and any other person on whose behalf an Agent Member may act, the operation of customary practices of such Persons governing the exercise of the rights of a holder of any Security.

SECTION 3.06. Mutilated, Destroyed, Lost and Stolen Securities. If

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 (i) any mutilated Security is surrendered to the Trustee, or if there shall be delivered to the Company and the Trustee evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in exchange

for or in lieu of any such mutilated, destroyed, lost or stolen Security, a new Security of like tenor and Principal Amount and bearing a number not contemporaneously Outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion, but subject to any conversion rights, may, instead of issuing a new Security, pay such Security.

Upon the issuance, authentication and delivery by the Trustee of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued, authenticated and delivered by the Trustee pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 3.07. Payment of Cash Interest; Interest Rights Preserved.

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Cash interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for payment of such cash interest.

If the Company shall be required by law to deduct any taxes from any sum of cash interest payable hereunder to a Holder, (i) the Company shall make such deductions and shall pay the full amount deducted to the relevant taxing authority in accordance with applicable law and (ii) the amount of such deduction shall be treated for purposes hereof as a payment of cash interest.

Any cash interest on any Security which is payable, but is not punctually paid or duly provided for, on

any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause (1) provided. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, if, after

notice given by the Company to the Trustee of the proposed payment pursuant to this clause (2), such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

In the case of any Security which is converted after any Regular Record Date and on or prior to the corresponding Interest Payment Date, cash interest on such Security whose Stated Maturity is on such Interest Payment Date shall be deemed to continue to accrue and shall be payable on such Interest Payment Date notwithstanding such conversion and notwithstanding that such Security may have been called for redemption on a Redemption Date within such period, and such interest (whether or not punctually paid or duly provided for) shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on such Regular Record Date. Except as otherwise expressly provided in the immediately preceding sentence, in the case of any Security which is converted, cash interest whose Stated Maturity is after the date of conversion of such Security shall not be payable (although such accrued and unpaid interest will be deemed paid by the appropriate portion of the Common Stock received by the holders upon such conversion).

SECTION 3.08. Persons Deemed Owners. Prior to due presentment of a  
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Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of, premium, if any, and (subject to Section 3.07) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or from maintaining, supervising or reviewing any records relating to such beneficial ownership

interests and they shall be protected in acting on any such information provided by the Depositary.

SECTION 3.09. Cancellation. All Securities surrendered for payment,  
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redemption, registration of transfer or exchange or conversion shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of as directed by a Company Order.

SECTION 3.10. Computation of Interest. Interest on the Securities of  
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each series shall be computed on the basis of a 360-day year of twelve 30-day months.

ARTICLE IV

Satisfaction and Discharge  
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SECTION 4.01. Satisfaction and Discharge of Indenture. This  
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Indenture shall upon Company request cease to be of further effect (except as to any surviving rights of conversion, registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.06 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.03) have been delivered to the Trustee for cancellation; or



(B) all such Securities not theretofore delivered to the Trustee for cancellation have become due and payable and the Company has deposited or caused to be deposited irrevocably with the Trustee as trust cash or, if expressly permitted by the terms hereof, Common Stock in trust for the benefit of Holders of Outstanding Securities in an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to the date of such deposit;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company;

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with; and

(4) no Event of Default which, with notice or lapse of time, or both, would become an Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 6.07, the obligations of the Trustee to any Authenticating Agent under Section 6.14 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.02 and the last paragraph of Section 10.03 shall survive.

SECTION 4.02. Application of Trust Money. Subject to the provisions

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of the last paragraph of Section 10.03, all money deposited with the Trustee pursuant to Section 4.01 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee. All moneys deposited with the Trustee pursuant to Section 4.01 (and held by it or any Paying Agent) for the

payment of Securities subsequently converted shall be returned to the Company upon Company Request.

ARTICLE V

Remedies

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SECTION 5.01. Events of Default. "Event of Default", wherever used

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herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be occasioned by the provisions of Article XII or be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any cash interest upon any Security when it becomes due and payable, and continuance of such default for a period of 31 days; or

(2) the Company defaults in the payment of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price or Change in Control Purchase Price on any Security, when the same becomes due and payable at its Stated Maturity, upon redemption, upon declaration, when due for purchase by the Company or otherwise, whether or not such payment shall be prohibited by this Indenture;

(3) the Company fails to comply with any of its agreements in the Securities or this Indenture and such failure continues for 90 days after receipt by the Company of a Notice of Default;

(4) the Company pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case;

(B) consents to the entry of an order for relief against it in an involuntary case or the commencement of any case against it;

(C) consents to the appointment of a Custodian of it or for any substantial part of its property;

(D) makes a general assignment for the benefit of its creditors;

(E) files a petition in bankruptcy or answer or consent seeking reorganization or relief; or

(F) consents to the filing of such petition or the appointment of or taking possession by a Custodian;

(5) a court of competent jurisdiction enters an orders or decree under any Bankruptcy Law that:

(A) is for relief against the Company in an involuntary case, or adjudicates the Company insolvent or bankrupt;

(B) appoints a Custodian of the Company or for any substantial part of its property; or

(C) order the winding up or liquidation of the Company;

and the order or decree remains unstayed and in effect for 60 days; or

(6) the Company fails to deliver shares of Common Stock (including cash in lieu of fractional shares) or cash in lieu of shares of Common Stock in accordance with the terms hereof when such Common Stock (and cash in lieu of fractional shares) or cash is required to be delivered, upon conversion of a Security and such failure is not remedied for a period of 10 days.

A Default under clause (3) above is not an Event of Default until the Trustee notifies the Company, or the Holders of at least 25% in aggregate Principal Amount of the Securities at the time Outstanding notify the Company and the Trustee, of the Default and the Company does not cure such Default within the time specified in clause (3) above after receipt of such notice. Any such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default".

The Company shall deliver to the Trustee, within 90 days after it becomes aware of the occurrence thereof, written notice of any event which with the giving of notice and the lapse of time or both would become an Event of Default under clause (3) or clause (6), its status and what

action the Company is taking or proposes to take with respect thereto.

SECTION 5.02. Acceleration of Stated Maturity; Rescission and

Annulment. If an Event of Default (other than an Event of Default specified in

Section 5.01(4) or 5.01(5)) occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in Principal Amount of the Outstanding Securities may declare the Issue Price, accrued Original Issue Discount and accrued cash interest (or if the Securities have been converted to a semiannual coupon Debenture following a Tax Event, the Restated Principal Amount, plus accrued interest) through the date of declaration on all the Securities to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such Issue Price, accrued Original Issue Discount and accrued cash interest (or if the Securities have been converted to a semiannual coupon debenture following a Tax Event, the Restated Principal Amount, plus accrued interest) shall become immediately due and payable. If an Event of Default specified in Section 5.01(4) or 5.01(5) occurs, the Issue Price, accrued Original Issue Discount and accrued cash interest (or if the Securities have been converted to a semiannual coupon debenture following a Tax Event, the Restated Principal Amount, plus accrued interest) through the date of declaration on all the Securities shall automatically, and without any declaration or other action on the part of the Trustee or any Holder, become immediately due and payable.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article V provided, the Holders of a majority in Principal Amount of the Outstanding Securities, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) the Issue Price, accrued Original Issue Discount and accrued cash interest (or if the Securities have been converted to a semiannual coupon debenture following a Tax Event, the Restated Principal Amount, plus accrued interest) through the date of declaration on the Securities,

(B) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Securities, and

(C) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default, other than the non-payment of the principal of Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.13.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 5.03. Collection of Indebtedness and Suits for Enforcement by

Trustee. If  
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(1) default is made in the payment of any cash interest on any Security when such interest becomes due and payable and such default continues for a period of 31 days, or

(2) default is made in the payment of the Issue Price on accrued Original Issue Discount (or if the Securities have been converted to a semiannual coupon note following a Tax Event, the Restated Principal Amount, plus accrued interest),

the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount then due and payable on such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or

agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.04. Trustee May File Proofs of Claim. In case of any

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judicial proceeding relative to the Company (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise,

(1) to file and prove a claim for the whole amount owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(2) to collect and receive any moneys or other property payable or deliverable on any such claim and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; provided, however, that the Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

SECTION 5.05. Trustee May Enforce Claims Without Possession of

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Securities. All rights of action and claims under this Indenture or the

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Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after

provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 5.06. Application of Money Collected. Any money collected by

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 the Trustee pursuant to this Article V shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: Subject to Article XII to the payment of all amounts due the Trustee under Section 6.07;

SECOND: Subject to Article XII to the payment of the amounts then due and unpaid for first, interest on, and, second, for principal of (and premium, if any, on) the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for interest and principal (and premium, if any) respectively; and

THIRD: The balance, if any, to the Company.

SECTION 5.07. Limitation on Suits. No Holder of any Security shall

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 have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in Principal Amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in Principal Amount of the Outstanding Securities;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 5.08. Unconditional Right of Holders to Receive Principal,  
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Premium and Interest and to Convert. Notwithstanding any other provision in this  
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Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the Issue Price, accrued Original Issue Discount and accrued cash interest (or if the Securities have been converted to a semiannual coupon note following a Tax Event, the Restated Principal Amount, plus accrued interest) (subject to Section 3.07) interest on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption or repurchase, on the Redemption Date, Change in Control Repurchase Date or Repurchase Date, as the case may be) and to convert such Security in accordance with Article XIII and to institute suit for the enforcement of any such payment and right to convert, and such rights shall not be impaired without the consent of such Holder.

SECTION 5.09. Restoration of Rights and Remedies. If the Trustee or  
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any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 5.10. Rights and Remedies Cumulative. Except as otherwise  
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provided with respect to the replacement



or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 3.06, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.11. Delay or Omission Not Waiver. No delay or omission of  
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the Trustee or of any Holder of any Securities to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 5.12. Control by Holders. The Holders of a majority in  
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Principal Amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee;

provided that  
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(1) such direction shall not be in conflict with any rule of law or with this Indenture, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 5.13. Waiver of Past Defaults. The Holders of not less than  
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a majority in Principal Amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except

(1) an Event of Default described in Section 5.01(1) or 5.01(2), or

(2) in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Security affected, or

(3) a Default under Article XIII.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 5.14. Undertaking for Costs. In any suit for the enforcement

of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, having due regard to the merits and good faith of the claims or defenses made by such party litigant; provided, that this Section 5.14 shall not be deemed to authorize any

court to require such an undertaking or to make such an assessment in any suit instituted by the Company or in any suit for the enforcement of the right to convert any Security in accordance with Article XIII.

SECTION 5.15. Waiver of Usury, Stay or Extension Laws. The Company

covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

#### ARTICLE VI

The Trustee

SECTION 6.01. Certain Duties and Responsibilities. (a) Except

during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that  
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(1) this paragraph (c) shall not be construed to limit the effect of paragraph (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in Principal Amount of the Outstanding Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 6.02. Notice of Defaults. Within 90 days after the

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 occurrence of any default hereunder, the Trustee shall give the Holders, in the manner provided in Section 1.06, notice of any default hereunder; provided,

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 however, that in the case of any default of the character specified in Section

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 5.01(3), no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

SECTION 6.03. Certain Rights of Trustee. Subject to the provisions

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 of Section 6.01:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by

this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.04. Not Responsible for Recitals or Issuance of Securities.  
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The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 6.05. May Hold Securities. The Trustee, any Authenticating  
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Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Section 6.08 and Section 6.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 6.06. Money Held in Trust. Money held by the Trustee in  
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trust hereunder need not be segregated from

other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 6.07. Compensation and Reimbursement. The Company agrees:

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Trustee shall notify the Company of any claim asserted against it for which it may seek indemnity. The indemnity set forth in this Section 6.07 shall survive the resignation or removal of the Trustee and the termination of this Indenture.

SECTION 6.08. Disqualification; Conflicting Interests. If the

Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 6.09. Corporate Trustee Required; Eligibility. There shall

at all times be a Trustee

hereunder which shall be a corporation organized and doing business under the laws of the United States, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$25,000,000, subject to supervision or examination by federal or state authority, in good standing and having an established place of business in the Borough of Manhattan, The City of New York. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 6.10. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 6.11.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 6.11 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in Principal Amount of the Outstanding Securities, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 6.08 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 6.09 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee, or (ii) subject to Section 5.14, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in Principal Amount of the Outstanding Securities delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 6.11, become the successor Trustee and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 6.11, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 1.06. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 6.11. Acceptance of Appointment by Successor. Every

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 successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor



Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 6.12. Merger, Conversion, Consolidation or Succession to

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Business. Any corporation into which the Trustee may be merged or converted or  
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with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 6.13. Preferential Collection of Claims Against Company. If

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and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

SECTION 6.14. Appointment of Authenticating Agent. The Trustee may

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appoint an Authenticating Agent or Agents which shall be authorized to act on behalf of the Trustee to authenticate Securities issued upon original issue and upon exchange, registration of transfer, partial conversion, partial redemption, or partial repurchase or pursuant to Section 3.06, and Securities so authenticated shall be entitled to the benefits of this Indenture and

shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$25,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders as their names and addresses appear in the Security Register. Any

successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 6.07.

If an appointment is made pursuant to this Section, the Securities may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities described in the within-mentioned Indenture.

-----,  
As Trustee

by -----,  
As Authenticating Agent

by -----,  
Authorized Signatory

ARTICLE VII

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Holders' Lists and Reports by Trustee and Company  
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SECTION 7.01. Company To Furnish Trustee Names and Addresses of  
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Holders. The Company will furnish or cause to be furnished to the Trustee  
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(a) semi-annually, not more than 15 days after each Regular Record Date, a list, in such form as the Trustee may reasonably require, of the names and ad-

addresses of the Holders as of such Regular Record Date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

excluding from any such list names and addresses received by the Trustee in its  
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capacity as Security Registrar.

SECTION 7.02. Preservation of Information; Communications to Holders.  
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(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 7.01 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 7.01 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

SECTION 7.03. Reports by Trustee. (a) The Trustee shall transmit to  
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Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed, with the Commission, if applicable, and with the Company. The Company will notify the Trustee when the Securities are listed on any stock exchange.

SECTION 7.04. Reports by Company. (a) The Company shall file with  
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the Trustee and the Commission, if applicable, and transmit to Holders, such information, docu-

ments and other reports, and such summaries thereof, to the extent required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act. Notwithstanding anything to the contrary contained herein, the Trustee shall have no duty to review such documents for the purpose of determining compliance with this Indenture.

(b) The Company shall provide the Trustee with at least 30 days prior notice of any change in location of its principal executive offices or other principal place of business.

ARTICLE VIII

Consolidation, Merger, Conveyance, Transfer or Lease  
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SECTION 8.01. Company May Consolidate, Etc., Only on Certain Terms.  
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So long as any Securities shall be Outstanding, the Company shall not, directly or indirectly, consolidate with or merge with or into any other individual, corporation, partnership, joint venture, association, trust, unincorporated organization or limited liability company or other person or sell, lease, convey or transfer all or substantially all of its properties and assets (computed on a consolidated basis), whether in a single transaction or a series of related transactions, to another person or group of affiliated persons (such successor corporation or person, as the case may be, shall in this Article V be referred to as the "Successor Company"), unless  
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(1) either (x) in the case of a merger or consolidation, the Company shall be the continuing corporation or (y) the Successor Company (if other than the Company) shall be organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and premium, if any, and interest on all the Securities and the performance of every covenant of this Indenture and in the Securities on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing;

(3) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with this Article VIII and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 8.02. Successor Substituted. Upon any consolidation with or

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 merger into any other corporation or other person, or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 8.01, the Successor Company or person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such Successor Company or person had been named as the Company herein, and thereafter, except in the case of a conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety, and obligations the Company may have under a supplemental indenture pursuant to Section 13.14, the predecessor corporation shall be relieved of all obligations and covenants under this Indenture and the Securities. Subject to Section 9.06, the Company, the Trustee and the successor person shall enter into a supplemental indenture to evidence the succession and substitution of such successor person and such discharge and release of the Company.

ARTICLE IX

Amendments

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SECTION 9.01. Without Consent of Holders. The Company and the

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 Trustee may amend this Indenture or the Securities without the consent of any Holder of Securities:

(1) to cure any ambiguity, omission, defect or inconsistency or to make any other provision with respect to matters or questions arising under the Indenture or the Securities; provided, however, that such amendment

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 does not materially adversely affect the rights of any Holder;

(2) to comply with Article VIII or Section 13.14;

(3) to provide for uncertificated Securities in addition to or in place of certificated Securities

so long as such uncertificated Securities are in registered form for purposes of the Internal Revenue Code of 1986, as amended;

(4) to make any change that does not adversely affect the rights of any Holder;

(5) to add to the covenants or obligations of the Company hereunder, for the benefit of the Holders, or to surrender any right, power or option herein conferred upon the Company; or

(6) to make any change to comply with the TIA or any amendment of the TIA, or any requirement by the Commission in connection with the qualification of this Indenture under the TIA or any amendment thereof.

SECTION 9.02. With Consent of Holders. With the written consent of

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the Holders of at least a majority in aggregate Principal Amount of the Securities at the time outstanding, the Company and the Trustee may amend this Indenture or the Securities. However, without the consent of each Holder affected, an amendment or supplement to this Indenture or the Securities may not:

(1) make any change to the Principal Amount of Securities whose Holders must consent to an amendment;

(2) make any change to the rate of accrual in connection with Original Issue Discount, reduce the rate of cash interest referred to in paragraph 1 of the Securities, reduce the rate of interest referred to in Section 17.01 upon the occurrence of a Tax Event or extend the time for payment of accrued Original Issue Discount or cash interest on any Security;

(3) reduce the Principal Amount or the Issue Price of or extend the Stated Maturity of any Security;

(4) reduce the amount of cash payable in respect of conversion upon the Company's election to pay cash with respect thereto, the Redemption Price, Purchase Price or Change in Control Purchase Price of any Security or extend the date on which the Purchase Price or Change in Control Purchase Price of any Security is payable;

(5) make any Security payable in money or securities other than that stated in the Security;

(6) make any change in Article XII that adversely affects the rights of any Holder;

(7) make any change in Section 5.13 or this Section 9.02, except to increase any percentage referred to therein, or make any change in Section 5.08;

(8) make any change that adversely affects the right to convert any Security (including the right to receive cash in lieu of Common Stock except as set forth in Section 9.01(4));

(9) make any change that adversely affects the right to require the Company to purchase the Securities in accordance with the terms thereof and this Indenture (including the right to receive cash if the Company has elected to pay cash upon such purchase);

(10) make any change to the provisions of this Indenture relating to the purchase of Securities at the option of the Holder pursuant to Section 14.01 or 14.02 which change would result in a violation of applicable federal or state securities laws (including positions of the SEC under applicable no-action letters), whether as a result of the exercise or performance of any rights or obligations under such provisions or otherwise; or

(11) impair the right to institute suit for the enforcement of any payment with respect to, or conversion of, the Securities.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

An amendment under this Section 9.02 or Section 9.01 may not make any change that adversely affects the rights under Article XII of any holder of Senior Indebtedness then outstanding unless the requisite holders of such Senior Indebtedness consent to such change pursuant to the terms of such Senior Indebtedness.

After an amendment under this Section 9.02 becomes effective, the Company shall mail to each Holder a notice briefly describing the amendment.



SECTION 9.03. Compliance with Trust Indenture Act. Every

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 supplemental indenture executed pursuant to this Article IX shall comply with the TIA as then in effect.

SECTION 9.04. Revocation and Effect of Consents, Waivers and Actions.

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 Until an amendment or waiver becomes effective, a consent to it or any other action by a Holder of a Security hereunder is a continuing consent by the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same obligation as the consenting Holder's Security, even if notation of the consent, waiver or action is not made on the Security. However, any such Holder or subsequent Holder may revoke the consent, waiver or action as to such Holder's Security or portion of the Security if the Trustee receives the notice of revocation before the date the amendment, waiver or action becomes effective. After an amendment, waiver or action becomes effective, it shall bind every Holder, except as provided in Section 9.02.

SECTION 9.05. Notation on or Exchange of Securities. Securities

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 authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

SECTION 9.06. Trustee to Sign Supplemental Indentures. The Trustee

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 shall sign any supplemental indenture authorized pursuant to this Article IX if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing such amendment the Trustee shall be entitled to receive, and (subject to the provisions of Section 6.03) shall be fully protected in relying upon, an Officer's Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture.

SECTION 9.07. Effect of Supplemental Indentures. Upon the execution

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 of any supplemental indenture under this Article IX, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

## ARTICLE X

## Covenants

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## SECTION 10.01. Payment of Securities. The Company shall promptly

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make all payments in respect of the Securities on the dates and in the manner provided in the Securities or pursuant to this Indenture. Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price and cash interest shall be considered paid on the applicable date due if on such date the Trustee or the Paying Agent holds, in accordance with this Indenture, cash or securities, if expressly permitted hereunder, sufficient to pay all such amounts then due.

The Company shall, to the extent permitted by law, pay cash interest on overdue amounts at the per annum rate of interest set forth in paragraph 1 of the Securities, compounded semiannually, which interest on overdue amounts (to the extent payment of such interest shall be legally enforceable) shall accrue from the date such overdue amounts were originally due and payable.

## SECTION 10.02. Maintenance of Office or Agency. The Company will

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maintain in the Borough of Manhattan, The City of New York an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange, where Securities may be surrendered for conversion and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in or outside the Borough of Manhattan, The City of New York) where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however,

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that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of

Manhattan, The City of New York for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 10.03. Money for Security Payments To Be Held in Trust. If

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 the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to each due date of the principal of (and premium, if any) or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium, if any, or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 10.03, that such Paying Agent will

(1) hold all sums held by it for the payment of the principal of, premium, if any, or interest on Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities) in the making of any payment of principal, premium, if any, or interest; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct

any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of Principal Amount, Issue Price, accrued Original Issue Discount Redemption Price, Purchase Price, Change in Control Purchase Price or cash interest on the Securities and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the

Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 10.04. Statement by Officers as to Default. The Company will

deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge. The Company shall file with the Trustee written notice of the occurrence of any Default or Event of Default within five Business Days of its becoming aware of such Default or Event of Default.

SECTION 10.05. Existence. Subject to Article VIII, the Company will

do or cause to be done all

things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; provided, however, that the

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 Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 10.06. Calculation of Original Issue Discount. The Company

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 shall file with the Trustee promptly following the end of each calendar year a written notice specifying the amount of Original Issue Discount (including daily rates and accrual periods) accrued on Outstanding Securities as of the end of such year.

SECTION 10.07. Delivery of Certain Information. At any time when the

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 Company is not subject to Section 13 or 15(d) of the Exchange Act, upon the request of a Holder or the holder of shares of Common Stock issued upon conversion thereof, the Company will promptly furnish or cause to be furnished Rule 144A Information (as defined below) to such Holder or such holder of shares of Common Stock issued upon conversion of Securities, or to a prospective purchaser of any such security designated by any such Holder or holder, as the case may be, to the extent required to permit compliance by such Holder or holder with Rule 144A under the Securities Act in connection with the resale of any such security. "Rule 144A Information" shall be such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act.

ARTICLE XI

Redemption of Securities

SECTION 11.01. Right to Redeem; Notices to Trustee. On or after

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 April 21, 2003, the Company, at its option, may redeem the Securities as a whole at any time, or from time to time in part, for cash in accordance with the provisions set forth in paragraphs 6 and 7 of the Securities. If the Company elects to redeem Securities pursuant to paragraph 6 of the Securities, it shall notify the Trustee in writing of the Redemption Date, the Principal Amount of Securities to be redeemed and the Redemption Price.

The Company shall give the notice to the Trustee provided for in this Section 11.01 at least 30 days but not more than 60 days before the Redemption Date (unless a

shorter notice shall be satisfactory to the Trustee). If fewer than all the Securities are to be redeemed, the record date relating to such redemption shall be selected by the Company and given to the Trustee.

SECTION 11.02. Selection of Securities to Be Redeemed. If less than  
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all the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed by lot, pro rata or by any other method the Trustee considers fair and appropriate. The Trustee shall make the selection at least 30 but not more than 60 days before the Redemption Date from Outstanding Securities not previously called for redemption. Securities and portions of them the Trustee selects shall be in Principal Amounts of \$1,000 or an integral multiple of \$1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of Securities to be redeemed.

If any Security selected for partial redemption is thereafter surrendered for conversion in part before termination of the conversion right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed (so far as may be), solely for purposes of determining the aggregate Principal Amount of Securities to be redeemed by the Company, to be the portion selected for redemption. Securities that have been converted during a selection of Securities to be redeemed may be treated by the Trustee as Outstanding for the purpose of such selection. Nothing in this Section 11.02 shall affect the right of any Holder to convert any Security pursuant to Article XIII before the termination of the conversion right with respect thereto.

SECTION 11.03. Notice of Redemption. At least 30 days but not more  
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than 60 days before a Redemption Date, the Trustee, in the name and at the expense of the Company, shall cause notice of redemption to be mailed, first-class postage prepaid, to each Holder of Securities to be redeemed at such Holder's address as it appears on the list of Holders maintained pursuant to Section 7.01. At the Company's written request, the Trustee shall, in the name and at the expense of the Company, cause a similar notice to be published at least once in a newspaper of national circulation designated by the Company.

The notice shall identify the Securities to be redeemed and shall state:

- (a) the Redemption Date (upon which the Redemption Price shall be paid);
- (b) the Redemption Price;
- (c) the Conversion Rate;
- (d) the name and address of the Paying Agent and Conversion Agent and of the office or agency referred to in Section 10.02;
- (e) that Securities called for redemption may be converted at any time before the close of business on the Redemption Date;
- (f) that Holders who want to convert Securities must satisfy the requirements set forth in paragraph 9 of the Securities;
- (g) that Securities called for redemption must be surrendered to the Paying Agent or at the office or agency referred to in Section 10.02 to collect the Redemption Price;
- (h) the CUSIP number of the Securities called for redemption;
- (i) the Company has the right to pay the Redemption Price in Common Stock or cash and the procedure for notifying the Holders of such election;
- (j) if fewer than all the Outstanding Securities are to be redeemed, the certificate numbers and Principal Amounts of the particular Securities to be redeemed; and
- (k) that, unless the Company defaults in payment of the Redemption Price, Original Issue Discount and cash interest on Securities called for redemption will cease to accrue on and after the Redemption Date.

SECTION 11.04. Effect of Notice of Redemption. Once notice of

redemption is given, Securities called for redemption become due and payable on the Redemption Date stated in the notice and at the Redemption Price therefor except for Securities that are converted in accordance with the terms of this Indenture. Upon the later of the Redemption Date and the date such Securities are surrendered

to the Paying Agent or at the office or agency referred to in Section 10.02, such Securities called for redemption shall be paid at the Redemption Price therefor.

SECTION 11.05. Deposit of Redemption Price. Prior to 11:00 a.m., New  
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York City time on the Redemption Date, the Company shall deposit with the Paying Agent (or if the Company or a Subsidiary or an Affiliate of either of them is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the Redemption Price of, and accrued cash interest on, all Securities to be redeemed on that date other than Securities or portions of Securities called for redemption which prior thereto have been delivered by the Company to the Trustee for cancellation. The Paying Agent shall as promptly as practicable return to the Company any money, with interest, if any, thereon not required for that purpose because of conversion of Securities pursuant to Article XIII. If such money is then held by the Company or a Subsidiary or an Affiliate of the Company in trust and is not required for such purpose it shall be discharged from such trust.

SECTION 11.06. Securities Redeemed in Part. Upon surrender of a  
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Security that is redeemed in part, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder, a new Security of the same tenor in an authorized denomination equal in Principal Amount to the unredeemed portion of the Security surrendered.

SECTION 11.07. Conversion Arrangement on Call for Redemption. In  
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connection with any redemption of Securities, the Company may arrange, in lieu of redemption, for the purchase and conversion of any Securities called for redemption by an agreement with one or more investment bankers or other purchasers to purchase all or a portion of such Securities by paying to the Trustee in trust for the Holders whose Securities are to be so purchased, on or before the close of business on the Redemption Date, an amount that, together with any amounts deposited with the Trustee by the Company for redemption of such Securities, is not less than the Redemption Price, together with interest, if any, accrued to the Redemption Date, of such Securities. Notwithstanding anything to the contrary contained in this Article XI, the obligation of the Company to pay the Redemption Price of such Securities, including all accrued interest, if any, shall be deemed to be satisfied and discharged to the extent such amount is so paid by such purchasers, but no such agreement shall relieve the Company of its obligation to pay such Redemption Price and such accrued interest, if any. If such an agreement is entered into, any Securities not duly surrendered for conversion by



the Holders thereof may, at the option of the Company, be deemed, to the fullest extent permitted by law, acquired by such purchasers from such Holders and (notwithstanding anything to the contrary contained in Article XIII) surrendered by such purchasers for conversion, all as of immediately prior to the close of business on the Redemption Date, subject to payment of the above amount as aforesaid. The Trustee shall hold and pay to the Holders whose Securities are selected for redemption any such amount paid to it for purchase and conversion in the same manner as it would moneys deposited with it by the Company for the redemption of Securities. Without the Trustee's prior written consent, no arrangement between the Company and such purchasers for the purchase and conversion of any Securities shall increase or otherwise affect any of the powers, duties, responsibilities or obligations of the Trustee as set forth in this Indenture, and the Company agrees to indemnify the Trustee from, and hold it harmless against, any loss, liability or expense arising out of or in connection with any such arrangement for the purchase and conversion of any Securities between the Company and such purchasers, including the costs and expenses incurred by the Trustee in the defense of any claim or liability arising out of or in connection with the exercise or performance of any of its powers, duties, responsibilities or obligations under this Indenture.

## ARTICLE XII

### Subordination of Securities

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#### SECTION 12.01. Securities Subordinate to Senior Indebtedness. The

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Company covenants and agrees, and each Holder of a Security, by his acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article XII, the indebtedness represented by the Securities and the payment of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, cash in respect of Purchase Price, cash in respect of a conversion, Change in Control Purchase Price and cash interest on each and all of the Securities and all obligations of the Company under this Indenture are hereby expressly made subordinate and junior in right of payment to the prior payment in full of all Senior Indebtedness and that said subordination is for the benefit of the holders of Senior Indebtedness and they and or each of them severally may enforce such subordination.

#### SECTION 12.02. Payment Over of Proceeds upon Dissolution, Etc. In

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the event of (a) any insolvency or

bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Company or to its creditors, as such, or to its assets, or (b) any liquidation, dissolution or other winding up of the Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any other marshaling of assets and liabilities of the Company, then and in any such event the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness, or provision shall be made for such payment in money or money's worth, before the Holders of the Securities are entitled to receive any payment on account of principal of (or premium, if any) or interest on the Securities, and to that end the holders of Senior Indebtedness shall be entitled to receive, for application to the payment thereof, any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in respect of the Securities in any such case, proceeding, dissolution, liquidation or other winding up or event.

In the event that, notwithstanding the foregoing provisions of this Section, the Trustee or the Holder of any Security shall have received any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, before all Senior Indebtedness is paid in full or payment thereof provided for, and if such fact shall, at or prior to the time of such payment or distribution, have been made known to the Trustee or, as the case may be, such Holder, then and in such event such payment or distribution shall be paid over or delivered forthwith to the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee, agent or other Person making payment or distribution of assets of the Company for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all Senior Indebtedness in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

For purposes of this Article XII only, the words "cash, property or securities" shall not be deemed to include shares of capital stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment which in either case are subordinated in right of payment to all Senior Indebtedness which may at the time be outstanding to substantially the same extent as, or to a greater extent than, the Securities are so subordinated

as provided in this Article XII. The consolidation of the Company with, or the merger of the Company into, another Person or the liquidation or dissolution of the Company following the conveyance or transfer of its properties and assets substantially as an entirety to another Person upon the terms and conditions set forth in Article VIII shall not be deemed a dissolution, winding up, liquidation, reorganization, assignment for the benefit of creditors or marshaling of assets and liabilities of the Company for the purposes of this Section 12.02 if the Person formed by such consolidation or into which the Company is merged or which acquires by conveyance or transfer such properties and assets substantially as an entirety, as the case may be, shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions set forth in Article VIII.

SECTION 12.03. No Payment When Senior Indebtedness in Default. (a)  
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The Company may not make any payment of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Change in Control Purchase Price or cash interest in respect of the Securities nor may the Company pay cash with respect to the Purchase Price or acquire any Securities for cash or property (except as otherwise provided in Article 11 and other than for Capital Stock of the Company) if (a) a payment default on any Senior Indebtedness has occurred and is continuing beyond any applicable grace period with respect thereto; or (b) a default (other than a default referred to in the preceding clause (a)) on any Senior Indebtedness occurs and is continuing that permits holders of such Senior Indebtedness to accelerate the Stated Maturity thereof and the default is the subject of judicial proceedings or the Company receives a notice of default thereof from any person who may give such notice pursuant to the instrument evidencing or document governing such Senior Indebtedness. If the Company receives any such notice, then a similar notice received within nine months thereafter relating to the same default on the same issue of Senior Indebtedness shall not be effective for purposes of the Section 12.03.

The Company may resume payment on the Securities and may acquire Securities if and when (i) the default referred to above is cured or waived; or (ii) in the case of a default referred to in clause (b) of the preceding paragraph, 179 or more days pass after the receipt by the Company of the notice described in clause (b) above; and this Article XII otherwise permits the payment or acquisition at that time.

Nothing contained in this Article XII or elsewhere in this Indenture or in any of the Securities shall prevent the conversion by a Holder of any Securities into Common Stock in accordance with the provisions for conversion of such Securities set forth in this Indenture, including the payment of cash in lieu of fractional shares of Common Stock in accordance with Article XIII, or in any of such Securities in the event of an occurrence of the events described in this Section 12.03.

(b) In the event that any Securities are declared due and payable before their Stated Maturity pursuant to Section 5.02, then and in such event the Company shall promptly notify holders of Senior Indebtedness of such acceleration. The Company may not pay the Securities until the earlier of (i) the passage of 120 or more days have passed after such acceleration occurs or (ii) the payment in full of all Senior Indebtedness, and may thereafter pay the Securities if this Article 10 permits the payment at that time.

In the event that, notwithstanding the foregoing, the Company shall make any payment to the Trustee or the Holder of any Security prohibited by the foregoing provisions of this Section 12.03, and if such fact shall, at or prior to the time of such payment, have been made known to the Trustee or, as the case may be, such Holder, then and in such event such payment shall be paid over and delivered forthwith to the Company.

The provisions of this Section 12.03 shall not apply to any payment with respect to which Section 12.02 would be applicable.

SECTION 12.04. Payment Permitted If No Default. Nothing contained in

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 this Article XII or elsewhere in this Indenture or in any of the Securities shall prevent (a) the Company, at any time except during the pendency of any case, proceeding, dissolution, liquidation or other winding up, assignment for the benefit of creditors or other marshalling of assets and liabilities of the Company referred to in Section 12.02 or under the conditions described in Section 12.03, from making payments at any time of Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price or cash interest, as the case may be, on the Securities, or (b) the application by the Trustee of any money deposited with it hereunder to the payment of or on account of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price or cash interest, as the case may be, on the Securities or the retention of such payment by the Holders, if, at the time of such

application by the Trustee, it did not have knowledge that such payment would have been prohibited by the provisions of this Article XII.

SECTION 12.05. Subrogation to Rights of Holders of Senior  
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Indebtedness. Subject to the payment in full of all Senior Indebtedness, and  
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until the Securities are paid in full, the Holders of the Securities shall be subrogated (equally and ratably with the holders of all indebtedness of the Company which by its express terms is subordinated to indebtedness of the Company to substantially the same extent as the Securities are subordinated and is entitled to like rights of subrogation) to the rights of the holders of such Senior Indebtedness to receive payments and distributions of cash, property and securities applicable to the Senior Indebtedness to the extent that payments and distributions otherwise payable to Holders of Securities have been applied to the payment of Senior Indebtedness as provided by this Article XII. For purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled, except for the provisions of this Article XII, and no payments over pursuant to the provisions of this Article XII to the holders of Senior Indebtedness by Holders of the Securities or the Trustee, shall, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Securities, be deemed to be a payment or distribution by the Company to or on account of the Senior Indebtedness.

SECTION 12.06. Provisions Solely To Define Relative Rights. The  
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provisions of this Article XII are and are intended solely for the purpose of defining the relative rights of the Holders of the Securities on the one hand and the holders of Senior Indebtedness on the other hand. Nothing contained in this Article XII or elsewhere in this Indenture or in the Securities is intended to or shall (a) impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional (and which, subject to the rights under this Article XII of the holders of Senior Indebtedness, is intended to rank equally with all other general obligations of the Company), to pay to the Holders of the Securities the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Conversion Payment, Change in Capital Purchase Price or cash interest, as the case may be, on the Securities as and when the same shall become due and payable in accordance with their terms; or (b) affect the relative rights against the Company of the Holders of the Securities and creditors of the Company other

than the holders of Senior Indebtedness; or (c) prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article XII of the holders of Senior Indebtedness to receive cash, property and securities otherwise payable or deliverable to the Trustee or such Holder.

SECTION 12.07. Trustee To Effectuate Subordination. Each Holder of  
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a Security by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article XII and appoints the Trustee his attorney-in-fact for any and all such purposes.

SECTION 12.08. No Waiver of Subordination Provisions. No right of  
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any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any non-compliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article XII or the obligations hereunder of the Holders of the Securities to the holders of Senior Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Indebtedness, or otherwise amend or supplement in any manner Senior Indebtedness or any instrument evidencing the same or any agreement under which Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness; (iii) release any Person liable in any manner for the collection of Senior Indebtedness; (iv) exercise or refrain from exercising any rights against the Company and any other Person; (v) apply any and all sums received from time to time to the Senior Indebtedness.

SECTION 12.09. Notice to Trustee. The Company shall give prompt  
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written notice to the Trustee of any fact

known to the Company which would prohibit the making of any payment to or by the Trustee in respect of the Securities. Notwithstanding the provisions of this Article XII or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee in respect of the Securities, unless and until the Trustee shall have received written notice thereof from the Company or a holder of Senior Indebtedness or from any trustee therefor; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Section 6.01, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received

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 the notice provided for in this Section 12.09 at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose, then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purpose for which such money was received and shall not be affected by any notice to the contrary which may be received by it within two Business Days prior to such date.

Subject to the provisions of Section 6.01, the Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a trustee therefor) to establish that such notice has been given by a holder of Senior Indebtedness (or a trustee therefor). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article XII, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article XII, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 12.10. Reliance on Judicial Order or Certificate of

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 Liquidating Agent. Upon any payment or distribution of assets of the Company

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 referred to in this Article XII, the Trustee, subject to the provisions of Section 6.01, and the Holders of the Securities shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such insolvency,

bankruptcy, receivership, liquidation, reorganization, dissolution, winding up or similar case or proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of Securities, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article XII.

SECTION 12.11. Trustee Not Fiduciary for Holders of Senior  
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Indebtedness. The Trustee shall not be deemed to owe any fiduciary duty to the  
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holders of Senior Indebtedness and shall not be liable to any such holders if it shall in good faith mistakenly pay over or distribute to Holders of Securities or to the Company or to any other Person cash, property or securities to which any holders of Senior Indebtedness shall be entitled by virtue of this Article XII or otherwise.

SECTION 12.12. Rights of Trustee as Holder of Senior Indebtedness;  
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Preservation of Trustee's Rights. The Trustee in its individual capacity shall  
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be entitled to all the rights set forth in this Article XII with respect to any Senior Indebtedness which may at any time be held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

Nothing in this Article XII shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.07.

SECTION 12.13. Article Applicable to Paying Agents. In case at any  
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time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article XII shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article XII in addition to or in place of the Trustee; provided, however, that Section 12.12  
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shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as Paying Agent.



## SECTION 12.14. Certain Conversions Deemed Payment. For the purposes

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of this Article XII only, (1) the issuance and delivery of junior securities upon conversion of Securities in accordance with Article XIII shall not be deemed to constitute a payment or distribution on account of the principal of or premium (if any) or cash interest on Securities or on account of the purchase or other acquisition of Securities, and (2) the payment, issuance or delivery of cash, property or securities (other than junior securities) upon conversion of a Security shall be deemed to constitute payment on account of the principal of such Security. For the purposes of this Section 12.14, the term "junior securities" means (a) shares of any stock of any class of the Company and (b) securities of the Company which are subordinated in right of payment to the prior payment in full of all Senior Indebtedness which may be outstanding at the time of issuance or delivery of such Securities to substantially the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article XII. Nothing contained in this Article XII or elsewhere in this Indenture or in the Securities is intended to or shall impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Securities, the right, which is absolute and unconditional, of the Holder of any Security to convert such Security in accordance with Article XIII.

## ARTICLE XIII

## Conversion of Securities

## SECTION 13.01. Conversion Privilege. A Holder of a Security may

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convert such Security into shares of Common Stock at any time (subject to the limitation described in Section 11.03(e)) during the period stated in paragraph 9 of the Securities. The number of shares of Common Stock issuable upon conversion of a Security per \$1,000 of Principal Amount thereof (the "Conversion Rate") shall be that set forth in paragraph 9 in the Securities, subject to adjustment as herein set forth.

The Holders' right to convert Securities into shares of Common Stock is subject to the Company's right to elect to instead pay such Holder the amount of cash set forth in the next succeeding sentence, in lieu of delivering such shares of Common Stock; provided, however, that if such payment of cash is not

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permitted pursuant to the provisions of this Indenture or the provisions of any other agreement or instrument to which the Company is a party or by which it is bound or otherwise, the Company shall deliver shares of

Common Stock (and cash in lieu of fractional shares of Common Stock) in accordance with this Article XIII, whether or not the Company has delivered a notice pursuant to Section 13.02 to the effect that the Securities would be paid in cash. The amount of cash to be paid pursuant to Section 13.02 for each per \$1,000 Principal Amount of a Security upon conversion shall be equal to the Sale Price of a share of Common Stock on the Trading Day immediately prior to the related Conversion Date multiplied by the Conversion Rate in effect on such Trading Day.

In the event the Company exercises its option pursuant to Section 15.01 to have interest in lieu of Original Issue Discount accrue on the Security following a Tax Event, the Holder will be entitled on conversion to receive the same number of shares of Common Stock such Holder would have received if the Company had not exercised such option. If the Company exercises such option, Securities surrendered for conversion during the period from the close of business on any Regular Record Date next preceding any Interest Payment date to the opening of business of such Interest Payment Date (except Securities to be redeemed on a date within such period) must be accompanied by payment of an amount equal to the interest thereon that the registered Holder is to receive. Except where Securities surrendered for conversion must be accompanied by payment as described above, no interest on converted Securities will be payable by the Company on any Interest Payment Date subsequent to the date of conversion.

The Company shall not pay cash in lieu of delivering shares of Common Stock upon the conversion of any Security pursuant to the terms of this Article XIII (other than cash in lieu of fractional shares pursuant to Section 13.03) (i) if there has occurred (prior to, on or after, as the case may be, the Conversion Date or the date on which the Company delivers its notice of whether such Security shall be converted into shares of Common Stock or cash pursuant to Section 13.02) and is continuing an Event of Default (other than a default in such payment on such Securities); provided, however, that this sentence shall -----  
not apply in the event that an Event of Default occurs after such cash is paid.

"Average Sale Price" means the average of the Sale Prices of the Common Stock for the shorter of:

- (i) 30 consecutive Trading Days ending on the last full Trading Day prior to the Time of Determination with respect to the rights, options, warrants or

distribution in respect of which the Average Sale Price is being calculated, or

(ii) the period (x) commencing on the date next succeeding the first public announcement of (a) the issuance of rights, options or warrants or (b) the distribution, in each case, in respect of which the Average Sale Price is being calculated and (y) proceeding through the last full Trading Day prior to the Time of Determination with respect to the rights, warrants or distribution in respect of which the Average Sale Price is being calculated, or

(iii) the period, if any, (x) commencing on the date next succeeding the Ex-Dividend Time with respect to the next preceding (a) issuance of rights, warrants, or options or (b) distribution, in each case, for which an adjustment is required by the provisions of Section 13.06(4), 13.07 or 13.08 and (y) proceeding through the last full Trading Day prior to the Time of Determination with respect to the rights, warrants, or options or distribution in respect of which the Average Sale Price is being calculated.

If the Ex-Dividend Time (or in the case of a subdivision, combination or reclassification, the effective date with respect thereto) with respect to a dividend, subdivision, combination or reclassification to which Section 13.06(1), (2), (3) or (5) applies occurs during the period applicable for calculating "Average Sale Price" pursuant to the definition in the preceding sentence, "Average Sale Price" shall be calculated for such period in a manner determined in good faith by the Board of Directors to reflect the impact of such dividend, subdivision, combination or reclassification on the Sale Price of the Common Stock during such period.

"Time of Determination" means the time and date of the earlier of (i) the determination of stockholders entitled to receive rights, warrants, or options or a distribution, in each case, to which Sections 13.07 and 13.08 apply and (ii) the time ("Ex-Dividend Time") immediately prior to the commencement of "ex-dividend" trading for such rights, options, warrants or distribution on the New York Stock Exchange or such other national or regional exchange or market on which the shares of the Common Stock are then listed or quoted.

SECTION 13.02. Conversion Procedure. To convert a Security a Holder  
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must satisfy the requirements in para graph 9 of the Securities. The date on  
which the Holder

satisfies all those requirements is the conversion date (the "Conversion Date"). Within two Business Days following the Conversion Date, the Company shall deliver to the Holder, through the Conversion Agent, written notice of whether such Security shall be converted into shares of Common Stock or paid in cash. If the Company shall have notified the Holder that such Security shall be converted into shares of Common Stock, the Company shall deliver to the Holder no later than the seventh Business Day following the Conversion Date a certificate for the number of full shares of Common Stock issuable upon the conversion and cash in lieu of any fractional share determined pursuant to Section 13.03. Except as provided in Section 13.01, if the Company shall have notified the Holder that such Security shall be paid in cash, the Company shall deliver to the Holder surrendering such Security the amount of cash payable with respect to such Security on the fifth Business Day following such Conversion Date. Except as provided in Section 13.01, the Company may not change its election with respect to the consideration to be delivered upon conversion of a Security once the Company has notified the Holder in accordance with this paragraph.

The person in whose name the certificate is registered shall be treated as a stockholder of record on and after the Conversion Date; provided,

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 however, that no surrender of a Security on any date when the stock transfer

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 books of the Company shall be closed shall be effective to constitute the person or persons entitled to receive the shares of Common Stock upon such conversion as the record holder or holders of such shares of Common Stock on such date, but such surrender shall be effective to constitute the person or persons entitled to receive such shares of Common Stock as the record holder or holders thereof for all purposes at the close of business on the next succeeding day on which such stock transfer books are open; provided further that such conversion shall

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 be at the Conversion Rate in effect on the date that such Security shall have been surrendered for conversion, as if the stock transfer books of the Company had not been closed. Upon conversion of a Security, such person shall no longer be a Holder of such Security.

Holders may surrender a Security for conversion by means of book entry delivery in accordance with paragraph 9 of the Securities and the regulations of the applicable book entry facility.

No payment or adjustment will be made for dividends on any Common Stock except as provided in this Article XIII. On conversion of a Security, that portion of

accrued Original Issue Discount or (except as provided below) accrued cash interest attributable to the period from the Issue Date (or, the date on which interest was last paid) to the Conversion Date with respect to the converted Security shall not be canceled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through delivery of the Common Stock in exchange for the Security being converted pursuant to the terms hereof, and the fair market value of such Common Stock (together with any cash payment in lieu of fractional shares of Common Stock) shall be treated as issued, to the extent thereof, first in exchange for the Original Issue Discount and cash interest accrued through the Conversion Date, and the balance, if any, of such fair market value of such shares of Common Stock (and any such cash payment) shall be treated as issued in exchange for the Issue Price of the Security being converted pursuant to the provisions hereof. Notwithstanding the foregoing accrued but unpaid interest will be payable upon conversion of Securities made concurrently with or after acceleration of the Securities following an Event of Default.

If the Holder converts more than one Security at the same time, the number of shares of Common Stock issuable upon the conversion shall be computed based on the total Principal Amount of the Securities converted.

Upon surrender of a Security that is converted in part, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder, a new Security in an authorized denomination equal in Principal Amount to the unconverted portion of the Security surrendered.

If the last day on which a Security may be converted is a Legal Holiday in a place where the Conversion Agent is located, the Security may be surrendered to such Conversion Agent on the next succeeding day that is not a Legal Holiday.

SECTION 13.03. Fractional Shares. The Company will not issue a  
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fractional share of Common Stock upon conversion of a Security. Instead, the Company will deliver cash for the current market value of the fractional share. The current market value of a fractional share shall be determined to the nearest 1/1,000th of a share by multiplying the Sale Price, on the last Trading Day prior to the Conversion Date, of a full share by the fractional amount and rounding the product to the nearest whole cent.

SECTION 13.04. Taxes on Conversion. If a Holder converts a Security,  
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the Company shall pay any documentary,

stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon such conversion. The Holder, however, shall pay any such tax that is due because the Holder requests the shares to be issued in a name other than the Holder's name. The Conversion Agent may refuse to deliver the certificates representing the Common Stock being issued in a name other than the Holder's name until the Conversion Agent receives a sum sufficient to pay any tax which will be due because the shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any tax withholding required by law or regulations.

SECTION 13.05. Company To Provide Stock. The Company shall, prior to  
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issuance of any Securities hereunder, and from time to time as may be necessary, reserve out of its authorized but unissued Common Stock a sufficient number of shares of Common Stock to permit the conversion of the Securities for shares of Common Stock.

All shares of Common Stock delivered upon conversion of the Securities shall be newly issued shares or treasury shares, shall be duly and validly issued and fully paid and nonassessable and shall be free from preemptive rights and free of any lien or adverse claim.

The Company will endeavor promptly to comply with all Federal and state securities laws regulating the offer and delivery of shares of Common Stock upon conversion of Securities, if any, and will list or cause to have quoted such shares of Common Stock on each national securities exchange or in the over-the-counter market or such other market on which the Common Stock is then listed or quoted.

SECTION 13.06. Adjustment for Change in Capital Stock. If, after  
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the Issue Date, the Company:

- (1) pays a dividend or makes a distribution on its Common Stock in shares of its Common Stock;
- (2) subdivides its outstanding shares of Common Stock into a greater number of shares;
- (3) combines its outstanding shares of Common Stock into a smaller number of shares;
- (4) pays a dividend or makes a distribution on its Common Stock in shares of its Capital Stock (other than Common Stock or rights, warrants or options for its Capital Stock); or

(5) issues by reclassification of its Common Stock any shares of its Capital Stock (other than rights, warrants or options for its Capital Stock),

then the conversion privilege and the Conversion Rate in effect immediately prior to such action shall be adjusted so that the Holder of a Security thereafter converted may receive the number of shares or other units of Capital Stock of the Company which such Holder would have owned immediately following such action if such Holder had converted the Security immediately prior to such action.

The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification.

If after an adjustment a Holder of a Security upon conversion of such Security may receive shares or other units of two or more classes or series of Capital Stock of the Company, the Conversion Rate shall thereafter be subject to adjustment upon the occurrence of an action taken with respect to any such class or series of Capital Stock as is contemplated by this Article XIII with respect to the Common Stock, on terms comparable to those applicable to Common Stock in this Article XIII.

SECTION 13.07. Adjustment for Rights Issue. If, after the Issue

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Date, the Company distributes any rights, warrants or options to all holders of its Common Stock entitling them, for a period expiring within 60 days after the record date for such distribution, to purchase shares of Common Stock or securities convertible into Common Stock at a price per share less than the Sale Price as of the Time of Determination, the Conversion Rate shall be adjusted in accordance with the formula:

$$R' = \frac{R \times O + (N \times P)}{M}$$

where:

R' = the adjusted Conversion Rate.

R = the current Conversion Rate.

O = the number of shares of Common Stock outstanding on the record date for the distribution to which this Section 13.07 is being applied.

N = the number of additional shares of Common Stock offered pursuant to the distribution.

P = the offering price per share of such additional shares.

M = the Average Sale Price, minus, in the case of (i) a distribution to which

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 Section 13.06(4) applies or (ii) a distribution to which Section 13.08 applies, for which, in each case, (x) the record date shall occur on or before the record date for the distribution to which this Section 13.07 applies and (y) the Ex-Dividend Time shall occur on or after the date of the Time of Determination for the distribution to which this Section 13.07 applies, the fair market value (on the record date for the distribution to which this Section 13.07 applies) of:

(1) the Capital Stock of the Company distributed in respect of each share of Common Stock in such Section 13.06(4) distribution, and

(2) the assets of the Company or debt securities or any rights, warrants or options to purchase securities of the Company distributed in respect of each share of Common Stock in such Section 13.08 distribution.

The Board of Directors shall determine fair market values in good faith for the purposes of this Section 13.07.

The adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive the rights, warrants or options to which this Section 13.07 applies.

No adjustment shall be made under this Section 13.07 if the application of the formula stated above in this Section 13.07 would result in value of R' that is equal to or less than the value of R.

SECTION 13.08. Adjustment for Other Distributions. If, after the

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 Issue Date, the Company distributes to all holders of its Common Stock any of its assets or debt securities or any rights, warrants or options to purchase securities of the Company (including securities or cash, but excluding (x) distributions of Capital Stock referred to in Section 13.06 and distributions of rights, warrants or options referred to in Section 13.07 and (y) cash dividends or other cash distributions that are paid out of consolidated current net earnings or earned surplus as shown on the books of the Company, unless such cash dividends or other



cash distributions are Extraordinary Cash Dividends), the Conversion Rate shall be adjusted, subject to the provisions of the last paragraph of Section 13.08, in accordance with the formula:

$$R' = R \times \frac{M}{M-F}$$

where:

R' = the adjusted Conversion Rate.

R = the current Conversion Rate.

M = the Average Sale Price, minus, in the case of a distribution to which

Section 13.06(4) applies for which (i) the record date shall occur on or before the record date for the distribution to which this Section 13.08 applies and (ii) the Ex-Dividend Time shall occur on or after the date of the Time of Determination for the distribution to which this Section 13.08 applies, the fair market value (on the record date for the distribution to which this Section 13.08 applies) of any Capital Stock of the Company distributed in respect of each share of Common Stock in such Section 13.06(4) distribution.

F = the fair market value (on the record date for the distribution to which this Section 13.08 applies) of the assets, securities, rights, warrants or options to be distributed in respect of each share of Common Stock in the distribution to which this Section 13.08 is being applied (including, in the case of cash dividends or other cash distributions giving rise to an adjustment, all such cash distributed concurrently).

The Board of Directors shall determine fair market values for the purpose of this Section 13.08.

The adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive the distribution to which this Section 13.08 applies.

For purposes of this Section 13.08, the term "Extraordinary Cash Dividend" shall mean any cash dividend with respect to the Common Stock the amount of which, together with the aggregate amount of cash dividends on the

Common Stock to be aggregated with such cash dividend in accordance with the provisions of this paragraph, equals or exceeds the threshold percentages set forth in items (i) or (ii) below:

(i) If, upon the date prior to the Ex-Dividend Time with respect to a cash dividend on the Common Stock, the aggregate amount of such cash dividend together with the amounts of all cash dividends on the Common Stock with Ex-Dividend Times occurring in the 85 consecutive day period ending on the date prior to the Ex-Dividend Time with respect to the cash dividend to which this provision is being applied equals or exceeds 12.5% of the average of the Sale Prices during the period beginning on the date after the first such Ex-Dividend Time in such period and ending on the date prior to the Ex-Dividend Time with respect to the cash dividend to which this provision is being applied (except that if no other cash dividend has had an Ex-Dividend Time occurring in such period, the period for calculating the average of the Sale Prices shall be the period commencing 85 days prior to the date prior to the Ex-Dividend Time with respect to the cash dividend to which this provision is being applied), such cash dividend together with each other cash dividend with an Ex-Dividend Time occurring in such 85-day period shall be deemed to be an Extraordinary Cash Dividend and for purposes of applying the formula set forth above in this Section 13.08, the value of "F" shall be equal to (w) the aggregate amount of such cash dividend together with the amounts of the other cash dividends with Ex-Dividend Times occurring in such period minus (x) the aggregate amount

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of such other cash dividends with Ex-Dividend Times occurring in such period for which a prior adjustment in the Conversion Rate was previously made under this Section 13.08.

(ii) If upon the date prior to the Ex-Dividend Time with respect to a cash dividend on the Common Stock, the aggregate amount of such cash dividend, together with the amounts of all cash dividends on the Common Stock with Ex-Dividend Times occurring in the 365-consecutive-day period ending on the date prior to the Ex-Dividend Time with respect to the cash dividend to which this provision is being applied equals or exceeds 25% of the average of the Sale Prices during the period beginning on the date after the first such Ex-Dividend Time in such period and ending on the date prior to the Ex-Dividend Time with respect to the cash dividend to which this provision is being applied (except that if no other cash dividend has had an Ex-

Dividend Time occurring in such period, the period for calculating the average of the Sale Prices shall be the period commencing 365 days prior to the date prior to the Ex-Dividend Time with respect to the cash dividend to which this provision is being applied), such cash dividend together with each other cash dividend with an Ex-Dividend Time occurring in such 365-day period shall be deemed to be an Extraordinary Cash Dividend and for purposes of applying the formula set forth above in this Section 13.08, the value of "F" shall be equal to (y) the aggregate amount of such cash dividend together with amounts of the other cash dividends with Ex-Dividend Times occurring in such period minus (z) the aggregate amount of such

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other cash dividends with Ex-Dividend Times occurring in such period for which a prior adjustment in the Conversion Rate was previously made under this Section 13.08.

In the event that, with respect to any distribution to which this Section 13.08 would otherwise apply, the difference "M-F" as defined in the above formula is less than \$1.00 or "F" is greater than "M", then the adjustment provided by this Section 13.08 shall not be made and in lieu thereof the provisions of Section 13.14 shall apply to such distribution.

SECTION 13.09. When Adjustment May Be Deferred. No adjustment in the  
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Conversion Rate need be made unless the adjustment would require an increase or decrease of at least 1% (e.g., if the Conversion Rate is 4, an increase or  
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decrease of .04 (1% of 4)) in the Conversion Rate. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment.

All calculations under this Article X shall be made to the nearest cent or to the nearest 1/1,000th of a share, as the case may be, with one-half of a cent and 5/10,000ths of a share being rounded upwards.

SECTION 13.10. When No Adjustment Required. No adjustment need be  
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made for a transaction referred to in Section 13.06, 13.07, 13.08 or 13.14 if Holders may participate in the transaction on a basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of Common Stock participate in the transaction.

No adjustment need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest.

No adjustment need be made for a change in the par value or no par value of the Common Stock.

To the extent the Securities become convertible into cash pursuant to the terms of Section 13.06, 13.07, 13.08 or 13.14, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

In cases where the fair market value of the portion of assets, debt securities or rights, warrants or options to purchase securities of the Company applicable to one share of Common Stock distributed to shareholders exceeds the Average Sale Price per share of Common Stock, or such Average Sale Price exceeds such fair market value of such portion of assets, debt securities or rights, warrants or options so distributed by less than \$1.00, rather than being entitled to an adjustment in the Conversion Rate, the Holder of a Security upon conversion thereof will be entitled to receive, in addition to the shares of Common Stock into which such Security is convertible, the kind and amounts of assets, debt securities or rights, options or warrants comprising the distribution that such Holder would have received if such Holder had converted such Security immediately prior to the record date for determining the shareholders entitled to receive the distribution.

SECTION 13.11. Notice of Adjustment. Whenever the Conversion Rate is

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adjusted, the Company shall file with the Trustee and the Conversion Agent a notice of such adjustment and a certificate from the Company's independent public accountants briefly stating the facts requiring the adjustment and the manner of computing it. The Conversion Agent will promptly mail such notice to Holders at the Company's expense. The certificate shall be conclusive evidence that the adjustment is correct. Neither the Trustee nor any Conversion Agent shall be under any duty or responsibility with respect to any such certificate except to exhibit the same to any Holder desiring inspection thereof.

SECTION 13.12. Voluntary Increase. The Company from time to time may

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increase the Conversion Rate by any amount and for any period of time (provided  
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that such period is not less than 20 Business Days). Whenever the Conversion Rate is increased, the Company shall mail to Holders and file with the Trustee and the Conversion Agent a notice of the increase. The Company shall mail the notice at least 15 days before the date the increased Conversion Rate takes effect. The notice shall state the increased Conversion Rate and the period it will be in effect.

A voluntary increase of the Conversion Rate does not change or adjust the Conversion Rate otherwise in effect for purposes of Sections 13.06, 13.07 or 13.08.

SECTION 13.13. Notice of Certain Transactions. If:

(1) the Company takes any action that would require an adjustment in the Conversion Rate pursuant to Section 13.06, 13.07 or 13.08 (unless no adjustment is to occur pursuant to Section 13.10); or

(2) the Company takes any action that would require a supplemental indenture pursuant to Section 13.14; or

(3) there is a liquidation or dissolution of the Company;

then the Company shall mail to Holders and file with the Trustee and the Conversion Agent a notice stating the proposed record date for a dividend or distribution of the proposed effective date of a subdivision, combination, reclassification, consolidation, merger, binding share exchange, transfer, liquidation or dissolution. The Company shall file and mail the notice at least 15 days before such date. Failure to file or mail the notice or any defect in it shall not affect the validity of the transaction.

SECTION 13.14. Reorganization of Company Special Distributions. If

the Company is a party to a transaction subject to Section 8.01 (other than a sale of all or substantially all of the assets of the Company in a transaction in which the holders of Common Stock immediately prior to such transaction do not receive securities, cash or other assets of the Company or any other person) or a merger or binding share exchange which reclassifies or changes its outstanding Common Stock, the person obligated to deliver securities, cash or other assets upon conversion of Securities shall enter into a supplemental indenture. If the issuer of securities deliverable upon conversion of Securities is an Affiliate of the successor Company, that issuer shall join in the supplemental indenture.

The supplemental indenture shall provide that the Holder of a Security may convert it into the kind and amount of securities, cash or other assets which such Holder would have received immediately after the consolidation, merger, binding share exchange or transfer if such Holder had converted the Security immediately before the effective date of the transaction, assuming (to the extent applicable) that

such Holder (i) was not a constituent person or an Affiliate of a constituent person to such transaction; (ii) made no election with respect thereto; and (iii) was treated alike with the plurality of nonelecting Holders. The supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Article XIII. The successor Company shall mail to Holders a notice briefly describing the supplemental indenture.

If this Section 13.14 applies, neither Section 13.06 nor 13.07 shall apply.

If the Company makes a distribution to all holders of its Common Stock of any of its assets, or debt securities or any rights, warrants or options to purchase securities of the Company that, but for the provisions of the last paragraph of Section 13.08, would otherwise result in an adjustment in the Conversion Rate pursuant to the provisions of Section 13.08, then, from and after the record date for determining the holders of Common Stock entitled to receive the distribution, a Holder of a Security that converts such Security in accordance with the provisions of this Indenture shall upon such conversion be entitled to receive, in addition to the shares of Common Stock into which the Security is convertible, the kind and amount of securities, cash or other assets comprising the distribution that such Holder would have received if such Holder had converted the Security immediately prior to the record date for determining the holders of Common Stock entitled to receive the distribution.

SECTION 13.15. Company Determination Final. Any determination that  
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the Company or the Board of Directors must make pursuant to this Article XIII is conclusive.

SECTION 13.16. Trustee's Adjustment Disclaimer. The Trustee has no  
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duty to determine when an adjustment under this Article XIII should be made, how it should be made or what it should be. The Trustee has no duty to determine whether a supplemental indenture under Section 13.14 need be entered into or whether any provisions of any supplemental indenture are correct. The Trustee shall not be accountable for and makes no representation as to the validity or value of any securities or assets issued upon conversion of Securities. The Trustee shall not be responsible for the Company's failure to comply with this Article XIII. Each Conversion Agent (other than the Company or an Affiliate of the Company) shall have the same protection under this Section 13.16 as the Trustee.

## SECTION 13.17. Simultaneous Adjustments. If this Article XIII

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 requires adjustments to the Conversion Rate under more than one of Sections 13.06(4), 13.07 or 13.08, and the record dates for the distributions giving rise to such adjustments shall occur on the same date, then such adjustments shall be made by applying, first, the provisions of Section 13.06, second, the provisions of Section 13.08 and, third, the provisions of Section 13.07.

## SECTION 13.18. Successive Adjustments. After an adjustment to the

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 Conversion Rate under this Article XIII, any subsequent event requiring an adjustment under this Article XIII shall cause an adjustment to the Conversion Rate as so adjusted.

## ARTICLE XIV

## Right to Require Repurchase

## SECTION 14.01. Purchase of Securities at Option of the Holder upon

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 Change in Control. (a) If on or prior to April 21, 2003, there shall have

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 occurred a Change in Control, Securities in aggregate Principal Amount of \$1,000 or an integral multiple thereof shall be purchased, at the option of the Holder thereof, by the Company at the purchase price specified in paragraph 8 of the Securities (the "Change in Control Purchase Price"), on the date that is 35 Business Days after the occurrence of the Change in Control (the "Change in Control Purchase Date"), subject to satisfaction by or on behalf of the Holder of the requirements set forth in Section 14.01(c).

A "Change in Control" shall be deemed to have occurred at such time after the original issuance of the Securities as either of the following events shall occur:

(i) There shall be consummated any consolidation or merger of the Company pursuant to which the Common Stock would be converted into cash, securities or other property, in each case, other than a consolidation or merger of the Company in which the holders of Common Stock immediately prior to the consolidation or merger have, directly or indirectly, at least a majority of the total voting power in the aggregate of all classes of Capital Stock of the continuing or surviving corporation immediately after such consolidation or merger; or

(ii) There is a report filed by any person, including its Affiliates and Associates (other than the

Company, any Subsidiary of the Company, or any employee benefit plan of either the Company or any Subsidiary of the Company), on Schedule 13D or 14D-1 (or any successor schedule, form or report) pursuant to the Exchange Act, disclosing that such person (for the purposes of this Section 14.01 only, the term "person" shall include a "person" within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision to either of the foregoing) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of 50% or more of the total voting power in the aggregate of all classes of Capital Stock of the Company then outstanding normally entitled to vote in elections of directors; provided, however, that a person shall not be deemed beneficial

owner of, or to own beneficially, (A) any securities tendered pursuant to a tender or exchange offer made by or on behalf of such person or any of such person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange thereunder, or (B) any securities if such beneficial ownership (1) arises solely as a result of a revocable proxy delivered in response to a proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Exchange Act, and (2) is not also then reportable on Schedule 13D (or any successor schedule, form or report) under the Exchange Act.

Notwithstanding the foregoing provisions of this Section 14.01, a Change in Control shall not be deemed to have occurred if at any time the Company, any Subsidiary, any employee stock ownership plan or any other employee benefit plan of the Company or any Subsidiary, or any person holding Common Stock for or pursuant to the terms of any such employee benefit plan files or becomes obligated to file a report under or in response to Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report) under the Exchange Act disclosing beneficial ownership by it of shares of Common Stock, whether in excess of 50% or otherwise.

"Associate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date hereof.

(b) Within 15 Business Days after the Change in Control, the Company shall mail a written notice of such Change in Control by first-class mail to the Trustee and to



each Holder (and to beneficial owners if required by applicable law). The Company will cause a copy of the notice to be published in The Wall Street Journal or another daily newspaper of national circulation. The notice shall include a form of Change in Control Purchase Notice to be completed by the Holder and shall state:

- (1) the events causing a Change in Control and the date such Change in Control is deemed to have occurred for purposes of this Section 14.01;
- (2) the date by which the Change in Control Purchase Notice pursuant to this Section 14.01 must be given;
- (3) the Change in Control Purchase Date;
- (4) the Change in Control Purchase Price;
- (5) the name and address of the Paying Agent and the Conversion Agent and the office or agency referred to Section 10.02;
- (6) the Conversion Rate and any adjustments thereto;
- (7) that Securities as to which a Change in Control Purchase Notice has been given may be converted into Common Stock (or, in lieu thereof, cash, if the Company shall so elect) at any time prior to the close of business on the Change in Control Purchase Date only if the Change in Control Purchase Notice has been withdrawn by the Holder in accordance with the terms of this Indenture;
- (8) that Securities must be surrendered to the Paying Agent or the office or agency referred to in Section 10.02 to collect payment;
- (9) that the Change in Control Purchase Price for any Security as to which a Purchase Notice has been duly given and not withdrawn will be paid promptly following the later of the Change in Control Purchase Date and the time of surrender of such Security as described in clause (8) above;
- (10) the procedures the Holder must follow to exercise rights under this Section 14.01 and a brief description of those rights;

(11) briefly, the conversion rights of the Securities; and

(12) the procedures for withdrawing a Change in Control Purchase Notice.

(c) A Holder may exercise its rights specified in Section 14.01(a) upon delivery of a written notice of purchase (a "Change in Control Purchase Notice") to the Paying Agent or to the office or agency referred to in Section 10.02 at any time prior to the close of business on the Change in Control Purchase Date, stating:

(1) the certificate number of the Security which the Holder will deliver to be purchased;

(2) the portion of the Principal Amount of the Security which the Holder will deliver to be purchased, which portion must be \$1,000 or an integral multiple thereof; and

(3) that such Security shall be purchased on the Change in Control Purchase Date, pursuant to the terms and conditions specified in paragraph 8 of the Securities.

Receipt of the Security by the Paying Agent prior to, on or after the Change in Control Purchase Date (together with all necessary endorsements), at the offices of the Paying Agent or to the office or agency referred to in Section 10.02 shall be a condition to the receipt by the Holder of the Change in Control Purchase Price therefor; provided, however, that such Change in Control

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Purchase Price shall be so paid pursuant to this Section 14.01 only if the Security so delivered to the Paying Agent or such office or agency shall conform in all respects to the description thereof set forth in the related Change in Control Purchase Notice.

The Company shall purchase from the Holder thereof, pursuant to this Section 14.01, a portion of a Security if the Principal Amount of such portion is \$1,000 or an integral multiple of \$1,000. Provisions of this Indenture that apply to the purchase of all of a Security also apply to the purchase of such portion of such Security.

Any purchase by the Company contemplated pursuant to the provisions of this Section 14.01 shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Change in Control Purchase Date and the date such Securities are surrendered

to the Paying Agent or at the office or agency referred to in Section 10.02.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent or to the office or agency referred to in Section 10.02 the Change in Control Purchase Notice contemplated by this Section 14.01(c) shall have the right to withdraw such Change in Control Purchase Notice at any time prior to or on the Change in Control Purchase Date by delivery of a written notice of withdrawal to the Paying Agent or to such office or agency in accordance with Section 14.03.

The Paying Agent shall promptly notify the Company of the receipt by it of any Change in Control Purchase Notice or written withdrawal thereof.

SECTION 14.02. Purchase of Securities at the Option of the Holder.  
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(a) General. Securities shall be purchased by the Company pursuant to ----- paragraph 8 of the Securities as of April 21, 2003 (the "Purchase Date"), at the purchase price specified therein (the "Purchase Price"), at the option of the Holder thereof, upon:

(1) delivery to the Paying Agent or to the office or agency referred to in Section 10.02 by the Holder of a written notice of purchase (a "Purchase Notice") at any time from the opening of business on the date that is 20 Business Days prior to the Purchase Date until the close of business on such Purchase Date stating:

(A) the certificate number of the Security that the Holder will deliver to be purchased;

(B) the portion of the Principal Amount of the Security which the Holder will deliver to be purchased, which portion must be \$1,000 or an integral multiple thereof;

(C) that such Security shall be purchased on the Purchase Date pursuant to the terms and conditions specified in this Indenture and in paragraph 6 of the Securities; and

(D) if the Company elects pursuant to Section 14.02(b) to pay the Purchase Price on such Purchase Date, in whole or in part, in shares of Common Stock, but such portion of the Purchase Price to be paid in Common Stock is ultimately to be paid in cash because any condition in Section 14.02(d) is not satisfied, such Holder

elects (i) to withdraw such Purchase Notice as to some or all of the Securities to which it relates (stating the Principal Amount and certificate numbers of the Securities as to which such withdrawal shall relate), or (ii) to receive cash in respect of the Purchase Price for all Securities subject to such Purchase Notice; and

(2) delivery of such Security prior to, on or after the Purchase Date (together with all necessary endorsements) to the Paying Agent at the offices of the Paying Agent or to the office or agency referred to in Section 10.02, such delivery being a condition to receipt by the Holder of the Purchase Price therefor; provided, however, that such Purchase Price ----- shall be so paid pursuant to this Section 14.02 only if the Security so delivered conforms in all respects to the description thereof in the related Purchase Notice.

If a Holder, in such Holder's Purchase Notice and in any written notice of withdrawal delivered by such Holder pursuant to the terms of Section 14.03, fails to indicate such Holder's choice with respect to the election set forth in clause (D) of Section 14.02(a)(1) above, such Holder shall be deemed to have elected to receive cash in respect of the Purchase Price otherwise payable in Common Stock.

The Company shall purchase from the Holder thereof, pursuant to this Section 14.02, a portion of a Security if the Principal Amount of such portion is \$1,000 or an integral multiple of \$1,000. Provisions of this Indenture that apply to the purchase of all or a Security also apply to the purchase of such portion of such Security.

Any purchase by the Company contemplated pursuant to the provisions hereof shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Purchase Date and the time of delivery of the Security.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent or the office or agency referred to in Section 10.02 the Purchase Notice contemplated by this Section 14.02(a) shall have the right to withdraw at any time prior to the close of business on the Purchase Date such Purchase Notice by delivery of a written notice of withdrawal to the Paying Agent or such office or agency in accordance with Section 14.03.

The Paying Agent shall promptly notify the Company of the receipt by it of any Purchase Notice or written notice of withdrawal thereof.

(b) Company's Right to Elect Manner of Payment of Purchase Price.  
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The Securities to be purchased pursuant to Section 14.02(a) may be paid for, at the election of the Company, in cash or Common Stock, or in any combination of cash and Common Stock, subject to the conditions set forth in this Section 14.02. The Company shall designate, in the notice from the Company delivered pursuant to Section 14.02(e), whether the Company will purchase the Securities for cash or Common Stock, and, if a combination thereof, the percentages of the Purchase Price of Securities in respect of which it will pay in cash or Common Stock; provided that the Company will pay cash for fractional interests in

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Common Stock. For purposes of determining the existence of potential fractional interests, all Securities subject to purchase by the Company held by a Holder shall be considered together (no matter how many separate certificates are to be presented). Each Holder whose Securities are purchased pursuant to this Section 14.02 shall receive the same percentage of cash or Common Stock in payment of the Purchase Price for such Securities, except (i) as provided in Section 14.02(d) with regard to the payment of cash in lieu of fractional shares of Common Stock and (ii) in the event that the Company is unable to purchase the Securities of a Holder or Holders for Common Stock because any necessary qualifications or registrations of the Common Stock under applicable state securities laws cannot be obtained, the Company may purchase the Securities of such Holder or Holders for cash. The Company may not change its election with respect to the consideration (or components or percentages of components thereof) to be paid once the Company has given notice thereof to Holders except pursuant to this Section 14.02(b) or Section 14.02(d).

At least five Business Days before the Company Notice Date (as defined below), the Company shall deliver an Officers' Certificate to the Trustee specifying:

- (i) the manner of payment selected by the Company;
- (ii) the information required by Section 14.02(e);
- (iii) that the conditions to such manner of payment set forth in Section 14.02(d) have or will be complied with; and
- (iv) whether the Company desires the Trustee to give the notice required by Section 14.02(e).

(c) Purchase with Cash. On each Purchase Date, at the option of the

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Company, the Principal Amount of the Securities in respect of which a Purchase Notice pursuant to Section 14.02(a) has been given, or a specified percentage thereof, may be purchased by the Company with cash equal to the aggregate Purchase Price of such Securities.

(d) Payment by Common Stock. On each Purchase Date, at the option of

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the Company, the Principal Amount of the Securities in respect of which a Purchase Notice pursuant to Section 14.02(a) has been given, or a specified percentage thereof, may be purchased by the Company by the issuance of a number of shares of Common Stock equal to the quotient obtained by dividing (i) the amount of cash to which the Holders would have been entitled had the Company elected to pay all or such specified percentage, as the case may be, of the Purchase Price of such Securities in cash by (ii) the Market Price (as defined below) of a share of Common Stock, subject to the next succeeding paragraph.

The Company will not issue a fractional share of Common Stock in payment of the Purchase Price. Instead the Company will pay cash for the current market value of the fractional share. The current market value of a fraction of a share shall be determined by multiplying the Market Price by such fraction and rounding the product to the nearest whole cent, with one-half cent being rounded upward. It is understood that if a Holder elects to have more than one Security purchased, the number of shares of Common Stock shall be based on the aggregate amount of Securities to be purchased.

The Company's right to exercise its election to purchase the Securities pursuant to this Section through the issuance of shares of Common Stock shall be conditioned upon:

(i) the Company's not having given notice of an election to pay entirely in cash and its giving of timely notice of election to purchase all or a specified percentage of the Securities with Common Stock as provided herein;

(ii) the registration of the shares of Common Stock to be issued in respect of the payment of the Purchase Price under the Securities Act and the Exchange Act, in each case if required unless there exists an applicable exemption to registration thereunder;

(iii) the listing of the Common Stock on the relevant Purchase Date on the New York Stock Exchange

or other national securities exchange or the quotation thereof on NASDAQ;  
and

(iv) the receipt by the Trustee of an Officers' Certificate and an Opinion of Counsel each stating that (A) the terms of the issuance of the Common Stock are in conformity with this Indenture and (B) the shares of Common Stock to be issued by the Company in payment of the Purchase Price in respect of Securities have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment of the Purchase Price in respect of the Securities, will be validly issued, fully paid and nonassessable and shall be free of any preemptive rights and any lien or adverse claim (provided that such Opinion of Counsel may state that, insofar as it relates to the absence of such preemptive rights, liens and adverse claims, it is given upon the best knowledge of such counsel), and, in the case of such Officers' Certificate, that conditions (i), (ii) and (iii) above have been satisfied and, in the case of such Opinion of Counsel, that conditions (ii) and (iii) above have been satisfied.

Such Officers' Certificate shall also set forth the number of shares of Common Stock to be issued for each \$1,000 Principal Amount of Securities and the Sale Price of a share of Common Stock on each of the seven Business Days prior to the Purchase Date. The Company may elect to pay in Common Stock only if the information necessary to calculate the Market Price is reported in The Wall

Street Journal or another daily newspaper of national circulation. If such

conditions are not satisfied prior to or on the Purchase Date and the Company elected to purchase the Securities pursuant to this Section 14.02 through the issuance of shares of Common Stock, the Company shall pay the Purchase Price in cash.

The "Market Price" means the average of the Sale Price of the Common Stock for the five Trading Day period ending on the third Trading Day prior to the related Purchase Date, appropriately adjusted to take into account the actual occurrence, during the seven Trading Days preceding such Purchase Date, of any event described in Section 13.06, 13.07 or 13.08; subject, however, to

the conditions set forth in Sections 13.09 and 13.10.

(e) Notice of Election. The Company shall send notices of its election (the "Company Notice") to purchase with cash or Common Stock or any combination thereof to the Holders (and to beneficial owners as required by applicable law) in the manner provided in Section 15.02. The Company

Notice shall be sent to Holders (and to beneficial owners as required by applicable law) on a date not less than 20 Business Days prior to the Purchase Date (such date not less than 20 Business Days prior to the Purchase Date being herein referred to as the "Company Notice Date"). Such notices shall state the manner of payment elected and shall contain the following information:

In the event the Company has elected to pay the Purchase Price (or any specified percentage thereof) with Common Stock, the notice shall:

(1) state that each Holder will receive Common Stock with a Market Price determined as of a specified date prior to the Purchase Date equal to such specified percentage of the Purchase Price of the Securities held by such Holder (except for any cash amount to be paid in lieu of fractional shares); and

(2) state that because the Market Price of Common Stock will be determined prior to the Purchase Date, Holders will bear the market risk with respect to the value of the Common Stock to be received from the date such Market Price is determined to the Purchase Date.

In any case, each notice shall include a form of Purchase Notice to be completed by the Holder and shall state:

(i) the Purchase Price and Conversion Rate;

(ii) the name and address of the Paying Agent and the Conversion Agent and of the office or agency referred to in Section 10.02;

(iii) that Securities as to which a Purchase Notice has been given may be converted into Common Stock at any time prior to the close of business on the applicable Purchase Date only if the applicable Purchase Notice has been withdrawn in accordance with the terms of this Indenture;

(iv) that Securities must be surrendered to the Paying Agent or to the office or agency referred to in Section 10.02 to collect payment;

(v) that the Purchase Price for any security as to which a Purchase Notice has been given and not withdrawn will be paid promptly following the later of the Purchase Date and the time of surrender of such Security as described in (iv);



(vi) the procedures the Holder must follow to exercise rights under Section 14.02 and a brief description of those rights;

(vii) briefly, the conversion rights of the Securities and that Holders who want to convert Securities must satisfy the requirements set forth in paragraph 9 of the Securities; and

(viii) the procedures for withdrawing a Purchase Notice (including, without limitation, for a conditional withdrawal pursuant to the terms of Section 14.02(a)(1)(D) or Section 14.03).

At the Company's written request, the Trustee shall give such notice in the Company's name and at the Company's expense; provided, however, that, in ----- all cases, the text of such notice shall be prepared by the Company.

Upon determination of the actual number of shares of Common Stock to be issued for each \$1,000 Principal Amount of Securities, the Company will publish such determination in The Wall Street Journal or another daily newspaper ----- of national circulation and furnish the Trustee with an affidavit of publication.

(f) Covenants of the Company. All shares of Common Stock delivered ----- upon purchase of the Securities shall be newly issued shares or treasury shares, shall be duly authorized, validly issued, fully paid and nonassessable and shall be free from preemptive rights and free of any lien or adverse claim.

The Company shall use its best efforts to list or cause to have quoted any shares of Common Stock to be issued to purchase Securities on the principal national securities exchange or over-the-counter or other domestic market on which any other shares of the Common Stock are then listed or quoted. The Company will promptly inform the Trustee in writing of any such listing.

(g) Procedure Upon Purchase. The Company shall deposit cash (in ----- respect of a cash purchase under Section 14.02(c) or for fractional interests, as applicable) or shares of Common Stock, or any combination thereof, as applicable, at the time and in the manner as provided in Section 14.04, sufficient to pay the aggregate Purchase Price of all Securities to be purchased pursuant to this Section 14.02. As soon as practicable after the later of the Purchase Date and the date such Securities are surrendered to the Paying Agent or at the office or agency

referred to in Section 10.02, the Company shall deliver to each Holder entitled to receive Common Stock through the Paying Agent a certificate for the number of full shares of Common Stock issuable in payment of the Purchase Price and cash in lieu of any fractional interests. The person in whose name the certificate for Common Stock is registered shall be treated as a holder of record of such Common Stock on the Business Day following the related Purchase Date. Subject to Section 14.02(d), no payment or adjustment will be made for dividends on the Common Stock the record date for which occurred prior to the Purchase Date.

(h) Taxes. If a Holder of a Security is paid in Common Stock, the

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Company shall pay any documentary, stamp or similar issue or transfer tax due on such issue of shares of Common Stock. However, the Holder shall pay any such tax which is due because the Holder requests the shares of Common Stock to be issued in a name other than the Holder's name. The Paying Agent may refuse to deliver the certificates representing the Common Stock being issued in a name other than the Holder's name until the Paying Agent receives a sum sufficient to pay any tax which will be due because the shares of Common Stock are to be issued in a name other than the Holder's name. Nothing herein shall preclude any income tax withholding required by law or regulations.

SECTION 14.03. Effect of Purchase Notice or Change in Control

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Purchase Notice. Upon receipt by the Paying Agent of the Change in Control

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Purchase Notice or Purchase Notice specified in Section 14.01(c) or Section 14.02(a), as applicable, the Holder of the Security in respect of which such Purchase Notice or Change in Control Purchase Notice, as the case may be, was given shall (unless such Purchase Notice or Change in Control Purchase Notice is withdrawn as specified in the following two paragraphs) thereafter be entitled to receive solely the Purchase Price or Change in Control Purchase Price, as the case may be, with respect to such Security. Such Purchase Price or Change in Control Purchase Price shall be paid to such Holder promptly following the later of (x) the Business Day following the Purchase Date or the change in Control Purchase Date, as the case may be, with respect to such Security (provided the conditions in Section 14.01(c) or Section 14.02(a), as applicable, have been satisfied) and (y) the time of delivery of such Security to the Paying Agent or to the office or agency referred to in Section 10.02 by the Holder thereof in the manner required by Section 14.02(a) and (g) or Section 14.01(c), as applicable. Securities in respect of which a Purchase Notice or Change in Control Purchase Notice, as the case may be, has been given by the Holder thereof may not be

converted into shares of Common Stock on or after the date of the delivery of such Purchase Notice or Change in Control Purchase Notice, unless such Purchase Notice of Change in Control Purchase Notice, as the case may be, has first been validly withdrawn as specified in the following two paragraphs.

A Purchase Notice or Change in Control Purchase Notice, as the case may be, may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent or to the office or agency referred to in Section 10.02 at any time on or prior to the close of business on the Purchase Date or the Change in Control Purchase Date, as the case may be, specifying:

- (1) the certificate number of the Security in respect of which such notice of withdrawal is being submitted;
- (2) the Principal Amount of the Security with respect to which such notice of withdrawal is being submitted; and
- (3) the Principal Amount, if any, of such Security which remains subject to the original Purchase Notice or Change in Control Purchase Notice, as the case may be, and which has been or will be delivered for purchase by the Company.

A written notice of withdrawal of a Purchase Notice may be in the form set forth in the preceding paragraph or may be in the form of (i) a conditional withdrawal contained in a Purchase Notice pursuant to the terms of Section 14.02(a)(1)(D) or (ii) a conditional withdrawal containing the information set forth in Section 14.02(a)(1)(D) and the preceding paragraph and contained in a written notice of withdrawal delivered to the Paying Agent as set forth in the preceding paragraph.

There shall be no purchase of any Securities pursuant to Section 14.02 (other than through the issuance of Common Stock in payment of the Purchase Price, including cash in lieu of fractional shares of Common Stock) or Section 14.01 if there has occurred (prior to, or on or after, as the case may be, the giving, by the Holders of such Securities, of the required Purchase Notice or Change in Control Purchase Notice, as the case may be) and is continuing an Event of Default (other than a default in the payment of the Purchase Price or Change in Control Purchase Price, as the case may be, with respect to such Securities). The Paying Agent will promptly return to the respective

Holders thereof any Securities (x) with respect to which a Purchase Notice or Change in Control Purchase Notice, as the case may be, has been withdrawn in compliance with this Indenture, or (y) held by it during the continuance of an Event of Default (other than a default in the payment of the Purchase Price or Change in Control Purchase Price, as the case may be, with respect to such Securities) in which case, upon such return, the Purchase Notice or Change in Control Purchase Notice with respect thereto shall be deemed to have been withdrawn.

SECTION 14.04. Deposit of Purchase Price or Change in Control  
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Purchase Price. Prior to 11:00 a.m., New York City time, on the Business Day  
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following the Purchase Date or the Change in Control Purchase Date, as the case may be, the Company shall deposit with the Trustee or with the Paying Agent (or, if the Company or a Subsidiary or an Affiliate of either of them is acting as Paying Agent, shall segregate and hold in trust an amount of cash in immediately available funds or securities, if expressly permitted hereunder), sufficient to pay the aggregate Purchase Price or Change in Control Purchase Price, as the case may be, of all the Securities or portions thereof which are to be purchased as of the Purchase Date or Change in Control Purchase Date, as the case may be.

SECTION 14.05. Securities Purchased in Part. Any Security which is  
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to be purchased only in part shall be surrendered at the office of the Paying Agent or the office or agency referred to in Section 10.02 (with, if the Company or the Trustee so requires, due endorsement, or a written instrument of transfer in form satisfactory to the Company and the Trustee executed by the Holder or such Holder's attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder in aggregate Principal Amount equal to, and in exchange for, the portion of the Principal Amount of the Security so surrendered which is not purchased.

SECTION 14.06. Covenant to Comply with Securities Laws upon Purchase  
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of Securities. In connection with any offer to purchase or purchase of  
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Securities under Section 14.01 or 14.02, the Company shall (i) comply with Rule 13e-4 and Rule 14e-1 under the Exchange Act, if applicable, (ii) file the related Schedule 13E-4 (or any successor schedule, form or report) under the Exchange Act, if applicable, and (iii) otherwise comply with all Federal and state securities laws regulating the offer and delivery of shares of Common Stock upon purchase of the Securities

(including positions of the SEC under applicable no-action letters) so as to permit the rights and obligations under Sections 14.01 and 14.02 to be exercised in the time and in the manner specified in Sections 14.01 and 14.02.

SECTION 14.07. Repayment to the Company. The Trustee and the Paying  
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Agent shall return to the Company, upon written request, any cash or shares of Common Stock, together with interest on such cash as hereinafter provided and dividends on such shares of Common Stock, if any, held by them for the payment of a Purchase Price or Change in Control Purchase Price, as the case may be, of the Securities that remain unclaimed as provided in paragraph 14 of the Securities; provided, however, that to the extent that the aggregate amount of  
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cash or shares of Common Stock deposited by the Company pursuant to Section 14.04 exceeds the aggregate Purchase Price or Change in Control Purchase Price, as the case may be, of the Securities or portions thereof to be purchased, then promptly after the Business Day following the Purchase Date or Change in Control Purchase Date, as the case may be, the Trustee shall return any such excess to the Company together with interest as hereinafter provided or dividends, if any, thereon.

ARTICLE XV

Special Tax Event Conversion  
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SECTION 15.01. Optional Conversion to Semiannual Coupon Debenture  
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Upon Tax Event. From and after the date (the "Tax Event Date") of the  
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occurrence of a Tax Event, at the option of the Company, interest in lieu of future Original Issue Discount and regular cash interest shall accrue at 3.625% per annum on a principal amount per Security (the "Restated Principal Amount") equal to the Issue Price plus Original Issue Discount and cash interest accrued to the date immediately prior to the Tax Event Date or the date on which the Company exercises the option described herein, whichever is later (such date, the "Option Exercise Date"). Such interest shall accrue from the Option

Exercise Date and shall be payable semiannually on each Interest Payment Date to holders of record at the close of business on the Regular Record Date immediately preceding such Interest Payment Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and will accrue from the most recent date on which interest has been paid or, if no interest has been paid, from the Option Exercise Date. Within 15 days of the occurrence of a Tax Event, the Company shall mail a written notice of such Tax Event by first-class mail to the Trustee.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to

be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

XEROX CORPORATION,

by \_\_\_\_\_  
Name:  
Title:

THE FIRST NATIONAL BANK OF CHICAGO,

by \_\_\_\_\_  
Name:  
Title:

FOR PURPOSES OF SECTIONS 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, WITH RESPECT TO EACH \$1,000 OF PRINCIPAL AMOUNT OF THIS SECURITY, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT IS \$431.93, THE ISSUE PRICE IS \$568.07, THE ISSUE DATE IS APRIL 21, 1998, AND THE YIELD TO STATED MATURITY IS 3.625% PER ANNUM (COMPUTED ON A SEMIANNUAL BOND EQUIVALENT BASIS).

THIS SECURITY AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY, THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN OR THEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY AND THE COMMON STOCK ISSUABLE UPON THE CONVERSION THEREOF, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE"), WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OR SUCCESSOR OF SUCH SECURITY) ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHICH NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (A) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, (D) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (C) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR



OTHER INFORMATION SATISFACTORY TO THE COMPANY, AND IN EACH OF THE FOREGOING CASES, A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO.), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO., OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ARTICLE THREE OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

Xerox Corporation

Convertible Subordinated Debentures Due April 21, 2018

No.	Principal Amount at Stated Maturity:
Cusip No.	\$
Issue Date: April 21, 1998	Issue Price: \$568.07 (for each \$1,000 Principal Amount at Stated Maturity)
	Original Issue Discount: \$431.93 (for each \$1,000 Principal Amount at Stated Maturity)

Xerox Corporation, a corporation duly organized and existing under the laws of New York (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Dollars on April 21, 2018, and to pay cash interest thereon as specified on the other side of this Security.

Original Issue Discount will accrue as specified on the other side of this Security. This Security is convertible as specified on the other side of this Security. All capitalized terms used herein without definition shall have the respective meanings assigned thereto in the Indenture referred to on the other side of this Security.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be

entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: April 21, 1998

XEROX CORPORATION,

by

\_\_\_\_\_  
Name:  
Title:

Attest:

\_\_\_\_\_  
Name:  
Title:

This is one of the Securities referred to in the within-mentioned Indenture.

Dated: April 21, 1998

The First National Bank of  
Chicago, as Trustee

by

\_\_\_\_\_  
Authorized Signatory

## Xerox Corporation

## Convertible Subordinated Debentures Due 2018

1. Cash Interest; Original Issue Discount  
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The Company promises to pay interest in cash on the Principal Amount of this Security at the rate per annum of 0.57%. The Company will pay cash interest semiannually on April 21 and October 21 of each year (each an "Interest Payment Date") to holders of record at the close of business on each April 7 or October 7 (whether or not a business day) (each a "Regular Record Date") immediately preceding such Interest Payment Date. Cash interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal, or if shares of Common Stock (or cash in lieu of fractional shares) in respect of a conversion of this Security in accordance with the terms of Article XIII of the Indenture are not delivered when due, at the rate borne by the Securities plus 1% per annum, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand.

Original Issue Discount shall accrue on this Security as set forth below so long as this Security remains outstanding, calculated on a semiannual bond equivalent basis using a 360-day year composed of twelve 30-day months, from the Issue Date of this Security. As of any date (the "Specified Date"), the amount of Original Issue Discount accrued on this Security per \$1,000 Principal Amount shall be:

(i) If the Specified Date occurs on one of the Interest Payment Dates set forth below, the amount of accumulated Original Issue Discount will equal the amount set forth below for such Interest Payment Date:

Date	Accretion of Original Issue Discount (per \$1,000 Principal Amount)	Accreted Amount (per \$1,000 Principal Amount)
		\$ 568.07
October 21, 1998	\$ 7.44	575.51
April 21, 1999	7.59	583.10
October 21, 1999	7.71	590.81
April 21, 2000	7.86	598.67
October 21, 2000	8.00	606.67
April 21, 2001	8.15	614.82
October 21, 2001	8.29	623.11
April 21, 2002	8.45	631.56
October 21, 2002	8.59	640.15
April 21, 2003	8.76	648.91
October 21, 2003	8.91	657.82
April 21, 2004	9.07	666.89
October 21, 2004	9.24	676.13
April 21, 2005	9.40	685.53
October 21, 2005	9.58	695.11
April 21, 2006	9.75	704.86
October 21, 2006	9.92	714.78
April 21, 2007	10.11	724.89
October 21, 2007	10.29	735.18
April 21, 2008	10.47	745.65
October 21, 2008	10.67	756.32
April 21, 2009	10.86	767.18
October 21, 2009	11.05	778.23
April 21, 2010	11.26	789.49
October 21, 2010	11.46	800.95
April 21, 2011	11.66	812.61
October 21, 2011	11.88	824.49
April 21, 2012	12.10	836.59
October 21, 2012	12.31	848.90
April 21, 2013	12.54	861.44
October 21, 2013	12.76	874.20
April 21, 2014	12.99	887.19
October 21, 2014	13.23	900.42
April 21, 2015	13.47	913.89
October 21, 2015	13.72	927.61
April 21, 2016	13.96	941.57
October 21, 2016	14.22	955.79
April 21, 2017	14.47	970.26
October 21, 2017	14.74	985.00
At Stated Maturity	15.00	1,000.00

(ii) if the Specified Date occurs before the first Interest Payment Date, the amount of accrued Original Issue Discount will equal the sum of (A) the Issue Price of this Security and (B) an amount equal to the amount of accrued Original Issue Discount for the first Interest Payment Date multiplied by a fraction, the numerator of which is the number of days elapsed from the Issue Date to the Specified Date, using a 360-day year of twelve 30-day months, and the denominator of which is the number of days from the Issue Date to the first Interest Payment Date, using a 360-day year of twelve 30-day months;

(iii) if the Specified Date occurs between two Interest Payment Dates, the amount of accrued Original Issue Discount will equal the sum of (A) the amount of accrued Original Issue Discount set forth in paragraph (i) for the Interest Payment Date immediately preceding such Specified Date and (B) an amount equal to the product of (1) the amount of accrued Original Issue Discount for the immediately following Interest Payment Date less the amount of accrued Original Issue Discount for the immediately preceding Interest Payment Date multiplied by (2) a fraction, the numerator of which is the number of days elapsed from the immediately preceding Interest Payment Date to the Specified Date, using a 360-day year of twelve 30-day months, and the denominator of which is 180; or

(iv) if the Specified Date occurs after the Stated Maturity of this Security, the amount of accrued Original Issue Discount will equal the amount of accrued Original Issue Discount as of such Stated Maturity.

2. Special Tax Event Conversion.  
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From and after the date (the "Tax Event Date") of the occurrence of a Tax Event, at the option of the Company, interest in lieu of future Original Issue Discount and regular cash interest shall accrue at 3.625% per annum on a principal amount per Security (the "Restated Principal Amount") equal to the Issue Price plus Original Issue Discount accrued to the date immediately prior to the Tax Event Date or the date on which the Company exercises the option described in this paragraph, whichever is later (such date hereunder referred to as the "Option Exercise Date"), and shall be payable semiannually on each Interest Payment

Date to holders of record at the close of business on the Regular Record Date immediately preceding such Interest Payment Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months and will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Option Exercise Date.

3. Method of Payment.

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Subject to the terms and conditions of the Indenture, the Company will make payments in respect of the principal of, premium, if any, and cash interest on this Security, and in respect of Redemption Prices to Holders who surrender Securities to a Paying Agent to collect such payments in respect of the Securities. The Company will pay cash amounts in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by check payable in such money.

4. Paying Agent; Registrar; Exchange Agent.

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Initially, The First National Bank of Chicago (the "Trustee"), will act as Paying Agent, Registrar and Exchange Agent. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice, other than notice to the Trustee, except that the Company will maintain at least one Paying Agent in the State of New York, City of New York, Borough of Manhattan. The Company or any of its Subsidiaries or Affiliates incorporated in the United States may act as Paying Agent, Registrar or co-registrar.

5. Indenture.

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The Company issued the Securities under an Indenture dated as of April 21, 1998 (the "Indenture"), between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as in effect from time to time (the "TIA"). Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of those terms.



The Securities are unsecured subordinated obligations of the Company limited to the aggregate Principal Amount specified in Section 3.01 of the Indenture.

6. Redemption at the Option of the Company.  
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No sinking fund is provided for this Security. On and after April 21, 2003, this Security is redeemable for cash as a whole, or from time to time in part, at any time at the option of the Company at the prices set forth below (each a "Redemption Price") (equal to its Issue Price plus accrued Original Issue Discount, together with accrued cash interest, to the Redemption Date).

The table below shows Redemption Prices of a Security per \$1,000 Principal Amount at maturity on April 21, 2003, at each April 21 thereafter prior to maturity, and at maturity on April 21, 2018, which prices reflect the accrued Original Issue Discount calculated to each such date. The Redemption Price of a Security redeemed between such dates would include an additional amount reflecting the additional Original Issue Discount accrued since the next preceding date in the table to, but excluding, the Redemption Date, calculated as set forth under paragraph 1(iii).

Redemption Date	(1) Issue Price	(2) Accrued Original Issue Discount	(3) Redemption Price (1)+(2)
-----	-----	-----	-----
April 21, 2003	\$568.07	\$ 80.84	\$ 648.91
April 21, 2004	568.07	98.82	666.89
April 21, 2005	568.07	117.46	685.53
April 21, 2006	568.07	136.79	704.86
April 21, 2007	568.07	156.82	724.89
April 21, 2008	568.07	177.58	745.65
April 21, 2009	568.07	199.11	767.18
April 21, 2010	568.07	221.42	789.49
April 21, 2011	568.07	244.54	812.61
April 21, 2012	568.07	268.52	836.59
April 21, 2013	568.07	293.37	861.44
April 21, 2014	568.07	319.12	887.19
April 21, 2015	568.07	345.82	913.89
April 21, 2016	568.07	373.50	941.57
April 21, 2017	568.07	402.19	970.26
At Stated Maturity	568.07	431.93	1,000.00

If converted to a semiannual coupon security following the occurrence of a Tax Event, this Security will be redeemable at the Restated Principal Amount plus accrued and unpaid interest from the date of such conversion to, but excluding, the Redemption Date; provided, however, that in no event may this

Security be redeemed prior to April 21, 2003.

7. Notice of Redemption.

Notice of Redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Securities (or portions thereof which are in an integral multiple of \$1,000 in Principal Amount) to be redeemed on the Redemption Date is deposited

with the Paying Agent prior to or on the Redemption Date, immediately after such Redemption Date cash interest and Original Issue Discount shall cease to accrue on such Securities or portions thereof.

8. Purchase by the Company at the Option of the Holder.  
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Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, this Security on April 21, 2003 at a Purchase Price per \$1,000 in Principal Amount of \$648.91 (equal to the Issue Price plus accrued Original Issue Discount to such Purchase Date), plus accrued cash interest to the Purchase Date, upon delivery by the Holder of a Purchase Notice containing the information set forth in the Indenture, at any time from the opening of business on the date that is 20 Business Days prior to such Purchase Date until the close of business on such Purchase Date and upon delivery of this Security to the Paying Agent by the Holders as set forth in the Indenture. Such Purchase Price may be paid, at the option of the Company, in cash or by the delivery of Common Stock, or in any combination thereof.

Notwithstanding anything herein to the contrary, if prior to the Purchase Date this Security has been converted to a semiannual coupon security following the occurrence of a Tax Event, the Purchase Price will be equal to the Restated Principal Amount plus accrued cash interest from the date of conversion to, but excluding, the Purchase Date.

At the option of the Holder and subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase this Security held by such Holder 35 Business Days after the occurrence of a Change in Control for a Change in Control Purchase Price equal to the Issue Price plus accrued Original Issue Discount and cash interest to the Change in Control Purchase Date, which shall be paid in cash.

The Holder has the right to withdraw any Purchase Notice or Change in Control Purchase Notice, as the case may be, by delivering to the Paying Agent prior to the close of business on the Purchase Date a written notice of withdrawal in accordance with the provisions of the Indenture.

If cash sufficient to pay the Purchase Price or Change in Control Purchase Price, as the case may be, of all

Securities (or any portion thereof which is in an integral multiple of \$1,000 in Principal Amount) to be purchased prior to or on the Purchase Date or the Change in Control Purchase Date, as the case may be, is deposited with the Paying Agent on the Purchase Date or the Change in Control Purchase Date, as the case may be, this Security shall cease to be outstanding and cash interest and Original Issue Discount shall cease to accrue on this Security (or such portions thereof) and will be deemed paid, whether or not this Security is delivered to the Paying Agent, immediately after such Purchase Date or Change in Control Purchase Date, as the case may be, and the Holder shall have no other rights as such (other than the right to receive the Purchase Price or Change in Control Purchase Price, as the case may be, upon surrender of this Security or portion hereof).

9. Conversion Rights.

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At the option of the Holder and subject to the terms and conditions of the Indenture, this Security (or any portion hereof which is an integral multiple of \$1,000 in Principal Amount) may be surrendered for conversion into shares of Common Stock at an initial conversion rate (the "Conversion Rate") of 3.904 shares of Common Stock per \$1,000 Principal Amount of this Security. The Conversion Rate is subject to adjustment as set forth in the Indenture. The Holder's right to convert this Security for Common Stock is subject to the Company's right to elect to pay the Holder surrendering this Security pursuant to Article XIII of the Indenture an amount of cash as set forth in the succeeding sentence, in lieu, in whole or in part, of delivering such Common Stock. The amount of cash to be paid in lieu of shares pursuant to such election by the Company upon conversion of this Security shall be equal to the Sale Price of a share of Common Stock on the Trading Day immediately preceding the Conversion Date multiplied by the Conversion Rate in effect on such Trading Day. The right to surrender this Security for conversion pursuant to Article XIII of the Indenture shall terminate on the close of business on April 21, 2018, or, if this Security or any portion hereof shall be called for redemption pursuant to the terms hereof, then in respect of any portion so called for redemption, at the close of business on the Redemption Date (unless in the case of any such redemption the Company shall default in the payment due upon the redemption hereof).

Except as otherwise expressly provided in the Indenture, no payment or adjustment shall be made on account

of any dividends or distributions on Common Stock delivered upon such conversion. The Conversion Rate will not be adjusted at any time during the term of this Security for accrued Original Issue Discount or cash interest. Upon conversion of this Security, that portion of accrued Original Issue Discount or (except as provided below) accrued cash interest thereon attributable to the period from the Issue Date through the Conversion Date with respect to this Security shall not be canceled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through the delivery of the Common Stock (together with the cash payment(s), if any, in lieu thereof, in whole or in part, or in lieu of fractional interests therein) in exchange for this Security; and the fair market value of such Common Stock (together with any such cash payment(s)), if any, shall be treated as delivered or paid, to the extent thereof, first in exchange for accrued Original Issue Discount and accrued cash interest through the Conversion Date, and the balance, if any, of such fair market value of such Common Stock (and any such cash payment(s)) shall be treated as delivered or paid in exchange for the Issue Price of this Security, to the extent of such Issue Price. Notwithstanding the foregoing, accrued but unpaid cash interest will be payable upon conversion of this Security if such conversion is made concurrently with or after acceleration of the indebtedness represented by this Security following an Event of Default.

No fractional shares of Common Stock shall be delivered upon exchanges but the Conversion Agent on behalf of the Company shall make a cash payment in lieu thereof equal to the product of such fractional share and the Sale Price on the Trading Day immediately preceding the Conversion Date.

To convert this Security the Holder must (1) complete and manually sign the conversion notice hereon (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent (initially the Trustee) or, if applicable, complete and deliver to the Depository Trust Company ("DTC") the appropriate instruction form for conversion pursuant to DTC's book entry conversion program, (2) surrender (or arrange for book-entry delivery of) this Security to the Conversion Agent (which is not necessary in the case of conversion pursuant to DTC's book entry conversion program), (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Trustee and (4) pay any transfer

or similar tax if required. Book entry delivery of a Security to the Conversion Agent may be made by any financial institution that is a participant in DTC; conversion through DTC's book entry conversion program is available for any security that is held in an account maintained at DTC by any such Participant. A conversion shall be deemed to have been effected at the close of business on the date all such requirements have been satisfied (the "Conversion Date"). A Holder may convert a portion of this Security only if the portion is \$1,000 Principal Amount or an integral multiple of \$1,000.

In the event the Company exercises its option pursuant to Section 15.01 of the Indenture to have interest in lieu of Original Issue Discount accrue on this Security following a Tax Event, the Holder will be entitled on conversion to receive the same number of shares of Common Stock such Holder would have received if the Company had not exercised such option. If the Company exercises such option, Securities surrendered for conversion during the period from the close of business on any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date (except Securities to be redeemed on a date within such period) must be accompanied by payment of an amount equal to the interest thereon that registered Holder is to receive. Except where Securities surrendered for conversion must be accompanied by payment as described above, no interest on converted Securities will be payable by the Company on any Interest Payment Date subsequent to the date of conversion.

The Conversion Rate shall be adjusted as provided in Article XIII of the Indenture.

10. Conversion Arrangement on Call for Redemption.

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Any Securities called for redemption, unless surrendered for exchange before the close of business on the Redemption Date, may be deemed to be purchased from the Holders of such Securities at an amount not less than the Redemption Price plus accrued cash interest to the Redemption Date, by one or more third parties who may agree with the Company to purchase such Securities from the Holders, to exchange them for Common Stock and to make payment for such Securities to the Trustee in trust for such Holders.

## 11. Subordination.

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The Securities are subordinated to Senior Indebtedness of the Company. To the extent provided in the Indenture, Senior Indebtedness of the Company must be paid before the Securities may be paid. The Company and each Holder of Securities, by accepting a Security, agrees to the subordination provisions contained in the Indenture and authorizes the Trustee to give it effect and appoints the Trustee as attorney-in-fact for such purpose.

## 12. Denominations; Transfer; Exchange.

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The Securities are in fully registered form, without coupons, in denominations of \$1,000 of Principal Amount and integral multiples of \$1,000. The Holder may transfer or exchange this Security in accordance with the Indenture. The Registrar may require the Holder, among other things, to furnish appropriate endorsements and transfer documents. The Registrar need not transfer or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities in respect of which a Purchase Notice or Change in Control Purchase Notice has been given and not withdrawn (except, in the case of a Security to be purchased in part, the portion of the Security not to be purchased) or any Securities for a period of 15 days before a selection of Securities to be redeemed.

## 13. Persons Deemed Owners.

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The registered Holder of this Security may be treated as the owner of this Security for all purposes.

## 14. Unclaimed Money for Securities.

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The Trustee and the Paying Agent shall return to the Company upon written request any money or securities held by them for the payment of any amount with respect to this Security that remain unclaimed for two years. After return to the Company, the Holder must look to the Company for payment.

## 15. Amendment; Waiver.

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Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be

amended with the written consent of the Holders of at least a majority in aggregate Principal Amount of the Securities at the time Outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of a majority in the aggregate Principal Amount of the Securities at the time outstanding. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company and the Trustee may amend the Indenture or the Securities to cure any ambiguity, omission, defect, or inconsistency, or to comply with Article VIII or Section 13.14 of the Indenture, to provide for uncertificated Securities in addition to or in place of certificated Securities, to make any change that does not adversely affect the rights of any Holder, to comply with any requirement of the Commission in connection with the qualification of the Indenture under the TIA or to add to the covenants or obligations of the Company under the Indenture or surrender any right, power or option conferred by the Indenture on the Company.

16. Defaults and Remedies.

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Under the Indenture, Events of Default include, among other things (i) default by the Company in (A) payment of the Principal Amount, Issue Price, accrued Original Issue Discount, the Redemption Price, the Purchase Price or the Change in Control Purchase Price, as the case may be, in respect of the Securities when the same becomes due and payable, (B) cash interest or interest upon conversion to a semiannual coupon security following a Tax Event, when due (if such default in payment of any such interest shall continue for 31 days) or (C) the delivery of shares of Common Stock (including cash in lieu of fractional shares of Common Stock), or cash in lieu thereof in accordance with the terms of the Indenture when such are required to be delivered upon conversion of a Security (if such default shall continue for 10 days); (ii) failure by the Company to comply with any other agreements in the Indenture or the Securities upon the receipt by the Company of notice of such default from the Trustee or Holders of not less than 25% in aggregate Principal Amount of the Securities then Outstanding and the Company's failure to cure such default within 90 days after receipt by the Company of such notice; and (iii) certain events of bankruptcy or insolvency. If an Event of Default occurs and is continuing, the Trustee, or the Holders of at least 25% in aggregate Principal Amount at Stated Maturity of the Securities at the time outstanding, may by notice to the Company declare the Issue Price of,



plus accrued Original Issue Discount and accrued cash interest through the date of such declaration on, all the Securities to be immediately due and payable. Certain events of bankruptcy or insolvency are Events of Default which will result in the Issue Price plus accrued Original Issue Discount and accrued cash interest through the occurrence of such Event of Default on the Securities becoming due and payable immediately upon the occurrence of such Event of Default.

Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in aggregate Principal Amount at Stated Maturity of the Securities at the time outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default (except a Default in payment of amounts specified in clause (i) above) if it in good faith determines that withholding notice is in their interests.

17. Trustee Dealings with the Company.  
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Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates with the same rights it would have if it were not Trustee.

18. No Recourse Against Others.  
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A director, officer, employee, agent or stock holder, as such, of the Company shall not have any liability for any obligations of the Company under this Security or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

19. Authentication.  
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This Security shall not be valid until an authorized officer of the Trustee manually signs the

Trustee's Certificate of Authentication on the other side of this Security.

20. Abbreviations.  
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Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (-tenants in common), TEN ENT (-tenants by the entirety), JT TEN (-joint tenants with right of survivorship and not as tenants in common), CUST (-custodian), and U/G/M/A (-Uniform Gift to Minors Act).

21. GOVERNING LAW.  
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THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

## CONVERSION NOTICE

To: Xerox Corporation

The undersigned registered owner of this Security hereby irrevocably exercises the option to convert this Security, or the portion hereof (which is \$1,000 Principal Amount or an integral multiple thereof), below designated into shares of Common Stock (in the form of a Share Certificate) in accordance with the terms of the Indenture referred to in this Security, and directs that the shares issuable and deliverable upon conversion, together with any check in payment for a fractional share and any Security representing any unconverted Principal Amount hereof, be issued and delivered to the registered owner hereof unless a different name has been provided below. If shares or any portion of this Security not converted are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith a certificate in proper form certifying that the applicable restrictions on transfer have been complied with. Any amount required to be paid by the undersigned on account of interest accompanies this Security.

DATE: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

(If a corporation, partnership or fiduciary, the title of the Person signing must be stated.)

Signature(s) must be Medallion Guaranteed by a national bank or trust company or a member firm of a national stock exchange or a member of the National Association of Securities Dealers, Inc. if shares of Common Stock are to be delivered, or unconverted Securities are to be issued, other than to and in the name of the registered owner.

\_\_\_\_\_  
Signature Guarantee

Fill in for registration of shares if they are to be delivered, or unconverted Securities if they are to be issued, other than to and in the name of the registered owner:

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Street Address)

\_\_\_\_\_  
(City, State and zip code)

(Please print name and address)

Register:  Common Stock  
 Securities

(Check appropriate line(s))

Principal Amount to be converted  
(if less than all):  
\$\_\_\_\_\_,000

\_\_\_\_\_  
Social Security or other Taxpayer  
Identification Number of owner

TRANSFER CERTIFICATE

The undersigned registered owner of this Security hereby certifies with respect to \$ \_\_\_\_\_ Principal Amount of the above-captioned securities presented or surrendered on the date hereof (the "Surrendered Securities") for registration of transfer, or for exchange or conversion where the securities issuable upon such exchange or conversion are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Securities for the reason checked below:

\_\_\_\_\_ The transfer of the Surrendered Securities complies with Rule 144 under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or

\_\_\_\_\_ The transfer of the Surrendered Securities complies with Rule 144A under the Securities Act; or

\_\_\_\_\_ The transfer of the Surrendered Securities is to an institutional accredited investor, as defined under Rule 501 of Regulation D under the Securities Act; or

\_\_\_\_\_ The transfer of the Surrendered Securities is pursuant to an effective registration statement under the Securities Act.

DATE: \_\_\_\_\_

\_\_\_\_\_ Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

Xerox Corporation  
P.O. Box 1600  
Stamford, Connecticut 06904-1600  
203-968-3000

Office of General Counsel

Martin S. Wagner  
Associate General Counsel,  
Corporate, Finance and Ventures

July 17, 1998

Re: \$1,012,198,000 Aggregate Principal Amount at Maturity of  
Convertible Subordinated Debentures due 2018

Gentlemen:

As Associate General Counsel, Corporate, Finance and Ventures of Xerox Corporation (the "Company"), I am familiar with (i) the issuance and sale by the Company of \$1,012,198,000 aggregate principal amount at maturity of Convertible Subordinated Debentures due 2018 (the "Convertible Debentures") in transactions exempt from the registration requirements of the Securities Act of 1933, as amended, and (ii) the preparation and filing of the Company's Form S-3 Registration Statement to which this opinion is an exhibit (the "Registration Statement") with respect to the offer and sale of the Convertible Debentures by the several holders thereof. In rendering the opinions set forth herein, either I or other attorneys in the Office of General Counsel of the Company who report either directly or indirectly to me have examined the Indenture dated as of April 21, 1998, between the Company and The First National Bank of Chicago, as trustee (the "Indenture"), under which the Convertible Debentures were issued, the Company's Restated Certificate of Incorporation and By-Laws, each as amended to date, certain minutes of meetings of the Board of Directors of the Company and the Executive Committee thereof, and such other documents and matters of law as have been considered necessary or desirable for rendering the opinions set forth herein.

Based upon the foregoing, it is my opinion that:

1. The Company has been duly incorporated and is validly existing and in good standing under the laws of the State of New York.
2. The Convertible Debentures are legally issued, fully paid and non-assessable, and are valid and binding obligations of the company entitled to the benefits of the Indenture.

3. The shares of Common Stock, par value \$1.00 per share, of the Company issuable upon conversion of the Convertible Debentures, when issued in accordance with the terms of the Indenture, will be validly issued, fully paid and non-assessable.

I am qualified to practice law in the State of New York. The opinions expressed herein are limited to the law of the State of New York and the Federal law of the United States.

I hereby consent to the reference to my name under the caption "Legal Matters" in the Prospectus contained in the Registration Statement and to the filing of this letter as an exhibit to the Registration Statement.

Very truly yours,

MARTIN S. WAGNER  
Associate General Counsel,  
Corporate, Finance and Ventures

Xerox Corporation  
P.O. Box 1600  
Stamford, Connecticut 06904-1600  
203-968-3000

July 17, 1998

Re: \$1,012,198,000 Aggregate Principal Amount at Maturity of  
Convertible Subordinated Debentures due 2018

Gentlemen:

We have acted as special tax counsel to Xerox Corporation (the "Company"), in connection with (i) the issuance and sale by the Company of \$1,012,198,000 aggregate principal amount at maturity of Convertible Subordinated Debentures due 2018 (the "Convertible Debentures") and (ii) the preparation and filing of the Company's Form S-3 Registration Statement to which this opinion is an exhibit (the "Registration Statement") with respect to the offer and sale of the Convertible Debentures by the several holders thereof. In rendering the opinions set forth herein, we have examined the Registration Statement and such other documents and matters of law as have been considered necessary or desirable for rendering the opinions set forth herein.

Based upon the foregoing, it is our opinion that if the offer and sale of the Convertible Debentures is conducted in the manner described in the Prospectus contained in the Registration Statement (the "Prospectus"), the statements under the caption "Certain United States Federal Income Tax Considerations" in the Prospectus correctly describe certain United States Federal income tax consequences resulting from the purchase, ownership, disposition and conversion of Convertible Debentures by an initial holder thereof subject to United States federal income taxation.

We do not purport to be experts in, or to express any opinion concerning, the laws of any jurisdiction other than the Federal laws of the United States.

We hereby consent to the reference to us and to the use of our name under the caption "Legal Matters" in the Prospectus and to the filing of a copy of this opinion as an exhibit to the Registration Statement.

Very truly yours,

IVINS, PHILLIPS & BARKER, CHARTERED



## EXECUTION COPY

This REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of April 21, 1998, by and among XEROX CORPORATION, a New York corporation (the "Company"), MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED and J.P. MORGAN SECURITIES INC. (each an "Initial Purchaser" and together the "Initial Purchasers").

This Agreement is made pursuant to the Purchase Agreement, dated April 16, 1998, among the Company and the Initial Purchasers (the "Purchase Agreement"), which provides for the sale by the Company to the Initial Purchasers of an aggregate of \$880,173,000 principal amount at maturity of the Company's Convertible Subordinated Debentures due 2018 (the "Debentures") and the grant by the Company to the Initial Purchasers of the option to purchase all or any part of an additional \$132,025,000 aggregate principal amount at maturity of Debentures. The Debentures will be convertible into shares of common stock, par value \$1.00 per share, of the Company (the "Common Stock") at the conversion price set forth in the Pricing Agreement between the Company and the Initial Purchasers. In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Company has agreed to provide to the Initial Purchasers and their direct and indirect transferees the registration rights set forth in this Agreement. The execution of this Agreement is a condition to the closing under the Purchase Agreement.

The parties hereby agree as follows:

1. Definitions. Capitalized terms used herein without definition

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shall have their respective meanings set forth in the Purchase Agreement or Indenture. As used in this Agreement, the following terms shall have the following meanings:

"Closing Date" means the Closing Time as defined in the Purchase

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Agreement.

"Exchange Act" means the Securities Exchange Act of 1934, as amended,

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and the rules and regulations of the SEC promulgated thereunder.

"Indenture" means the Indenture relating to the Debentures, dated as

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of April 21, 1998 between the Company and The First National Bank of Chicago, as trustee, as the same may be amended, supplemented, waived or otherwise

modified from time to time in accordance with the terms thereof.

"Notice and Questionnaire" means a Notice of Registration Statement  
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and Selling Securityholder Questionnaire substantially in the form of Exhibit A hereto.

"Prospectus" means the prospectus included in any Registration  
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Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Registrable Securities" means all Debentures and shares of Common  
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Stock that are Restricted Securities.

"Registration Expenses": See Section 5 hereof.  
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"Registration Statement" means any registration statement of the  
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Company that covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

"Restricted Securities" means any and all Debentures upon original  
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issuance thereof (and any shares of Common Stock issued from time to time upon conversion thereof other than pursuant to an effective registration statement under the Securities Act) and at all times subsequent thereto until, as to any Restricted Security, (i) the sale of such Restricted Security has been effectively registered under the Securities Act and such Restricted Security has been disposed of in accordance with the Registration Statement relating thereto or (ii) it is distributed to the public pursuant to Rule 144(k) (or any similar provision then in force, but not Rule 144A) under the Securities Act.

"SEC" means the Securities and Exchange Commission.  
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"Securities Act" means the Securities Act of 1933, as amended, and the  
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 rules and regulations promulgated by the SEC thereunder.

"Shelf Registration": See Section 3 hereof.  
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"Special Counsel" means Cravath, Swaine & Moore, special counsel to  
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 the Initial Purchasers or such other special counsel as may be designated by the  
 holders of a majority in aggregate principal amount at maturity of Registrable  
 Securities outstanding (provided that holders of Common Stock issued upon the  
 conversion of the Debentures shall be deemed for this purpose to be holders of  
 the aggregate principal amount at maturity of Debentures from which such Common  
 Stock was converted).

"TIA" means the Trust Indenture Act of 1939, as amended.  
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2. Securities Subject to this Agreement. (a) Securities. The  
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 securities entitled to the benefits of this Agreement are the Registrable  
 Securities.

(b) Holders of Registrable Securities. A Person is deemed to be a  
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 holder of Registrable Securities whenever such Person beneficially owns  
 Registrable Securities; provided that only Registrable Securities of holders who  
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 are registered holders of Registrable Securities shall be counted for purposes  
 of calculating any proportion of holders of Registrable Securities entitled to  
 take action or give notice pursuant to this Agreement.

3. Shelf Registrations. (a) Shelf Registrations. As promptly as  
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 practicable and in no event later than 90 days after the Closing Date, the  
 Company shall prepare and file with the SEC a Registration Statement under the  
 Securities Act for an offering to be made on a continuous basis pursuant to Rule  
 415 (or any similar rule that may be adopted by the SEC) under the Securities  
 Act covering all the Registrable Securities then outstanding and all Registrable  
 Securities that may be issued upon the conversion of Debentures into shares of  
 Common Stock (the "Shelf Registration").

(b) The Shelf Registration shall be on Form S-3 or another  
 appropriate form permitting registration of such Registrable Securities for  
 resale by holders of Registrable Securities in the manner or manners designated  
 by them.

(c) (1) Not less than 30 calendar days prior to the effectiveness of  
 the Shelf Registration, the Company

shall mail the Notice and Questionnaire to the holders of Registrable Securities. No holder shall be entitled to be named as a selling securityholder in the Shelf Registration, and no holder shall be entitled to use the Prospectus forming a part thereof for resales of Registrable Securities at any time, unless such holder has returned a completed and signed Notice and Questionnaire to the Company by the deadline for response set forth therein; provided, however, that

holders of Registrable Securities shall have at least 28 calendar days from the date on which the Notice and Questionnaire is first mailed to such holders to return a completed and signed Notice and Questionnaire to the Company.

(2) After the Shelf Registration has become effective, the Company shall, upon the request of any holder of Registrable Securities that has not returned a completed Notice and Questionnaire, promptly send a Notice and Questionnaire to such holder. The Company shall not be required to take any action to name such holder as a selling securityholder in the Shelf Registration or to enable such holder to use the Prospectus forming a part thereof for resales of Registrable Securities until such holder has returned a completed and signed Notice and Questionnaire to the Company.

(d) The Company shall use its reasonable efforts to cause the Shelf Registration to become effective under the Securities Act in accordance with Section 3(a) hereof and shall keep the Shelf Registration continuously effective for a period of two years from the Closing Date or such shorter period, which will terminate when all Registrable Securities are no longer Restricted Securities. The Company shall as expeditiously as possible supplement or make amendments to any Shelf Registration (i) if required by the rules, regulations or instructions applicable to the registration form used by the Company, (ii) if required by the Securities Act and (iii) in order to ensure that all the Registrable Securities then outstanding and all Registrable Securities that may be issued upon the conversion of Debentures into shares of Common Stock are covered by such Shelf Registration, including taking any action reasonably necessary to identify as a selling securityholder in the Shelf Registration any holder of Registrable Securities that delivers an executed Notice and Questionnaire after the Shelf Registration becomes effective, within 30 days after receipt of such Notice and Questionnaire.

4. Registration Procedures. In connection with the registration

obligations pursuant to Section 3 hereof, the Company shall use its reasonable efforts to effect such

registrations to permit the sale of all Registrable Securities in accordance with the then intended method or methods of disposition thereof, and pursuant thereto the Company shall as expeditiously as possible:

(a) prepare and file with the SEC, within the time period specified in Section 3, a Registration Statement or Registration Statements on any appropriate form under the Securities Act, which form shall be available for the sale of all Registrable Securities by the holders thereof in accordance with the intended method or methods of distribution thereof, and use its reasonable efforts to cause each such Registration Statement to become effective and remain effective as provided herein; provided,

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 however, that before filing a Registration Statement or Prospectus or any  
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 amendments or supplements thereto, the Company shall furnish to the Special Counsel, copies of the Registration Statement or Prospectus and all such documents in the form proposed to be filed at least two business days prior thereto which documents will be subject to the review of the Special Counsel and the Company shall not file any such Registration Statement or amendment thereto or any Prospectus or any supplement thereto to which the Special Counsel shall reasonably object on a timely basis, unless the Company is advised by their counsel that such Registration Statement or amendment thereto or any Prospectus or supplement thereto is required to be filed by applicable law;

(b) prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement continuously effective for the applicable period; cause the related Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act;

(c) promptly notify Special Counsel to the holders of Registerable Securities and, with respect to any event contemplated by clauses (i), (iv), (v), (vi) or (vii) hereof, notify each holder that has returned a completed and signed Notice and Questionnaire to the Company (and in each case, if requested, confirm any oral or telephonic notice in writing), (i) when a Prospectus or any Prospectus supplement or post-effective amendment related to such Registrable Securities (A) has been filed, and (B) with respect to

a Registration Statement or any post-effective amendment related to such Registrable Securities, when the same has become effective, (ii) of the receipt of any comments from the SEC, (iii) of any request by the SEC for amendments or supplements to a Registration Statement or related Prospectus or for additional information, (iv) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (v) if at any time the representations and warranties of the Company contained in any agreement entered pursuant to paragraph (1) below in connection with the sale of Restricted Securities by selling holders thereof cease to be true and correct, (vi) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale or exchange in any jurisdiction of the United States of America or the initiation of any proceeding for such purpose, (vii) of the happening of any event that makes any statement of a material fact made in such Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue or that requires the making of any changes in a Registration Statement or related Prospectus so that such documents will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (provided that the timely filing of a report under the Securities Exchange Act of 1934 which is incorporated by reference in the Registration Statement and related Prospectus shall constitute effective notice under this subsection (vii)), and (viii) of the determination of the Company that a post-effective amendment to a Registration Statement would be appropriate;

(d) use every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale or exchange in any jurisdiction of the United States of America, as promptly as practicable;

(e) if reasonably requested by any holder of Registrable Securities covered by a Registration Statement, (i) promptly incorporate in a Prospectus supplement or post-effective amendment such information

as such holder reasonably requests to be included therein as is required by applicable law; provided that the Company may, to the extent it reasonably

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objects to the inclusion of any such information, require such holder to obtain an opinion of counsel to the effect that such information is so required, (ii) make all required filings of such Prospectus supplement or such post-effective amendment as soon as the Company has received notification of the matters to be incorporated in such Prospectus supplement or such post-effective amendment, and (iii) supplement or make amendments to any Registration Statement if reasonably requested by any holder of Registrable Securities covered by such Registration Statement as is required by applicable law;

(f) furnish to each selling holder of Registrable Securities upon request, and the Special Counsel, without charge, at least one conformed copy of the Registration Statement or Statements and any post-effective amendment thereto, including financial statements and schedules, without charge, as well as all documents incorporated therein by reference or deemed incorporated therein by reference and all exhibits (including those previously furnished or incorporated by reference), at the earliest practicable time under the circumstances after the filing of such documents with the SEC;

(g) deliver to each selling holder of Registrable Securities and the Special Counsel, without charge, as many copies of the Prospectus or Prospectuses (including each preliminary prospectus) and any amendment or supplement thereto as such Persons may reasonably request; the Company consents to the use of such Prospectus or any amendment or supplement thereto in accordance with applicable law by each of the selling holders of Registrable Securities in connection with the offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto in accordance with applicable law;

(h) prior to any public offering of Registrable Securities, use its best efforts to register or qualify or cooperate with the selling holders of Registrable Securities and Special Counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale, as the case may be, under the securities or Blue Sky laws of such state or

local jurisdictions in the United States as any seller reasonably requests in writing; keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by the applicable Registration Statement; provided, however, that the Company will not be required to (A) -----

qualify generally to do business in any jurisdiction where it is not then so qualified, (B) take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject or (C) register or qualify securities prior to the effective date of any Registration Statement under Section 3 hereof;

(i) cooperate with the selling holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities, which certificates shall not bear any restrictive legends; and enable such Registrable Securities to be in such denominations and registered in such names, in all cases consistent with the requirements set forth in the Indenture, as the holders may request;

(j) subject to the exceptions contained in (A), (B) and (C) of subsection (h) hereof, use its best efforts to cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other Federal, state and local governmental regulatory agencies or authorities in the United States as may be necessary, by virtue of the business and operations of the Company, to enable the seller or sellers thereof to consummate the disposition of such Registrable Securities and cooperate with each seller of Registrable Securities in connection with any filings required to be made with the National Association of Securities Dealers; Inc.;

(k) upon the occurrence of any event contemplated by paragraph 4(c) (vii) or 4(c) (viii) above, as promptly as practicable thereafter, prepare and file with the SEC a supplement or post-effective amendment to the applicable Registration Statement or a supplement to the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, such Prospectus will not contain an untrue



statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(l) enter into such customary agreements and take all such other reasonable actions in connection therewith (including those reasonably requested by the holders of a majority in aggregate principal amount at maturity of the Registrable Securities being sold (provided that holders of Common Stock issued upon the conversion of the Debentures shall be deemed for this purpose to be holders of the aggregate principal amount at maturity of Debentures from which such Common Stock was converted) in order to expedite or facilitate the disposition of such Registrable Securities;

provided, however, that the Company shall not be required to enter into an  
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underwriting agreement in connection with any such disposition;

(m) cause the Indenture to be qualified under the TIA not later than the effective date of any registration; and in connection therewith, cooperate with the Trustee to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the TIA and execute, and use their reasonable efforts to cause the Trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the SEC to enable the Indenture to be so qualified in a timely manner; and

(n) comply with all applicable rules and regulations of the SEC and make generally available to the Company's securityholders an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder no later than the date required for the filing of the applicable forms referred to in Rule 158 under the Securities Act, commencing on the first day of the first fiscal quarter of the Company commencing after the effective date of a Registration Statement, which statement shall cover said 12-month period.

The Company may require each seller of Registrable Securities under a Shelf Registration to furnish to the Company such information regarding the distribution of such Registrable Securities as the Company may from time to time reasonably request in writing and each holder in acquiring

such Registrable Securities agrees to supply such information to the Company promptly upon such request.

Each holder of Registrable Securities agrees by acquisition of such Registrable Securities that upon receipt of any notice from the Company of the happening of any event of the kind described in Section 4(c)(iii), 4(c)(iv), 4(c)(vi), 4(c)(vii) or 4(c)(viii) hereof, such holder will forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus and will not resume disposition of such Registrable Securities until such holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 4(k) hereof, or until it is advised in writing by the Company that the use of the applicable Prospectus may be resumed, and has received copies of the Registration Statement and Prospectus and any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus. Notwithstanding the foregoing, the Company shall not allow such Registration Statement or Prospectus to fail to be effective for more than 30 days during any 360 day period.

5. Registration Expenses. The Company shall pay all fees and

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 expenses incident to the performance of or compliance with this Agreement by the Company including, without limitation, (i) all SEC, stock exchange or National Association of Securities Dealers, Inc. registration and filing fees, (ii) all fees and expenses incurred in connection with compliance with state securities or Blue Sky laws (including reasonable fees and disbursements of counsel for any underwriters or holders in connection with Blue Sky qualification of any of the Registrable Securities), (iii) all expenses of any persons in preparing or assisting in preparing, word processing, printing and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, other documents relating to the Company's performance of and compliance with this Agreement, and (iv) all rating agency fees but excluding fees of any special accountants retained by the selling holders, counsel to the underwriters and underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of Registrable Securities by a holder of Registrable Securities.

6. Indemnification. The Company agrees to indemnify and hold

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 harmless each Initial Purchaser and each holder of Registrable Securities and each person, if any, who controls any Initial Purchaser or any holder of Registrable Securities within the meaning of either Section 15 of the Securities Act or Section 20 of the

Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended and supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to the Initial Purchasers or any holder of Registrable Securities furnished to the Company in writing by any Initial Purchaser or such holder of Registrable Securities (which also expressly acknowledges the indemnity provisions herein) expressly for use therein.

In connection with any Shelf Registration in which a holder of Registrable Securities is participating, in furnishing information relating to such holder of Registrable Securities to the Company in writing expressly for use in such Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto, the holders of such Registrable Securities agree, severally and not jointly, to indemnify and hold harmless the Initial Purchasers and each person, if any, who controls any Initial Purchaser within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and the Company, its directors and officers who sign a Registration Statement and each person, if any, who controls the Company within the meaning of either such Section, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to such information relating to such holder of Registrable Securities furnished in writing by or on behalf of such holder of Registrable Securities expressly for use

in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to any of the two preceding paragraphs, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. The indemnifying party, upon request of the indemnified party, shall retain counsel satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. The indemnifying party will be entitled to participate in any such proceeding, and to the extent that it may elect by written notice delivered to the indemnified party, to assume the defense thereof, with counsel satisfactory to such indemnified party; provided,

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 however, that if the defendants in any such action include both the indemnified

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 party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 6 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence, (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party; and except that, if clause (i) or (iii) is applicable, such liability

shall be only in respect of the counsel referred to in such clause (i) or (iii). It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (a) the fees and expenses of more than one separate firm (in addition to any local counsel) for an Initial Purchaser and all persons, if any, who control such Initial Purchaser within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, (b) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section and (c) the fees and expenses of more than one separate firm (in addition to any local counsel) for all holders of Registrable Securities and all persons, if any, who control any holders of Registrable Securities within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In such case involving any Initial Purchaser and control persons of such Initial Purchaser, such firm shall be designated in writing the Initial Purchaser. In such case involving the holders of Registrable Securities and such controlling persons of holders of Registrable Securities, such firm shall be designated in writing by holders of a majority in aggregate principal amount at maturity of Registrable Securities (provided that holders of Common Stock issued upon the conversion of the Debentures shall be deemed for this purpose to be holders of the aggregate principal amount at maturity of Debentures from which such Common Stock was converted). In all other cases, such firm shall be designated by the Company. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (x) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (y) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

If the indemnification provided for in the first or second paragraph of this Section 6 is unavailable to an indemnified party or insufficient in respect of any losses,

claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations.

The parties hereto agree that it would not be just or equitable if contribution pursuant to this Section 6 were determined by pro rata allocation

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or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6, no holder of Registrable Securities shall be required to indemnify or contribute any amount in excess of the amount by which the total price at which the Registrable Securities sold by such holder of Registrable Securities and distributed to the public exceeds the amount of any damages that such holder of Registrable Securities has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies that may otherwise be available to any indemnified party at law or in equity.

The indemnity and contribution provisions contained in this Section 6 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Initial Purchaser or any person controlling any Initial Purchaser, any holder of Registrable Securities or any person controlling the holder of Registrable Securities, or the Company, its officers or directors or any person controlling the Company.

7. Miscellaneous. (a) Remedies. In the event of a breach by the

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 Company of any of its obligations under this Agreement, each holder of Registrable Securities, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company shall not, on or after

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 the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof.

(c) Amendments and Waivers. The provisions of this Agreement,

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 including the provisions of this sentence, may not be amended, modified or supplemented (other than to cure any ambiguity or correct or supplement any provision herein), and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of holders of a majority of the then outstanding aggregate principal amount at maturity of Registrable Securities (provided that holders of Common Stock issued upon the conversion of the Debentures shall be deemed for this purpose to be holders of the aggregate principal amount at maturity of Debentures from which such Common Stock was converted), except in the case of the Initial Purchasers prior to distribution of the Debentures, then the consent of the Initial Purchasers. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of holders of Registrable Securities whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect the rights of other holders of Registrable Securities may be given by holders of at least a majority in aggregate principal amount at maturity of the Registrable Securities being sold by such holders (provided that holders of Common Stock issued upon the conversion of the Debentures shall be deemed for this purpose to be holders of the aggregate principal amount at maturity of Debentures from which such Common Stock was converted).

(d) Notices. All notices and other communications provided for or

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 permitted hereunder shall be

made in writing by hand-delivery, registered first-class mail, telex, or telecopier:

(i) if to a holder of Registrable Securities, at the most current address given by such holder to the Company in accordance with the provisions of this Section 7(d);

(ii) if to the Company, at P.O. Box 1600, Stamford, Connecticut 06904, attention of E.M. Filter, Vice President, Treasurer and Secretary, and thereafter by such other address, notice of which is given in accordance with the provision of this Section 8(d); and

(iii) if to the Initial Purchasers, at North Tower, World Financial Center, New York, New York 10281, attention of Vice President, Treasurer and Secretary.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; one business day after being sent by next-day solvent air courier; when answered back, if telexed; and when receipt acknowledged, if telecopied.

Copies of all such notices, demands or other communications shall be concurrently delivered by the person giving the same to the Trustee under the Indenture at the address specified in such Indenture.

(e) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent holders of Registrable Securities.

(f) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of laws.



(i) Severability. If any term, provision, covenant or restriction of  
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this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, void or unenforceable.

(j) Entire Agreement. This Agreement is intended by the parties as a  
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final expression of their agreement, and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein, with respect to the registration rights granted by the Company with respect to the securities sold pursuant to the Purchase Agreement. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

(k) Securities Held by the Company or its Affiliates. Whenever the  
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consent or approval of holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company or any of its affiliates shall not be counted in determining whether such consent or approval was given by the holders of

such required percentage or amount.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

XEROX CORPORATION,

by

\_\_\_\_\_  
Name:

Title:

Confirmed and accepted  
as of the date first  
above written:

MERRILL LYNCH, PIERCE, FENNER &  
SMITH INCORPORATED,  
J.P. MORGAN SECURITIES INC.,

by MERRILL LYNCH, PIERCE, FENNER &  
SMITH INCORPORATED,

by

\_\_\_\_\_  
Name:

Title:

Xerox Corporation

Notice of Registration Statement

and

Selling Securityholder Questionnaire

(Date)

Reference is hereby made to the Registration Rights Agreement (the "Registration Rights Agreement") between Xerox Corporation (the "Company") and the Initial Purchasers named therein. Pursuant to the Registration Rights Agreement, the Company has filed with the United States Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (the "Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Company's Convertible Subordinated Debentures due April 21, 2018 (the "Securities"), and the shares of Common Stock, par value \$1.00 per share (the "Common Stock"), issuable upon conversion thereof. A copy of the Registration Rights Agreement is attached hereto. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Each beneficial owner of Registrable Securities is entitled to have the Registrable Securities beneficially owned by it included in the Shelf Registration Statement. In order to have Registrable Securities included in the Shelf Registration Statement, this Notice of Registration Statement and Selling Securityholder Questionnaire ("Notice and Questionnaire") must be completed, executed and delivered to the Company's counsel at the address set forth herein for receipt ON OR BEFORE [DEADLINE FOR RESPONSE]. Beneficial owners of

Registrable Securities who do not complete, execute and return this Notice and Questionnaire by such date (i) will not be named as selling securityholders in the Shelf Registration Statement and (ii) may not use the Prospectus forming a part thereof for resales of Registrable Securities.

Certain legal consequences arise from being named as a selling securityholder in the Shelf Registration Statement and related Prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Shelf Registration Statement and related Prospectus.

ELECTION

The undersigned holder (the "Selling Securityholder") of Registrable Securities hereby elects to include in the Shelf Registration Statement the Registrable Securities beneficially owned by it and listed below in Item (3). The undersigned, by signing and returning this Notice and Questionnaire, agrees to be bound with respect to such Registrable Securities by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement, including, without limitation, the indemnification set forth in Section 6 of the Registration Rights Agreement, as if the undersigned Selling Securityholder were an original party thereto.

QUESTIONNAIRE

- (1) (a) Full Legal Name of Selling Securityholder:
- (b) Full Legal Name of Registered Holder (if not the same as in (a) above) of Registrable Securities Listed in (3) below:
- (c) Full Legal Name of DTC Participant (if applicable and if not the same as (b) above) Through Which Registrable Securities Listed in (3) below are Held:
- (2) Address for Notices to Selling Securityholder:

Telephone:

Fax:

Contact Person:

(3) Beneficial Ownership of Securities and shares of Common Stock issued upon conversion of Securities:

Except as set forth below in this Item (3), the undersigned does not beneficially own any Securities or shares of Common Stock issued upon conversion of any Securities.

(a) Principal amount of Registrable Securities (as defined in the Registration Rights Agreement) beneficially owned:

CUSIP No(s). of such Registrable Securities:

Number of shares of Common Stock (if any) issued upon conversion of such Registrable Securities:

(b) Principal amount of Securities other than Registrable Securities beneficially owned:

CUSIP No(s). of such other Securities:

Number of shares of Common Stock (if any) issued upon conversion of such other Securities:

(c) Principal amount of Registrable Securities which the undersigned wishes to be included in the Shelf Registration Statement:

CUSIP No(s). of such Registrable Securities to be included in the Shelf Registration Statement:

Number of shares of Common Stock (if any) issued upon conversion of Registrable Securities which are to be included in the Shelf Registration Statement:

(4) Beneficial ownership of Other Securities of the Company:

Except as set forth below in this Item (4), the undersigned Selling Securityholder is not the beneficial or registered owner of any shares of Common Stock or any other securities of the Company, other than the Securities and shares of Common Stock listed above in Item (3).

State any exceptions here:

(5) Relationships with the Company:

Except as set forth below, neither the Selling Securityholder nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

(6) Plan of Distribution:

Except as set forth below, the undersigned Selling Securityholder intends to distribute the Registrable Securities listed above in Item (3) only as follows (if at all): Such Registrable Securities may be sold from time to time directly by the undersigned Selling Securityholder or, alternatively, through underwriters, broker-dealers or agents. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions) (i) on any national securities exchange or quotation service on which the Registered Securities may be listed or quoted at the time of sale, (ii) in the over-the-counter market, (iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market, or (iv) through the writing of options. In connection with sales of the Registrable Securities or otherwise, the Selling Securityholder may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Registrable Securities in the course of hedging the positions they assume. The Selling Securityholder may also sell Registrable Securities short and deliver Registrable Securities to close out such short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities.

State any exceptions here:

Note: In no event may such method(s) of distribution take the form of an underwritten offering of the Registrable Securities without the prior agreement of the Company.

By signing below, the Selling Securityholder acknowledges that it understands its obligation to comply, and agrees that it will comply, with the provisions of the Exchange Act and the rules and regulations thereunder, particularly Regulation M.

In the event that the Selling Securityholder transfers all or any portion of the Registrable Securities listed in Item (3) above after the date on which such information is provided to the Company, the Selling Securityholder agrees to notify the transferees at the time of the transfer of its

rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

By signing below, the Selling Securityholder consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Shelf Registration Statement and related Prospectus. The Selling Securityholder understands that such information will be relied upon by the Company in connection with the preparation of the Shelf Registration Statement and related Prospectus.

The Selling Securityholder agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein which may occur subsequent to the date hereof at any time while the Shelf Registration Statement remains in effect. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing, by hand-delivery, first-class mail, or air courier guaranteeing overnight delivery as follows:

(i) To the Company:

Xerox Corporation  
800 Long Ridge Road  
P.O. Box 1600  
Stamford, Connecticut 06904  
Attention: E.M. Filter, Vice President,  
Treasurer and Secretary

Once this Notice and Questionnaire is executed by the Selling Securityholder and received by the Company, the terms of this Notice and Questionnaire, and the representations and warranties contained herein, shall be binding on, shall inure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives, and assigns of the Company and the Selling Securityholder (with respect to the Registrable Securities beneficially owned by such Selling Securityholder and listed in Item (3) above. This Agreement shall be governed in all respects by the laws of the State of New York.



IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Dated:

Selling Securityholder  
(Print/type full legal name of  
beneficial owner of  
Registrable Securities)

By:  
Name:  
Title:

XEROX CORPORATION  
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(In millions)	Three months ended		Year ended				
	March 31,		1997	1996	December 31,		1993*
	1998	1997			1995	1994	
Fixed charges:							
Interest expense	\$ 156	\$ 135	\$ 617	\$ 592	\$ 603	\$ 520	\$ 540
Rental expense	28	34	140	140	142	170	180
Total fixed charges	-----						
before capitalized interest and preferred stock dividends of subsidiaries	184	169	757	732	745	690	720
Preferred stock dividends of subsidiaries	14	6	50	-	-	-	-
Capitalized interest	-	-	-	-	-	2	5
Total fixed charges	-----						
	\$ 198	\$ 175	\$ 807	\$ 732	\$ 745	\$ 692	\$ 725
	=====						
Earnings available for fixed charges:							
Earnings**	\$ 459	\$ 450	\$ 2,268	\$ 2,067	\$ 1,980	\$ 1,602	\$ (193)
Less undistributed income in minority owned companies	(9)	(23)	(84)	(84)	(90)	(54)	(51)
Add fixed charges before capitalized interest and preferred stock dividends of subsidiaries	184	169	757	732	745	690	720
Total earnings available for fixed charges	-----						
	\$ 634	\$ 596	\$ 2,941	\$ 2,715	\$ 2,635	\$ 2,238	\$ 476
	=====						
Ratio of earnings to fixed charges (1) (2)	3.20	3.41	3.64	3.71	3.54	3.23	0.66
	=====						

(1) The ratio of earnings to fixed charges has been computed based on the Company's continuing operations by dividing total earnings available for fixed charges, excluding capitalized interest and preferred stock dividends of subsidiaries, by total fixed charges. Fixed charges consist of interest, including capitalized interest and preferred stock dividends of subsidiaries, and one-third of rent expense as representative of the interest portion of rentals. Debt has been assigned to discontinued operations based on historical levels assigned to the businesses when they were continuing operations, adjusted for subsequent paydowns. Discontinued operations consist of the Company's Insurance, Other Financial Services, and Third Party Financing and Real Estate businesses.

(2) The Company's ratio of earnings to fixed charges includes the effect of the Company's finance subsidiaries, which primarily finance Xerox equipment. Financing businesses are more highly leveraged and, therefore, tend to operate at lower earnings to fixed charges ratio levels than do non-financial businesses.

\* 1993 earnings were inadequate to cover fixed charges. The coverage deficiency was \$249 million.

\*\* Sum of "Income before Income Taxes, Equity Income and Minorities' Interests" and "Equity in Net Income of Unconsolidated Affiliates."

CERTIFICATE

I, Martin S. Wagner, Assistant Secretary of Xerox Corporation, a New York corporation (the "Company"), DO HEREBY CERTIFY that Exhibit A is a true and correct copy of a resolution duly adopted at a meeting of the Board of Directors of the Company duly held and convened on December 8, 1997, at which meeting a duly constituted quorum of the Board of Directors was present and acting throughout and that such resolution has not been modified, rescinded or revoked and is at present in full force and effect.

IN WITNESS WHEREOF, the undersigned has executed this Certificate and affixed the corporate seal of the Company hereto this 17th day of July, 1998.

MARTIN S. WAGNER

-----  
MARTIN S. WAGNER  
ASSISTANT SECRETARY

-----

EXHIBIT A

RESOLVED: that each officer and director of the Company who may be required to execute the Registration Statement or any amendment thereto be and hereby is authorized to execute a power of attorney appointing E. M. Filter, G.R. Roth and M. S. Wagner, and each of them, as true and lawful attorneys and agents to execute in his or her name, place and stead (in any such capacity) the Registration Statement and any and all amendments thereto, and any and all documents in connection therewith, and to file the same, in electronic or paper form, with the Commission, each of said attorneys and agents to have power to act with or without the other and to have the full power and authority to do and perform in the name and on behalf of each of said officers and directors, or both, as the case may be, every act whatsoever necessary or advisable to be done in the premises as fully and to all intents and purposes as any such officer or director might or could do in person.

## POWER OF ATTORNEY

Xerox Corporation (the "Company") and each person whose signature appears below hereby authorize each of E. M. Filter, M.S. Wagner and G.R. Roth (each an "appointee") to file, either in paper or electronic form, one or more registration statements and amendments thereto (including post-effective amendments), under the Securities Act of 1993, as amended, for the purpose of registering the offering and sale for cash proceeds not to exceed \$500,000,000 of zero-coupon debt securities of the Company, convertible into or exchangeable for shares of Common Stock, par value \$1.00 per share, of the Company and the shares of such Common Stock issuable upon exchange or conversion thereof, which registration statements and amendments shall contain such information and exhibits as any such appointee deems appropriate. Each such person hereby appoints each appointee as attorney-in-fact, with full power to act alone, to execute any such registration statements and any and all amendments thereto and any and all other documents in connection therewith, in the name of and on behalf of the Company and each such person, individually and in each capacity state below, to enter electronically such company identification numbers, passwords and other information as may be required to effect such filing as prescribed under the rules and regulations of the Securities and Exchange Commission (the "SEC"), and to file, either in paper or electronic form, with the SEC a form of this Power of Attorney. Each such person individually and in such capacities stated below hereby grants to said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing whatsoever that said attorney or attorneys may deem necessary or advisable to carry out fully the intent of the foregoing as the undersigned could do personally or in the capacities as aforesaid.

## XEROX CORPORATION

Dated as of December 8, 1998

By: /s/ PAUL A. ALLAIRE

-----  
 Paul A. Allaire  
 Chairman of the Board and  
 Chief Executive Officer

Chairman of the Board, Chief Executive Officer and Director  
 (Principal Executive Officer)

/s/PAUL A. ALLAIRE

-----  
(Paul A. Allaire)

Executive Vice President and Chief Financial Officer  
 (Principal Financial Officer)

/s/BARRY D. ROMERIL

-----  
(Barry D. Romeril)

Vice President and Controller  
 (Principal Accounting Officer)

/s/PHILIP D. FISHBACH

-----  
(Philip D. Fishbach)

/s/ B.R. INMAN                    Director  
 -----  
 (B.R. Inman)

/s/ N.J. NICHOLAS, JR.        Director  
 -----  
 (N.J. Nicholas, Jr.)

/s/ ANTONIA AX:SON JOHNSON    Director  
 -----  
 (Antonia Ax:son Johnson)

/s/ JOHN E. PEPPER             Director  
 -----  
 (John E. Pepper)

/s/ VERNON E. JORDAN, JR.     Director  
 -----  
 (Vernon E. Jordan, Jr.)

/s/ PATRICIA F. RUSSO         Director  
 -----  
 (Patricia F. Russo)

/s/ YOTARO KOBAYASHI          Director  
 -----  
 (Yotaro Kobayashi)

/s/ MARTHA R. SEGER            Director  
 -----  
 (Martha R. Seger)

/s/ HILMAR KOPPER              Director  
 -----  
 (Hilmar Kopper)

/s/ THOMAS C. THEOBALD        Director  
 -----  
 (Thomas C. Theobald)

/s/ RALPH S. LARSEN            Director  
 -----  
 (Ralph S. Larsen)

/s/ G. RICHARD THOMAN         Director  
 -----  
 (G. Richard Thoman)

/s/ JOHN D. MACOMBER          Director  
 -----  
 (John D. Macomber)

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM T-1

-----

STATEMENT OF ELIGIBILITY  
UNDER THE TRUST INDENTURE ACT OF 1939  
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY  
OF A TRUSTEE PURSUANT TO SECTION 305(B) (2)

-----

THE FIRST NATIONAL BANK OF CHICAGO  
(EXACT NAME OF TRUSTEE AS SPECIFIED IN ITS CHARTER)

A NATIONAL BANKING ASSOCIATION

36-0899825  
(I.R.S. EMPLOYER  
IDENTIFICATION NUMBER)

ONE FIRST NATIONAL PLAZA, CHICAGO, ILLINOIS  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

60670-0126  
(ZIP CODE)

THE FIRST NATIONAL BANK OF CHICAGO  
ONE FIRST NATIONAL PLAZA, SUITE 0286  
CHICAGO, ILLINOIS 60670-0286  
ATTN: LYNN A. GOLDSTEIN, LAW DEPARTMENT (312) 732-6919  
(NAME, ADDRESS AND TELEPHONE NUMBER OF AGENT FOR SERVICE)

-----

XEROX CORPORATION  
(EXACT NAME OF OBLIGORS AS SPECIFIED IN THEIR TRUST AGREEMENTS)

NEW YORK  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

16-0468020  
(I.R.S. EMPLOYER  
IDENTIFICATION NUMBER)

P. O. BOX 1600  
STAMFORD, CONNECTICUT  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

06904-1600  
(ZIP CODE)

CONVERTIBLE DEBENTURES DUE 2018  
(TITLE OF INDENTURE SECURITIES)

Item 1. GENERAL INFORMATION. FURNISH THE FOLLOWING  
-----  
INFORMATION AS TO THE TRUSTEE:

(A) NAME AND ADDRESS OF EACH EXAMINING OR  
SUPERVISING AUTHORITY TO WHICH IT IS SUBJECT.

Comptroller of Currency, Washington, D.C.;  
Federal Deposit Insurance Corporation,  
Washington, D.C.; The Board of Governors of  
the Federal Reserve System, Washington D.C..

(B) WHETHER IT IS AUTHORIZED TO EXERCISE  
CORPORATE TRUST POWERS.

The trustee is authorized to exercise corporate  
trust powers.

ITEM 2. AFFILIATIONS WITH THE OBLIGOR. IF THE OBLIGOR  
-----  
IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH  
SUCH AFFILIATION.

No such affiliation exists with the trustee.

ITEM 16. LIST OF EXHIBITS. LIST BELOW ALL EXHIBITS FILED AS A  
-----  
PART OF THIS STATEMENT OF ELIGIBILITY.

1. A copy of the articles of association of the  
trustee now in effect.\*
2. A copy of the certificates of authority of the  
trustee to commence business.\*
3. A copy of the authorization of the trustee to  
exercise corporate trust powers.\*
4. A copy of the existing by-laws of the trustee.\*
5. Not Applicable.
6. The consent of the trustee required by  
Section 321(b) of the Act.

7. A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.
8. Not Applicable.
9. Not Applicable.

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, The First National Bank of Chicago, a national banking association organized and existing under the laws of the United States of America, has duly caused this Statement of Eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Chicago and State of Illinois, on the 2nd day of July, 1998.

THE FIRST NATIONAL BANK OF CHICAGO,  
TRUSTEE

BY /s/ Steven M. Wagner

---

STEVEN M. WAGNER  
FIRST VICE PRESIDENT

\* EXHIBIT 1, 2, 3 AND 4 ARE HEREIN INCORPORATED BY REFERENCE TO EXHIBITS BEARING IDENTICAL NUMBERS IN ITEM 16 OF THE FORM T-1 OF THE FIRST NATIONAL BANK OF CHICAGO, FILED AS EXHIBIT 25 TO THE REGISTRATION STATEMENT ON FORM S-3 OF U S WEST CAPITAL FUNDING, INC., FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 6, 1998 (REGISTRATION NO. 333-51907-01).



EXHIBIT 6

THE CONSENT OF THE TRUSTEE REQUIRED  
BY SECTION 321(b) OF THE ACT

July 2, 1998

Securities and Exchange Commission  
Washington, D.C. 20549

Gentlemen:

In connection with the qualification of an indenture of Xerox Corporation to The First National Bank of Chicago, as Trustee, the undersigned, in accordance with Section 321(b) of the Trust Indenture Act of 1939, as amended, hereby consents that the reports of examinations of the undersigned, made by Federal or State authorities authorized to make such examinations, may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

Very truly yours,

THE FIRST NATIONAL BANK OF CHICAGO

BY: /s/ Steven M. Wagner

---

STEVEN M. WAGNER  
FIRST VICE PRESIDENT

EXHIBIT 7

Legal Title of Bank: The First National Bank of Chicago Call Date: 03/31/98 ST-BK: 17-1630 FFIEC 031  
 Address: One First National Plaza, Ste 0460 Page RC-1  
 City, State Zip: Chicago, IL 60670  
 FDIC Certificate No.: 0/3/6/1/8  
 -----

CONSOLIDATED REPORT OF CONDITION FOR INSURED COMMERCIAL  
 AND STATE-CHARTERED SAVINGS BANKS FOR MARCH 31, 1998

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding of the last business day of the quarter.

SCHEDULE RC--BALANCE SHEET

	DOLLAR AMOUNTS IN THOUSANDS		C400
			-----
<b>ASSETS</b>			
1. Cash and balances due from depository institutions (from Schedule RC-A):			
	RCFD		
	----		
a. Noninterest-bearing balances and currency and coin(1).....	0081	4,141,168	1.a
b. Interest-bearing balances (2).....	0071	5,142,787	1.b
2. Securities			
a. Held-to-maturity securities (from Schedule RC-B, column A)....	1754	0	2.a
b. Available-for-sale securities (from Schedule RC-B, column D)..	1773	7,819,811	2.b
3. Federal funds sold and securities purchased under agreements to resell	1350	5,619,157	3.
4. Loans and lease financing receivables:			
a. Loans and leases, net of unearned income (from Schedule RC-C).....	RCFD ----		
	2122	26,140,376	4.a
b. LESS: Allowance for loan and lease losses.....	3123	417,371	4.b
c. LESS: Allocated transfer risk reserve.....	3128	0	4.c
d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c).....	RCFD ----		
	2125	25,723,005	4.d
5. Trading assets (from Schedule RD-D)	3545	5,795,159	5.
6. Premises and fixed assets (including capitalized leases)	2145	757,033	6.
7. Other real estate owned (from Schedule RC-M).....	2150	6,547	7.
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M).....	2130	135,327	8.
9. Customers' liability to this bank on acceptances outstanding....	2155	512,763	9.
10. Intangible assets (from Schedule RC-M).....	2143	261,456	10.
11. Other assets (from Schedule RC-F).....	2160	2,223,495	11.
12. Total assets (sum of items 1 through 11).....	2170	58,137,708	12.

-----  
 (1) Includes cash items in process of collection and unposted debits.  
 (2) Includes time certificates of deposit not held for trading.

Legal Title of Bank: The First National Bank of Chicago Call Date: 03/31/98 ST-BK: 17-1630 FFIEC 031  
 Address: One First National Plaza, Ste 0460 Page RC-2  
 City, State Zip: Chicago, IL 60670  
 FDIC Certificate No.: 0/3/6/1/8  
 -----

SCHEDULE RC-CONTINUED

DOLLAR AMOUNTS IN  
 THOUSANDS  
 -----

LIABILITIES

13. Deposits:				
a. In domestic offices (sum of totals of columns A and C			RCON	
			----	
from Schedule RC-E, part 1).....	2200	21,551,932		13.a
(1) Noninterest-bearing(1).....	6631	9,361,049		13.a1
(2) Interest-bearing.....	6636	12,190,883		13.a2
b. In foreign offices, Edge and Agreement subsidiaries, and			RCFN	
			----	
IBFs (from Schedule RC-E, part II).....	2200	14,511,110		13.b
(1) Noninterest bearing.....	6631	604,859		13.b1
(2) Interest-bearing.....	6636	13,906,251		13.b2
14. Federal funds purchased and securities sold under agreements				
to repurchase:			RCFD 2800	14
15. a. Demand notes issued to the U.S. Treasury			RCON 2840	15.a
b. Trading Liabilities (from Schedule RC-D).....			RCFD 3548	15.b
16. Other borrowed money:			RCFD	
			----	
a. With original maturity of one year or less.....	2332	3,134,696		16.a
b. With original maturity of more than one year.....	A547	381,681		16.b
c. With original maturity of more than three years .....	A548	326,551		16.c
17. Not applicable				
18. Bank's liability on acceptance executed and outstanding.....	2920	512,763		18.
19. Subordinated notes and debentures.....	3200	2,000,000		19.
20. Other liabilities (from Schedule RC-G).....	2930	1,163,747		20.
21. Total liabilities (sum of items 13 through 20).....	2948	53,450,788		21.
22. Not applicable				
EQUITY CAPITAL				
23. Perpetual preferred stock and related surplus.....	3838	0		23.
24. Common stock.....	3230	200,858		24.
25. Surplus (exclude all surplus related to preferred stock).....	3839	3,107,585		25.
26. a. Undivided profits and capital reserves.....	3632	1,359,598		26.a
b. Net unrealized holding gains (losses) on available-for-sale				
securities.....	8434	18,975		26.b
27. Cumulative foreign currency translation adjustments.....	3284	(96)		27.
28. Total equity capital (sum of items 23 through 27).....	3210	4,686,920		28.
29. Total liabilities, limited-life preferred stock, and equity				
capital (sum of items 21, 22, and 28).....	3300	58,137,708		29.

Memorandum

To be reported only with the March Report of Condition.

1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external Number auditors as of any date during 1996 . . . . .RCFD 6724 M.1.

- |  |   |
|--|---|
| 1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank  | 4 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority) |
| 2= Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately) | 5 = Review of the bank's financial statements by external auditors  |
| 3 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)  | 6 = Compilation of the bank's financial statements by external auditors   |
|  | 7 = Other audit procedures (excluding tax preparation work)   |
|  | 8 = No external audit work  |

(1) Includes total demand deposits and noninterest-bearing time and savings deposits.