

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  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)  
16-0468020  
(I.R.S. EMPLOYER  
IDENTIFICATION 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 to be 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. /X/.

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. /X/

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)(2)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(3)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)(3)	AMOUNT OF REGISTRATION FEE
Debt Securities.....	\$1,015,000,000	100%	\$1,015,000,000	\$307,576

(1) In U.S. dollars or equivalent thereof in foreign denominated currency or units consisting of multiple currencies.

(2) Or, if any securities are issued at original issue discount, such greater amount as shall result in aggregate proceeds of \$1,015,000,000 to the Registrant.

(3) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

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STATEMENT PURSUANT TO RULE 429(B)

THE PROSPECTUS CONTAINED IN THIS REGISTRATION STATEMENT IS A COMBINED PROSPECTUS WHICH ALSO COVERS UP TO \$185,000,000 OF DEBT SECURITIES OF THE COMPANY HERETOFORE COVERED BY REGISTRATION STATEMENT NO. 33-54629. THE AMOUNT OF THE REGISTRATION FEE ASSOCIATED WITH SUCH DEBT SECURITIES THAT WAS PREVIOUSLY PAID WITH SUCH PRIOR REGISTRATION STATEMENT IS \$56,061. THIS REGISTRATION STATEMENT ALSO CONSTITUTES POST-EFFECTIVE AMENDMENT NO. 1 WITH RESPECT TO SUCH REGISTRATION STATEMENT NO. 33-54629, AND SUCH POST-EFFECTIVE AMENDMENT SHALL HEREAFTER BECOME EFFECTIVE CONCURRENTLY WITH THE EFFECTIVENESS OF THIS REGISTRATION STATEMENT IN ACCORDANCE WITH SECTION 8(C) OF THE SECURITIES ACT OF 1933.

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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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PROSPECTUS SUPPLEMENT  
 (TO PROSPECTUS DATED )  
 U.S. \$1,200,000,000  
 XEROX CORPORATION  
 Medium-Term Notes, Series D  
 Due Nine Months or More from Date of Issue

RULE 424(B)(2)  
 FILE NO. 333-

Xerox Corporation ("Xerox" or the "Company") may offer from time to time its Medium-Term Notes, Series D (the "Notes") initially limited in aggregate principal amount (or, if any Notes are to be issued as Discount Notes or Indexed Notes (each as defined below), aggregate initial offering price) to U.S. \$1,200,000,000 or the equivalent in foreign currencies or currency units. Each Note will mature nine months or more from the date of issue, as selected by the purchaser and agreed to by the Company, and may be subject to redemption and/or repayment prior to the Maturity Date (as defined below). The Notes may be denominated in U.S. dollars or in such foreign currencies or currency units (the "Specified Currency") as may be described in a pricing supplement to this Prospectus Supplement (a "Pricing Supplement"). Unless otherwise specified in the applicable Pricing Supplement, Notes denominated in a Specified Currency other than U.S. dollars or European Currency Units ("ECU") will not be sold in or to residents of the country issuing such Specified Currency. See "Important Currency Exchange Information" and "Currency-Related Risk Factors -- Foreign Currency Risks." Each Note will bear interest at a fixed rate (a "Fixed Rate Note"), which may be zero in the case of certain Notes issued at a price representing a substantial discount from the principal amount payable upon the Maturity Date, or at a floating rate (a "Floating Rate Note"), as set forth therein and specified in the applicable Pricing Supplement. A Fixed Rate Note may pay a level amount in respect of both interest and principal amortized over the life of such Note (an "Amortizing Note"). See "Description of Notes -- Fixed Rate Notes." The principal amount payable at maturity of, or the interest on, each Note, or both, may be determined by reference to the relationship between two or more Specified Currencies (a "Currency Indexed Note"), or by reference to the price of one or more specified securities or commodities or to one or more securities or commodities exchange indices or other indices or by other similar methods (an "Indexed Note," such term to include Currency Indexed Notes) as described in the applicable Pricing Supplement. See "Description of Notes -- Currency Indexed Notes" and "Description of Notes -- Other Indexed Notes."

Unless otherwise specified in the applicable Pricing Supplement, the dates on which interest, if any, will be payable for each Fixed Rate Note (other than an Amortizing Note) will be April 15 and October 15 of each year and at Maturity (as defined below). The dates on which interest will be payable for each Floating Rate Note will be established on the date of issue of such Note and will be set forth in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, each Amortizing Note will pay principal and interest (i) semi-annually each April 15 and October 15, or (ii) quarterly each January 15, April 15, July 15 and October 15 and (iii) at Maturity.

The aggregate amount of debt of the Company outstanding as of June 30, 1996 was approximately \$12,762,000,000.

Unless otherwise specified in the applicable Pricing Supplement, the Notes will be issued only in registered form in minimum denominations of U.S. \$1,000 and any amount in excess thereof that is an integral multiple thereof or, in the case of Notes denominated in a Specified Currency other than U.S. dollars, the authorized denominations set forth in the applicable Pricing Supplement. See "Description of Notes -- General."

Each Note will be represented by either a Global Security registered in the name of a nominee of The Depository Trust Company, as Depository, or other depository (a "Book-Entry Note"), or a certificate issued in definitive form (a "Certificated Note"), as set forth in the applicable Pricing Supplement. Beneficial Interests in Book-Entry Notes will be shown on, and transfers thereof will be effected only through, records maintained by the Depository and its participants. See "Description of Notes -- Global Securities and Book-Entry System."

FOR A DISCUSSION OF CERTAIN CURRENCY-RELATED FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES OFFERED HEREBY, SEE "CURRENCY-RELATED RISK FACTORS" ON PAGE S-2.

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 SUPPLEMENT, ANY PRICING SUPPLEMENT HERETO OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC(1)(2)	AGENTS' COMMISSIONS(2)(3)	PROCEEDS TO COMPANY(2)(3)(4)
Per Note.....	100.000%	.125% - .750%	99.875% - 99.250%
Total.....	U.S. \$1,200,000,000	U.S. \$1,500,000 - U.S. \$9,000,000	U.S. \$1,198,500,000 - U.S. \$1,191,000,000

- (1) Unless otherwise specified in the applicable Pricing Supplement, the Price to Public will be 100% of the principal amount.
- (2) Or the equivalent thereof in foreign denominated currencies or units consisting of multiple currencies.
- (3) Unless otherwise specified in the applicable Pricing Supplement, with respect to Notes with Maturity Dates of 30 years or less from the date of issue, the Company will pay a commission (or grant a discount) to CS First Boston Corporation, Goldman, Sachs & Co., Lehman Brothers, Lehman Brothers Inc., Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities Inc. or Salomon Brothers Inc, or to any other person subsequently appointed by the Company (each an "Agent," and collectively the "Agents"), ranging from .125% to .750% of the principal amount of each Note, depending upon its Maturity Date, sold through such Agent, and may sell Notes to any Agent, as principal, at a discount for resale to purchasers at varying prices related to prevailing market prices at the time of resale, or, if set forth in the applicable Pricing Supplement, at a fixed public offering price, to be determined by such Agent. With respect to Notes with a Maturity Date that is longer than 30 years from the date of issue sold through any Agent, the rate of commission (or discount) will be negotiated at the time of sale and will be specified in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, any Note purchased by an Agent as principal will be purchased at 100% of the principal amount thereof less a percentage equal to the commission applicable to an agency sale of a Note of identical maturity. No commission will be payable on any sales made directly by the Company. See "Plan of Distribution."
- (4) Before deducting expenses payable by the Company estimated at \$772,576, including reimbursement of Agents' expenses.

The Notes are offered on a continuous basis by the Company through the Agents, each of which has agreed to use its reasonable best efforts to solicit purchases of the Notes. The Company reserves the right to appoint additional agents for the purpose of soliciting offers to purchase the Notes and the Company further reserves the right to sell, and may accept offers to purchase, the Notes directly on its own behalf in those jurisdictions where it is authorized to do so. The Notes will not be listed on any securities exchange, and there can be no assurance that the Notes offered by this Prospectus Supplement will be sold or that there will be a secondary market for the Notes. The Company reserves the right to withdraw, cancel or modify the offer made hereby without notice. The Company, any Agent or any other agent who solicits any offer may reject such offer in whole or in part. See "Plan of Distribution."

CS FIRST BOSTON  
GOLDMAN, SACHS & CO.  
LEHMAN BROTHERS  
MERRILL LYNCH & CO.  
J.P. MORGAN & CO.  
SALOMON BROTHERS INC

The date of this Prospectus Supplement is October , 1996.

## CURRENCY-RELATED RISK FACTORS

This Prospectus Supplement does not describe all of the risks of an investment in Notes that result from such Notes being denominated or payable in or with respect to which payments are determined by reference to a currency or composite currency other than United States dollars or to one or more interest rates, currencies or other indices or formulas, either as such risks exist on the date of this Prospectus Supplement or as they may change from time to time. Prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in such Notes. Such Notes are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions or transactions involving the applicable interest rate, currency or other indices or formulas.

## FOREIGN CURRENCY RISKS

## Governing Law and Judgments

The Notes will be governed by and construed in accordance with the laws of the State of New York. Courts in the United States have not customarily rendered judgments for money damages denominated in any currency other than the U.S. dollar. New York statutory law provides, however, that a court shall render a judgment or decree in the foreign currency of the underlying obligation and that the judgment or decree shall be converted into U.S. dollars at a rate of exchange prevailing on the date of the entry of the judgment or decree.

## Exchange Rates and Exchange Controls

An investment in Notes that are denominated in, or the payment of which is related to the value of, a Specified Currency other than U.S. dollars ("Foreign Currency Notes") entails significant risks that are not associated with a similar investment in a security denominated in U.S. dollars. Similarly, an investment in a Currency Indexed Note entails significant risks that are not associated with a similar investment in non-Indexed Notes. Such risks include, without limitation, the possibility of significant market changes in rates of exchange between the U.S. dollar and the various foreign currencies or composite currencies (and, in the case of Currency Indexed Notes, the rate of exchange between the Specified Currency and the Indexed Currency for such Currency Indexed Notes), the possibility of significant changes in rates of exchange between the U.S. dollar and the various foreign currencies resulting from official redenomination with respect to a Specified Currency and the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments. Such risks generally depend on factors over which the Company has no control, such as economic and political events and on the supply of and demand for the relevant currencies. In recent years, rates of exchange between the U.S. dollar and certain foreign currencies have been volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in the rate that may occur during the term of any Foreign Currency Note. Depreciation of the Specified Currency of a Foreign Currency Note against the U.S. dollar would result in a decrease in the effective yield of such Foreign Currency Note below its coupon rate, and in certain circumstances could result in a loss to the investor, on a U.S. dollar basis. Similarly, depreciation of the Denominated Currency with respect to a Currency Indexed Note against the applicable Indexed Currency would result in the principal amount payable with respect to such Currency Indexed Note at the Maturity Date being less than the Face Amount of such Currency Indexed Note which, in turn, would decrease the effective yield of such Currency Indexed Note below its applicable interest rate and could also result in a loss to the investor. See "Description of Notes -- Currency Indexed Notes".

The Foreign Currency Notes provide that, in the event of an official redenomination of a foreign currency or currency unit, the obligations of the Company with respect to payments on Foreign Currency Notes denominated in such foreign currency or currency unit shall, in all cases, be deemed immediately following such redenomination to provide for the payment of that amount of redenominated currency representing the amount of such obligations immediately before such redenomination. In no event, however, shall any adjustment be made to any amount payable under the Notes as a result of (a) any

change in the value of a foreign currency or currency unit relative to any other currency due solely to fluctuations in exchange rates or (b) any redenomination of any component currency of any foreign currency unit (unless such foreign currency unit is itself officially redenominated).

Governments have imposed from time to time, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of a Specified Currency at an Interest Payment Date or at Maturity of a Foreign Currency Note. There can be no assurance that exchange controls will not restrict or prohibit payments of principal (and premium, if any) or interest in any Specified Currency other than U.S. dollars. Even if there are no actual exchange controls, it is possible that at an Interest Payment Date or at Maturity of any particular Foreign Currency Note, the Specified Currency for such Foreign Currency Note would not be available to the Company due to circumstances beyond the control of the Company. In any such event, the Company will make required payments in U.S. dollars on the basis described herein. See "Payment Currency".

THIS PROSPECTUS SUPPLEMENT, ANY PRICING SUPPLEMENT HERETO AND THE ACCOMPANYING PROSPECTUS DO NOT DESCRIBE ALL THE RISKS OF AN INVESTMENT IN FOREIGN CURRENCY NOTES OR CURRENCY INDEXED NOTES. PROSPECTIVE INVESTORS SHOULD THEREFORE CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS ENTAILLED BY AN INVESTMENT IN FOREIGN CURRENCY NOTES OR CURRENCY INDEXED NOTES. SUCH NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR INVESTORS WHO ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY TRANSACTIONS.

Currently, there are limited facilities in the United States for conversion of U.S. dollars into foreign currencies, and vice versa. In addition, banks currently do not generally offer non-U.S. dollar denominated checking or savings account facilities in the United States. Accordingly, payments on Foreign Currency Notes made in a Specified Currency other than U.S. dollars will be made from an account with a bank located outside the United States. See "Payment Currency".

Unless otherwise specified in the applicable Pricing Supplement, Notes denominated in a Specified Currency other than U.S. dollars or ECU will not be sold in or to residents of the country issuing the Specified Currency. The information set forth in this Prospectus Supplement is directed to prospective purchasers who are United States residents, and the Company disclaims any responsibility to advise prospective purchasers who are residents of countries other than the United States with respect to any matters that may affect the purchase, holding or receipt of payments of principal (and premium, if any) or interest on the Notes. Such persons should consult their own counsel with regard to such matters.

Pricing Supplements relating to Foreign Currency Notes or Indexed Notes will contain information concerning historical exchange rates for the applicable Specified Currency against the U.S. dollar or other relevant currency and a description of the currency or currencies and any exchange controls affecting such currency or currencies. The information therein concerning exchange rates is furnished as a matter of information only and should not be regarded as indicative of the range of or trends in fluctuations in currency exchange rates that may occur in the future.

#### Payment Currency

Except as set forth below, if payment on a Foreign Currency Note is required to be made in a Specified Currency other than U.S. dollars and such currency is unavailable due to the imposition of exchange controls or other circumstances beyond the Company's control, or is no longer used by the government of the country issuing such currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments due on that due date with respect to such Foreign Currency Note shall be made in U.S. dollars. The amount so payable on any date in such Specified Currency shall be converted into U.S. dollars at a rate determined by the Exchange Rate Agent on the basis of the noon buying rate in The City of New York for cable transfers in the Specified Currency as certified for customs purposes by the Federal Reserve Bank of New York (the "Market Exchange Rate") for such Specified Currency on the second Business Day prior to such payment date, or as otherwise indicated in an applicable Pricing Supplement. In the event such Market

Exchange Rate is not then available, the Company will be entitled to make payments in U.S. dollars (i) if such Specified Currency is not a composite currency, on the basis of the most recently available Market Exchange Rate for such Specified Currency or (ii) if such Specified Currency is a composite currency, in an amount determined by the Exchange Rate Agent to be the sum of the results obtained by multiplying the number of units of each component currency of such composite currency, as of the most recent date on which such composite currency was used, by the Market Exchange Rate for such component currency on the second Business Day prior to such payment date (or, if such Market Exchange Rate is not then available, by the most recently available Market Exchange Rate for such component currency).

If payment on a Foreign Currency Note is required to be made in ECU and ECU are unavailable due to the imposition of exchange controls or other circumstances beyond the Company's control, or are no longer used in the European Monetary System, all payments due on that due date with respect to such Foreign Currency Notes shall be made in U.S. dollars. The amount so payable on any date in ECU shall be converted into U.S. dollars at a rate determined by the Exchange Rate Agent as of the second Business Day prior to the date on which such payment is due on the following basis. The component currencies of the ECU for this purpose (the "Components") shall be the currency amounts that were components of the ECU as of the last date on which ECU were used in the European Monetary System. The equivalent of ECU in U.S. dollars shall be calculated by aggregating the U.S. dollar equivalents of the Components. The U.S. dollar equivalent of each of the Components shall be determined by the Exchange Rate Agent on the basis of the most recently available Market Exchange Rate, or as otherwise indicated in the applicable Pricing Supplement.

If the official unit of any component currency is altered by way of combination or subdivision, the number of units of that currency as a Component shall be divided or multiplied in the same proportion. If two or more component currencies are consolidated into a single currency, the amounts of those currencies as Components shall be replaced by an amount in such single currency equal to the sum of the amounts of the consolidated component currencies expressed in such single currency. If any component currency is divided into two or more currencies, the amount of that currency as a Component shall be replaced by amounts of such two or more currencies, each of which shall have a value on the date of division equal to the amount of the former component currency divided by the number of currencies into which that currency was divided.

All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion (except to the extent expressly provided herein that any determination is subject to approval by the Company) and, in the absence of manifest error, shall be conclusive for all purposes and binding on Holders of the Notes and the Exchange Rate Agent shall have no liability therefor.

#### RISKS ASSOCIATED WITH INDEXED NOTES

An investment in Notes indexed, as to principal or interest or both, to one or more values of currencies or composite currencies (including exchange rates and swap indices or formulas between currencies or composite currencies), commodities or interest rate indices entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. If the interest rate on such a Note is so indexed, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued at the same time, including the possibility that no interest will be paid or that negative interest will accrue, and, if the principal amount of such a Note is so indexed, the principal amount payable at maturity may be less than the original purchase price of such Note if allowed pursuant to the terms of such Note, including the possibility that no principal will be paid, or if such principal amount is utilized to net against accrued negative interest, the principal amount payable at maturity may be less than the original purchase price of such Note if allowed pursuant to the terms of such Note, including the possibility that no principal will be paid. The secondary market for such Notes will be affected by a number of factors, independent of the creditworthiness of the issuer and the value of the applicable currency, commodity or interest rate index, the time remaining to the maturity of such Notes, the amount outstanding of such Notes and market interest rates. The value of the applicable currency, commodity or interest rate index depends on a number of interrelated factors, including economic,

financial and political events, over which the Company has no control. Additionally, if the formula used to determine the principal amount or interest payable with respect to such Notes contains a multiple or leverage factor, the effect of any change in the applicable currency, commodity or interest rate index will be increased. The historical experience of the relevant currencies, commodities or interest rate indices should not be taken as an indication of future performance of such currencies, commodities or interest rate indices during the term of any Note. The credit ratings assigned to the Company's medium-term note program are a reflection of the Company's credit status, and, in no way, are a reflection of the potential impact of the factors discussed above, or any other factors, on the market value of the Notes. Accordingly, prospective investors should consult their own financial and legal advisors as to the risk entailed by an investment in such Notes and the suitability of such Notes in light of their particular circumstances.

#### DESCRIPTION OF NOTES

The Notes are a series of Debt Securities described in the accompanying Prospectus. Reference should be made to the accompanying Prospectus for a detailed summary of additional provisions of the Notes and of the indenture under which the Notes are issued. Unless otherwise specified in a Pricing Supplement, the following description of the Notes will apply.

#### GENERAL

The Notes are to be issued as a series of Debt Securities initially limited to U.S. \$1,200,000,000 aggregate principal amount (or if any Notes are to be issued as Discount Notes or Indexed Notes (each as defined below), aggregate initial offering price), or the equivalent in foreign currencies or currency units, under an indenture dated as of September 20, 1996 (as the same may be amended, supplemented or modified from time to time, the "Indenture"), between the Company and Citibank, N.A., as trustee (the "Trustee"), which Indenture is described more fully under "Description of the Debt Securities" in the accompanying Prospectus. The Company may, however, increase the foregoing limit if it determines in the future that it wishes to sell additional Notes. The U.S. dollar equivalent of Notes denominated in a Specified Currency other than U.S. dollars will be determined upon issuance by the Exchange Rate Agent (as defined below), on the basis of the Market Exchange Rate (as defined below) for such Specified Currency on the applicable trade dates. The statements herein concerning the Notes and the Indenture do not purport to be complete. They are qualified in their entirety by reference to the provisions of the Indenture, including the definitions of certain terms used herein without definition. The Notes constitute a single series for purposes of the Indenture.

The Notes will be offered on a continuous basis and will mature on any day nine months or more from the date of issue, as selected by the purchaser and agreed to by the Company, and may be subject to redemption and/or repayment prior to their Maturity Date if so provided in the applicable Pricing Supplement. See "Redemption and Repayment" below. Each Note will bear interest from the Original Issue Date (as defined below) at either (a) a fixed rate, which may be zero in the case of a Note issued at an Issue Price (as defined below) representing a substantial discount from the principal amount payable upon the Maturity Date (a "Zero-Coupon Note"), or (b) a floating rate or rates determined by reference to one or more Base Rates which may be adjusted by a Spread and/or Spread Multiplier, if any (each as defined below).

The Notes will be issued initially as either Book-Entry Notes or Certificated Notes in fully registered form without coupons. Except as set forth in the Prospectus under "Description of the Debt Securities -- Global Securities" and under "Global Securities and Book-Entry System" below, Book-Entry Notes will not be issuable as Certificated Notes.

Unless otherwise specified in the applicable Pricing Supplement, the authorized denominations of Notes denominated in U.S. dollars will be U.S. \$1,000 and any integral multiple in excess thereof. The



authorized denominations of Notes denominated in a Specified Currency other than U.S. dollars will be as set forth in the applicable Pricing Supplement.

The Notes will constitute unsecured and unsubordinated indebtedness of the Company. See "Description of the Debt Securities -- General" in the Prospectus. The Pricing Supplement will indicate either that the Notes cannot be redeemed prior to their Maturity Date or that the Notes will be redeemable at the option of the Company on or after a specified date prior to their Maturity Date at par or at prices declining from a specified premium to par after a later date, together with accrued interest to the date of redemption. The Pricing Supplement will also indicate either that the Notes cannot be repaid prior to their Maturity Date or that the Notes will be repayable at the option of the Holder thereof on a date or dates specified prior to their Maturity Date at the price or prices set forth in the applicable Pricing Supplement, together with accrued interest to the date of repayment. The Notes will not be subject to any sinking fund. See "Redemption and Repayment" below.

References herein to "U.S. dollars", "dollars", "U.S.\$" or "\$" are to the currency of the United States of America.

Unless otherwise specified in the applicable Pricing Supplement, as used herein:

(i) "Business Day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York and (x) with respect to Notes denominated in a Specified Currency other than U.S. dollars or ECUs, in the Principal Financial Center (as defined below) of the country of such Specified Currency, (y) with respect to Notes denominated in ECUs, in the City of London and Luxembourg City, Luxembourg, and (z) with respect to LIBOR Notes (as defined below), is also a London Banking Day. "London Banking Day" means any day (i) if the Index Currency (as defined below) is other than ECU, on which dealings in such Index Currency are transacted in the London interbank market or (ii) if the Index Currency is ECU, that is not designated as an ECU Non-Settlement Day by the ECU Banking Association or is otherwise generally regarded in the ECU interbank market as a day on which payments in ECUs shall be made.

(ii) "Discount Note" means (a) a Note, including any Zero-Coupon Note, that has been issued at an issue price lower than the principal amount thereof and which provides that upon redemption, repayment or acceleration of the maturity thereof an amount less than the principal amount thereof will become due and payable and (b) any other Note that for United States Federal income tax purposes would be considered an original issue discount note; and

(iii) "Maturity Date" with respect to any Note means the date on which such Note will mature, as specified therein, and "Maturity" means the date on which the principal of a Note becomes due and payable in accordance with its terms, whether at its Maturity Date or by declaration of acceleration, call for redemption, put for repayment or otherwise.

The Pricing Supplement relating to each Note will describe the following terms: (1) the Specified Currency with respect to such Note (and, if such Specified Currency is other than U.S. dollars, certain other terms relating to such Note); (2) whether such Note is a Fixed Rate Note, an Amortizing Note, a Floating Rate Note, a Discount Note or a Zero-Coupon Note; (3) whether such Note is a Currency Indexed Note or other Indexed Note, and if so the special terms thereof; (4) if other than 100%, the price (expressed as a percentage of the aggregate principal amount thereof) at which such Note will be issued (the "Issue Price"); (5) the date on which such Note will be issued (the "Original Issue Date"); (6) the Maturity Date of such Note and whether such Maturity Date may be extended by the Company; (7) if such Note is a Fixed Rate Note, the rate per annum at which such Note will bear interest, if any; (8) if such Note is a Floating Rate Note, the Base Rate, the Initial Interest Rate, the Interest Reset Period, the Interest Reset Dates, the Interest Payment Dates, the Index Maturity, the Maximum Interest Rate and

Minimum Interest Rate, if any, and the Spread and/or Spread Multiplier, if any (all as defined herein), and any other terms relating to the particular method of calculating the interest rate for such Note; (9) if such Note is an Amortizing Note, whether payments of principal thereof and interest thereon will be made quarterly or semi-annually, and the repayment information in respect thereof; (10) whether such Note may be redeemed or repaid prior to its Maturity Date, and if so, the provisions relating to such redemption or repayment; (11) whether such Note will be issued initially as a Book-Entry Note or a Certificated Note; (12) original issue discount provisions, if any, and (13) any other terms of such Note not inconsistent with the provisions of the Indenture.

#### PAYMENT OF PRINCIPAL AND INTEREST

Unless otherwise specified in the applicable Pricing Supplement and except as otherwise provided with respect to Currency Indexed Notes, the principal (and premium, if any) and interest, if any, on the Notes will be paid by the Company in U.S. dollars in the manner described in the following paragraphs, even if a Note is denominated in a Specified Currency other than U.S. dollars; provided, however, that the Holder of a Note may (if such Note is denominated in a Specified Currency other than U.S. dollars and if the applicable Pricing Supplement and the Note so indicate) elect to receive all such payments in such Specified Currency (subject to certain conditions, see "Foreign Currency Risks -- Payment Currency") by delivery of a written request to the Company's paying agent (the "Paying Agent") in The City of New York, which must be received by the Paying Agent on or prior to the applicable record date or at least fifteen calendar days prior to Maturity, as the case may be. Such election shall remain in effect unless and until changed by written notice to the Paying Agent, but the Paying Agent must receive written notice of any such change on or prior to the applicable record date or at least fifteen calendar days prior to Maturity, as the case may be. Until the Notes are paid or payment thereof is provided for, the Company will, at all times, maintain a Paying Agent in The City of New York capable of performing the duties described herein to be performed by the Paying Agent. The Company has initially appointed Citibank, N.A., New York, New York as Paying Agent. The Company will notify the Holders of the Notes in accordance with the indenture of any change in the Paying Agent or its address.

All currency exchange costs, if any, will be borne by the Company unless any Holder of a Note has made the election referred to in the preceding paragraph. In that case, each electing Holder shall bear its pro-rata portion of currency exchange costs, if any, by deductions from payments otherwise due to such Holder.

Unless otherwise specified in the applicable Pricing Supplement, in the case of a Note denominated in a Specified Currency other than U.S. dollars, unless the Holder thereof has elected otherwise, the amount of U.S. dollar payments in respect of such Note will be determined by an agent appointed by the Company (the "Exchange Rate Agent"), which shall initially be Citibank, N.A., based on the highest firm bid quotation received by such Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date, from three recognized foreign exchange dealers selected by the Exchange Rate Agent and approved by the Company (one of which may be the Exchange Rate Agent) for the purchase by the quoting dealer, for settlement on such payment date, of the aggregate amount of the Specified Currency payable on such payment date in respect of all Notes denominated in such Specified Currency on which payments are to be made in U.S. dollars. If three such bid quotations are not available, payments will be made in the Specified Currency, which will yield the largest number of U.S. dollars when the Company is receiving U.S. dollars in lieu of the Specified Currency and will require the smallest number of U.S. dollars when the Company is paying U.S. dollars in lieu of the Specified Currency. Unless otherwise specified in the applicable Pricing Supplement, such selection shall be made from among the quotations appearing in the display "page" within the Reuters or Telerate Monitor Foreign Exchange Service, as may be agreed to by the Company and such Exchange Rate Agent (or, if such display "page" is not available or such Specified Currency is a composite currency for which separate current composite currency quotations are not available, such other comparable display or other comparable manner of obtaining quotations as may be agreed to by the Company and such Exchange Rate Agent), used to determine the U.S. dollar equivalent of such

Specified Currency (the "Exchange Rate"). If no such indicative quotations are available, payments will be made in the Specified Currency unless such Specified Currency is unavailable due to the imposition of exchange controls or to other circumstances beyond the Company's control, in which case the Company will be entitled to make payments as described under "Currency-Related Risk Factors -- Foreign Currency Risks -- Payment Currency".

In the event of an official redenomination of a Specified Currency, the obligations of the Company with respect to payments on Notes denominated in such Specified Currency shall, in all cases, be deemed immediately following such redenomination to provide for payment of that amount of redenominated currency representing the amount of such obligations immediately before such redenomination. In no event, however, shall any adjustment be made to any amount payable under the Notes as a result of any change in the value of such Specified Currency relative to any other currency due solely to fluctuations in exchange rates. See "Currency-Related Risk Factors -- Foreign Currency Risks -- Exchange Rates and Exchange Controls".

Unless otherwise specified in the applicable Pricing Supplement, interest on Certificated Notes and principal of Amortizing Notes (issued in certificated form) (in each case, other than interest or, in the case of Amortizing Notes, principal paid at Maturity) will be paid by mailing a check (from an account at a bank outside the United States if such interest is payable in a currency other than U.S. dollars) to the Holder at the address of such Holder appearing on the security register of the Company on the applicable record date (which, in the case of Global Securities representing Book-Entry Notes, will be a nominee of the Depository); provided, however, that in the case of a Note issued between a Regular Record Date and the initial Interest Payment Date relating to such Regular Record Date, interest for the period beginning on the Original Issue Date and ending on such initial Interest Payment Date shall be paid on the next succeeding Interest Payment Date to the registered Holder of such Note on the related Regular Record Date. Notwithstanding the foregoing, a Holder of U.S. \$10,000,000 or more in aggregate principal amount of Notes of like tenor and terms (or a Holder of the equivalent thereof in a Specified Currency other than U.S. dollars) shall be entitled to receive such interest payments by wire transfer in immediately available funds, but only if appropriate instructions have been received in writing by the Paying Agent on or prior to the applicable Record Date. Simultaneously with the election by any Holder to receive payments in a Specified Currency other than U.S. dollars (as provided above), such Holder may, if applicable, provide appropriate instructions to the Paying Agent, and all such payments will be made in immediately available funds to an account maintained by the payee with a bank located outside the United States. Unless otherwise specified in the applicable Pricing Supplement, payments of principal (and premium, if any) and interest at Maturity will be made to the Holder on the date of Maturity in immediately available funds (payable to an account maintained by the payee with a bank located outside of the United States if payable in a Specified Currency other than U.S. dollars) upon surrender of the Notes at the Corporate Trust Office of Citibank, N.A. in the Borough of Manhattan, The City of New York (or at such other location as may be specified in the applicable Pricing Supplement), provided that the Note is presented to the Paying Agent in time for the Paying Agent to make such payments in such funds in accordance with its customary procedures. See "Important Currency Exchange Information" below. The Company will pay any administrative costs imposed by banks in connection with making payments in immediately available funds, but any tax, assessment or governmental charge imposed upon payments will be borne by the Holders of the Notes in respect of which such payments are made.

Each date on which interest is payable on a Note (other than at Maturity) is referred to herein as an "Interest Payment Date". The Interest Payment Dates and the Regular Record Dates for Fixed Rate Notes shall be as described below under "Fixed Rate Notes". The Interest Payment Dates for Floating Rate Notes shall be as indicated in the applicable Pricing Supplement and, unless otherwise specified in the applicable Pricing Supplement, each "Regular Record Date" for a Floating Rate Note will be the fifteenth day (whether or not a Business Day) next preceding each Interest Payment Date.

Unless otherwise specified in the applicable Pricing Supplement, all percentages resulting from any calculation of the rate of interest on a Note will be rounded, if necessary, to the nearest one one-hundred-thousandth of a percent (with five one-millionths of a percentage point being rounded upwards) and all

currency amounts used in or resulting from any calculation on a Note will be rounded to the nearest one one-hundredth of a unit (with five one-thousandths of a unit being rounded upwards).

Interest rates offered by the Company with respect to the Notes may differ depending upon, among other things, the aggregate principal amount of Notes purchased in any transaction. Interest rates, interest rate formulas and other variable terms of the Notes are subject to change by the Company from time to time, but no such change will affect any Note already issued or as to which an offer to purchase has been accepted by the Company.

#### FIXED RATE NOTES

Each Fixed Rate Note will bear interest from its Original Issue Date at the rate per annum set forth therein and in the applicable Pricing Supplement (except as described below under "Subsequent Interest Periods" and "Extension of Maturity Date") until the principal amount thereof is paid or made available for payment. Interest on Fixed Rate Notes, if any, will, unless otherwise specified in the applicable Pricing Supplement, be computed on the basis of a 360-day year of twelve 30-day months. Unless otherwise specified in the applicable Pricing Supplement, interest on each Fixed Rate Note (other than a Zero-Coupon Note or an Amortizing Note) will be payable at Maturity and semi-annually each April 15 and October 15, and the "Regular Record Dates" will be March 31 and September 30 (whether or not a Business Day), respectively. Unless otherwise specified in the applicable Pricing Supplement, principal of and interest on each Amortizing Note will be payable at Maturity and either semi-annually each April 15 and October 15, or quarterly each January 15, April 15, July 15 and October 15, and the "Regular Record Dates" will be March 31 and September 30 (whether or not a Business Day), in the case where the principal of and interest on such Amortizing Note are payable semi-annually, and December 31, March 31, June 30 and September 30 (whether or not a Business Day), in the case where the principal of and interest on such Amortizing Note are payable quarterly. Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. A table setting forth repayment information in respect of each Amortizing Note will be set forth in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, each payment of interest on a Fixed Rate Note shall include interest accrued through the day before the Interest Payment Date or Maturity, as the case may be.

Unless otherwise specified in the applicable Pricing Supplement, any payment of principal (and premium, if any) or interest required to be made in respect of a Fixed Rate Note on a day which is not a Business Day need not be made on such day, but may be made on the next succeeding Business Day with the same force and effect as if made on such day, and no additional amounts shall be payable as a result of such delayed payment.

#### FLOATING RATE NOTES

Except for the period from the Original Issue Date to the first Interest Reset Date set forth in the applicable Pricing Supplement, each Floating Rate Note will bear interest from its Original Issue Date until the principal amount thereof is paid or made available for payment at a rate determined by reference to an interest rate base (the "Base Rate"), which may be adjusted by a Spread and/or Spread Multiplier, if any (each as defined below). The applicable Pricing Supplement will designate one of the following Base Rates as applicable to each Floating Rate Note: (a) the CD Rate (a "CD Rate Note"), (b) the CMT Rate (a "CMT Rate Note"), (c) the Commercial Paper Rate (a "Commercial Paper Rate Note"), (d) the Federal Funds Rate (a "Federal Funds Rate Note"), (e) the J.J. Kenny Rate (a "J.J. Kenny Rate Note"), (f) LIBOR (a "LIBOR Note"), (g) the Treasury Rate (a "Treasury Rate Note"), (h) the Prime Rate (a "Prime Rate Note"), (i) the 11th District Cost of Funds Rate (an "11th District Cost of Funds Rate Note") or (j) such other Base Rate as is set forth in such Pricing Supplement and in such Floating Rate Note. The "Index Maturity" for any Floating Rate Note is the designated maturity of the

investment or obligation from which the Base Rate is calculated as specified in the applicable Pricing Supplement.

As specified in the applicable Pricing Supplement, a Floating Rate Note may also have either or both of the following: (i) a maximum limitation, or ceiling, on the rate at which interest may accrue during any interest period ("Maximum Interest Rate"); and (ii) a minimum limitation, or floor, on the rate at which interest may accrue during any interest period ("Minimum Interest Rate"). In addition to any Maximum Interest Rate that may be applicable to any Floating Rate Note pursuant to the above provisions, the interest rate on a Floating Rate Note will in no event be higher than the maximum rate permitted by applicable law, as the same may be modified by United States law of general application. The Notes will be governed by the law of the State of New York and, under present New York law, the maximum rate of interest, with certain exceptions, for any loan in an amount less than \$250,000 is 16% and for any loan in an amount of \$250,000 or more but less than \$2,500,000 is 25% per annum on a simple interest basis. These limits do not apply to loans of \$2,500,000 or more.

The rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semi-annually, annually or otherwise (the "Interest Reset Period"), as specified in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, the date or dates on which interest will be reset (each an "Interest Reset Date") will be, in the case of Floating Rate Notes that reset daily, each Business Day; in the case of Floating Rate Notes (other than Treasury Rate Notes) that reset weekly, the Wednesday of each week; in the case of Treasury Rate Notes that reset weekly, the Tuesday of each week (except as provided below); in the case of Floating Rate Notes that reset monthly, the third Wednesday of each month; in the case of Floating Rate Notes that reset quarterly, the third Wednesday of March, June, September and December; in the case of Floating Rate Notes that reset semi-annually, the third Wednesday of the two months specified in the applicable Pricing Supplement; and in the case of Floating Rate Notes that reset annually, the third Wednesday of the month specified in the applicable Pricing Supplement; provided, however, that the interest rate in effect from the Original Issue Date to the first Interest Reset Date will be the Initial Interest Rate (as defined below). If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the succeeding Business Day, except that, in the case of a LIBOR Note, if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. If an auction for Treasury bills falls on a day that is an Interest Reset Date for Treasury Rate Notes, the Interest Reset Date shall be the next succeeding Business Day. The interest rate in effect with respect to a Floating Rate Note from the Original Issue Date to the first Interest Reset Date (the "Initial Interest Rate") will be specified in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the interest rate on each Floating Rate Note will be calculated by reference to the specified Base Rate (i) plus or minus the Spread, if any, and/or (ii) multiplied by the Spread Multiplier, if any. The "Spread" is the number of basis points (one basis point equals one one-hundredth of a percentage point) specified in the applicable Pricing Supplement as being applicable to the interest rate for such Floating Rate Note, and the "Spread Multiplier" is the percentage specified in the applicable Pricing Supplement as being applicable to the interest rate for such Floating Rate Note.

Unless otherwise specified in the applicable Pricing Supplement, the interest payable on each Interest Payment Date or at Maturity for Floating Rate Notes will be the amount of interest accrued from and including the Original Issue Date or from and including the last Interest Payment Date to which interest has been paid to, but excluding, such Interest Payment Date or date of Maturity, as the case may be (an "Interest Period").

With respect to a Floating Rate Note, accrued interest will be calculated by multiplying the principal amount of such Floating Rate Note by an accrued interest factor. Such accrued interest factor will be computed by adding the interest factors calculated for each day in the Interest Period or from the last date from which accrued interest is being calculated. Unless otherwise specified in the applicable Pricing

Supplement, the interest factor for each such day is computed by dividing the interest rate applicable on such day by 360, in the cases of CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, J.J. Kenny Rate Notes, LIBOR Notes, Prime Rate Notes and 11th District Cost of Funds Rate Notes, or by the actual number of days in the year, in the case of Treasury Rate Notes and CMT Rate Notes.

Unless otherwise specified in the applicable Pricing Supplement, the interest rate in effect on each day will be (i) if such day is an Interest Reset Date, the interest rate as determined, in accordance with the procedures hereinafter set forth, with respect to the Interest Determination Date (as defined below) pertaining to such Interest Reset Date, or (ii) if such day is not an Interest Reset Date, the interest rate for the immediately preceding Interest Reset Date (or, if none, the Initial Interest Rate), subject in either case to any Maximum or Minimum Interest Rate limitation, or any other interest rate limitation, referred to above and to any adjustment by a Spread and/or Spread Multiplier referred to above; provided, however, that the interest rate in effect from the Original Issue Date to the first interest Reset Date will be the Initial Interest Rate.

Unless otherwise specified in the applicable Pricing Supplement, interest will be payable, in the case of Floating Rate Notes that reset daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year, as specified in the applicable Pricing Supplement; in the case of Floating Rate Notes that reset quarterly, on the third Wednesday of March, June, September and December of each year; in the case of Floating Rate Notes that reset semi-annually, on the third Wednesday of the two months specified in the applicable Pricing Supplement; in the case of Floating Rate Notes that reset annually, on the third Wednesday of the month specified in the applicable Pricing Supplement; and, in each case, at Maturity. Unless otherwise specified in the applicable Pricing Supplement, if an Interest Payment Date with respect to any Floating Rate Note would otherwise be a day that is not a Business Day with respect to such Floating Rate Note, such Interest Payment Date shall be postponed to the next succeeding Business Day with respect to such Floating Rate Note, except in the case of LIBOR Notes, if such day would fall in the next succeeding calendar month, such Interest Payment Date with respect to such LIBOR Note will be the immediately preceding Business Day. Any payment of principal (and premium, if any) and interest required to be made on a Floating Rate Note on a date of Maturity that is not a Business Day will be made on the next succeeding Business Day with respect to such Floating Rate Note (with the same force and effect as if made on such date of Maturity, and no additional interest shall accrue as a result of any such delayed payment).

The interest rate applicable to each Interest Reset Period commencing on the Interest Reset Date with respect to such Interest Reset Period will be the rate determined as of the applicable Interest Determination Date on or prior to the Calculation Date (as defined below). Unless otherwise specified in the applicable Pricing Supplement, the "Interest Determination Date" pertaining to an Interest Reset Date will be (i) the second Business Day next preceding such Interest Reset Date, in the case of CD Rate Notes, CMT Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, J.J. Kenny Rate Notes and Prime Rate Notes (ii) the second London Banking Day next preceding such Interest Reset Date, in the case of LIBOR Notes, (iii) the last working day of the month next preceding the applicable Interest Reset Date on which the FHLB of San Francisco (as defined below) publishes the 11th District Cost of Funds Index (as defined below), in the case of 11th District Cost of Funds Rate Notes, and (iv) the day of the week in which such Interest Reset Date falls on which Treasury bills of the applicable Index Maturity are auctioned, in the case of Treasury Rate Notes. Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as the result of a legal holiday, an auction is so held on the preceding Friday, such Friday will, unless otherwise specified in the applicable Pricing Supplement, be the Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week.

Unless otherwise specified in the applicable Pricing Supplement, the "Calculation Date", if applicable, pertaining to an Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day

and (ii) the Business Day preceding the applicable Interest Payment Date or Maturity, as the case may be.

Unless otherwise specified in the applicable Pricing Supplement, Citibank, N.A. will be the calculation agent (the "Calculation Agent") with respect to the Floating Rate Notes. Upon the request of the Holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective on the next Interest Reset Date with respect to such Floating Rate Note.

#### CD Rate Notes

CD Rate Notes will bear interest at the interest rates (calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any) specified in the CD Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the "CD Rate" means, with respect to any Interest Determination Date, the rate on such date for negotiable certificates of deposit having the applicable Index Maturity, as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates", or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "CDs (Secondary Market)" or, if not so published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the CD Rate will be the rate on such Interest Determination Date for negotiable certificates of deposit of the applicable Index Maturity as published by the Federal Reserve Bank of New York in its daily statistical release, "Composite 3:30 p.m. Quotations for U.S. Government Securities", or any successor publication of the Federal Reserve Bank of New York ("Composite Quotations") under the heading "Certificates of Deposit". If such rate is not yet published in Composite Quotations by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the CD Rate on such Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on such Interest Determination Date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable certificates of deposit of major United States money center banks (in the market for negotiable certificates of deposit) with a remaining maturity closest to the applicable Index Maturity in a denomination of U.S. \$5,000,000; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting such rates as mentioned in this sentence, the rate of interest in effect for the applicable period will be the rate of interest in effect on such Interest Determination Date.

CD Rate Notes, like other Notes, are not deposit obligations of a bank and are not insured by the Federal Deposit Insurance Corporation.

#### CMT Rate Notes

CMT Rate Notes will bear interest at the interest rates (calculated with references to the CMT Rate and the Spread and/or Spread Multiplier, if any) specified in the CMT Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the "CMT Rate" means, with respect to any Interest Determination Date relating to a CMT Rate Note, the rate displayed on the Designated CMT Telerate Page under the caption "...Treasury Constant Maturities...Federal Reserve Board Release H.15...Mondays Approximately 3:45 P.M.", under the column for the Designated CMT Maturity Index for (i) if the Designated CMT Telerate Page is 7055, the rate on such Interest Determination Date and (ii) if the Designated CMT Telerate Page is 7052, the week, or the month, as applicable, ended immediately preceding the week in which the related Interest Determination Date occurs. If such rate is no longer displayed on the relevant page, or if not displayed by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate for such Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index as published in the

relevant H.15(519). If such rate is no longer published, or if not published by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate for such Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the Interest Determination Date with respect to such Interest Reset Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the Designated CMT Telerate Page and published in the relevant H.15(519). If such information is not provided by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate for the Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 p.m. (New York City time) on the Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers (each, a "Reference Dealer") in The City of New York selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury Notes") with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year. If the Calculation Agent cannot obtain three such Treasury Note quotations, the CMT Rate for such Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market offer side prices as of approximately 3:30 p.m. (New York City time) on the Interest Determination Date of three Reference Dealers in The City of New York (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for Treasury Notes with an original maturity of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least \$100 million. If three or four (and not five) of such Reference Dealers are quoting as described above, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of such quotes will be eliminated; provided, however, that if fewer than three Reference Dealers selected by the Calculation Agent are quoting as described herein, the CMT Rate will be the CMT Rate in effect on such Interest Determination Date. If two Treasury Notes with an original maturity as described in the second preceding sentence have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the CMT Rate Note with the shorter remaining term to maturity will be used.

"Designated CMT Telerate Page" means the display on the Dow Jones Telerate Service on the page designated in the applicable Pricing Supplement (or any other page as may replace such page on that service for the purposes of displaying Treasury Constant Maturities as reported in H.15(519)), for the purpose of displaying Treasury Constant Maturities as reported in H.15(519). If no such page is specified in the applicable Pricing Supplement, the Designated CMT Telerate Page shall be 7052, for the most recent week.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20, or 30 years) specified in the applicable Pricing Supplement with respect to which the CMT Rate will be calculated. If no such maturity is specified in the applicable Pricing Supplement, the Designated CMT Maturity Index shall be two years.

#### Commercial Paper Rate Notes

Commercial Paper Rate Notes will bear interest at the interest rates (calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any) specified in the Commercial Paper Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the "Commercial Paper Rate" means, with respect to any Interest Determination Date, the Money Market Yield (as defined below) on



such date of the rate for commercial paper having the applicable Index Maturity, as published in H.15(519) under the heading "Commercial Paper", or, if not so published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Commercial Paper Rate will be the Money Market Yield on such Interest Determination Date of the rate for commercial paper having the applicable Index Maturity, as published in Composite Quotations under the heading "Commercial Paper". If such rate is not yet published in Composite Quotations by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Commercial Paper Rate will be the Money Market Yield of the arithmetic mean of the offered rates as of 11:00 a.m., New York City time, on such Interest Determination Date, of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper placed for industrial issuers whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency, having the applicable Index Maturity; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting offered rates as mentioned in this sentence, the rate of interest in effect for the applicable period will be the rate of interest in effect on such Interest Determination Date.

"Money Market Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the period for which interest is being calculated.

#### Federal Funds Rate Notes

Federal Funds Rate Notes will bear interest at the interest rates (calculated with reference to the Federal Funds Rate and the Spread and/or Spread Multiplier, if any) specified in the Federal Funds Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the "Federal Funds Rate" means, with respect to any Interest Determination Date, the rate on such date for Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not so published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Federal Funds Rate will be the rate on such Interest Determination Date as published in Composite Quotations under the heading "Federal Funds/Effective Rate". If such rate is not yet published by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Federal Funds Rate for such Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in The City of New York selected by the Calculation Agent as of 9:00 a.m., New York City time, on such Interest Determination Date; provided, however, that if the brokers selected as aforesaid by the Calculation Agent are not quoting such rates as mentioned in this sentence, the rate of interest in effect for the applicable period will be the rate of interest in effect on such Interest Determination Date.

#### J.J. Kenny Rate Notes

J.J. Kenny Rate Notes will bear interest at the interest rates (calculated with reference to the J.J. Kenny Rate and the Spread and/or Spread Multiplier, if any) specified in the J.J. Kenny Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the "J.J. Kenny Rate" means, with respect to any Interest Determination Date relating to a J.J. Kenny Rate Note, the rate in the high grade weekly index (the "Weekly Index") on such date made available by Kenny Information Systems ("Kenny") to the Calculation Agent. The Weekly Index is, and shall be, based upon 30-day yield evaluations at par of bonds, the interest of which is exempt from Federal income taxation under the

Internal Revenue Code of 1986, as amended, of not less than five high grade component issuers selected by Kenny which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by Kenny in its discretion. The bonds on which the Weekly Index is based shall not include any bonds on which the interest is subject to a minimum tax or similar tax under the Internal Revenue Code of 1986, as amended, unless all tax-exempt bonds are subject to such tax. In the event Kenny fails to make available such Weekly Index prior to the relevant Calculation Date, a successor indexing agent will be selected by the Calculation Agent, such index to reflect the prevailing rate for bonds rated in the highest short-term rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation in respect of issuers most closely resembling the high grade component issuers selected by Kenny for its Weekly Index, the interest on which is (A) variable on a weekly basis, (B) exempt from Federal income taxation under the Internal Revenue Code of 1986, as amended, and (C) not subject to a minimum tax or similar tax under the Internal Revenue Code of 1986, as amended, unless all tax-exempt bonds are subject to such tax. If such successor indexing agent is not available, the rate for any Interest Determination Date shall be 67% of the rate determined if the Treasury Rate had been originally selected as the interest rate for the Notes. The Calculation Agent shall calculate the J.J. Kenny Rate in accordance with the foregoing. At the request of a Holder of a Floating Rate Note bearing interest at the J.J. Kenny Rate, the Calculation Agent will provide such holder with the interest rate that will become effective as of the next Interest Reset Date.

#### LIBOR Notes

LIBOR Notes will bear interest at the rates (calculated with reference to LIBOR and the Spread and/or Spread Multiplier, if any) specified in such LIBOR Notes and in any applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "LIBOR" means the rate determined by the Calculation Agent in accordance with the following provisions:

(i) With respect to an Interest Determination Date relating to a LIBOR Note or any Floating Rate Note for which the interest rate is determined with reference to LIBOR (a "LIBOR Interest Determination Date"), LIBOR will be either: (a) if "LIBOR Reuters" is specified in the applicable Pricing Supplement, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Index Currency having the Index Maturity designated in the applicable Pricing Supplement, commencing on the second London Banking Day immediately following such LIBOR Interest Determination Date, that appear on the Designated LIBOR Page specified in the applicable Pricing Supplement as of 11:00 A.M., London time, on such LIBOR Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (b) if "LIBOR Telerate" is specified in the applicable Pricing Supplement or if neither "LIBOR Reuters" nor "LIBOR Telerate" is specified as the method for calculating LIBOR, the rate for deposits in the Index Currency having the Index Maturity designated in the applicable Pricing Supplement, commencing on the second London Banking Day immediately following such LIBOR Interest Determination Date that appears on the Designated LIBOR Page specified in the applicable Pricing Supplement as of 11:00 A.M., London time, on such LIBOR Interest Determination Date. If fewer than two such offered rates appear (unless the specified Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate shall be used), or if no such rate appears, as applicable, LIBOR in respect of the related LIBOR Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the applicable Designated LIBOR Page as specified in clause (i) above, the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity designated in the applicable Pricing Supplement, commencing on the second London Banking Day immediately following such LIBOR Interest Determination Date, to prime

banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time. If at least two such quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center, on such LIBOR Interest Determination Date by three major banks in such Principal Financial Center selected by the Calculation Agent for loans in the Index Currency to leading European banks, having the Index Maturity designated in the applicable Pricing Supplement and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

"Index Currency" means the currency (including composite currencies) specified in the applicable Pricing Supplement as the currency for which LIBOR shall be calculated. If no such currency is specified in the applicable Pricing Supplement, the Index Currency shall be United States dollars.

"Designated LIBOR Page" means either (a) if "LIBOR Reuters" is specified in the applicable Pricing Supplement, the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency, or (b) if "LIBOR Telerate" is specified in the applicable Pricing Supplement or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified as the method for calculating LIBOR, the display on the Dow Jones Telerate Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency.

"Principal Financial Center" will generally be the capital city of the country of the specified Index Currency, except that with respect to United States dollars, Deutsche Marks, Dutch Guilders, Italian Lire, Swiss Francs and ECUs, the Principal Financial Center shall be The City of New York, Frankfurt, Amsterdam, Milan, Zurich and Luxembourg, respectively.

If any LIBOR Note is indexed to the offered rates for deposits in currencies other than U.S. dollars, the applicable Pricing Supplement will set forth the method for determining such rate.

#### Treasury Rate Notes

Treasury Rate Notes will bear interest at the interest rate (calculated with reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any) specified in the Treasury Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the "Treasury Rate" means, with respect to any Interest Determination Date, the rate for the auction held on such Interest Determination Date of direct obligations of the United States ("Treasury bills") having the applicable Index Maturity as published in H.15(519) under the heading "U.S. Government Securities -- Treasury bills -- auction average (investment)" or, if not so published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the auction average rate (expressed as a bond equivalent, rounded to the nearest one one-hundredth of a percent, with five one-thousandths of a percent rounded upward, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of Treasury bills having the applicable Index Maturity are not published or announced as provided above by 3:00 p.m., New York City time, on such Calculation Date, or if no such auction is held on such Interest Determination Date, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent, rounded to the nearest one one-hundredth of a percent, with five one-thousandths of a percent rounded upward, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of

the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on such Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent for the issue of Treasury bills with a remaining maturity closest to the applicable Index Maturity; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting bid rates as mentioned in this sentence, the interest rate for the applicable period will be the interest rate in effect on such Interest Determination Date.

#### Prime Rate Notes

Prime Rate Notes will bear interest at the interest rate (calculated with reference to the Prime Rate and the Spread and/or Spread Multiplier, if any) specified in the Prime Rate Notes and in the applicable Pricing Supplement, except that the initial interest rate for each Prime Rate Note will be the rate specified in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the "Prime Rate" means, with respect to any Interest Determination Date, the rate on such date as published by the Board of Governors of the Federal Reserve System in H.15(519) under the heading "Bank Prime Loan". If such rate is not published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank named on the "Reuters Screen USPRIME1 Page" (as defined below) as such bank's prime rate or base lending rate as in effect for such Interest Determination Date. "Reuters Screen USPRIME1 Page" means the display designated as page "USPRIME1" on the Reuters Monitor Money Rates Service (such term to include such other page as may replace the USPRIME1 page on that Service for the purpose of displaying prime rates or base lending rates of major United States banks). If fewer than four such rates but more than one such rate appear on the Reuters Screen USPRIME1 Page for such Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on such Interest Determination Date by four major money center banks in The City of New York selected by the Calculation Agent from a list approved by the Company. If fewer than two such rates appear on the Reuters Screen USPRIME1 Page, the Prime Rate will be calculated by the Calculation Agent and will be determined as the arithmetic mean of the prime rates furnished in The City of New York by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof, in each case having total equity capital of at least U.S.\$500,000,000 and being subject to supervision or examination by Federal or state authority, selected by the Calculation Agent from a list approved by the Company to provide such rate or rates; provided, however, that if the banks or trust companies selected as aforesaid by the Calculation Agent from a list approved by the Company are not quoting as mentioned in this sentence, the rate of interest in effect for the applicable period will be the rate of interest in effect on such Interest Determination Date.

#### 11th District Cost of Funds Rate Notes

11th District Cost of Funds Rate Notes will bear interest at the interest rates (calculated with reference to the 11th District Cost of Funds Rate and the Spread and/or Spread Multiplier, if any) specified in the 11th District Cost of Funds Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "11th District Cost of Funds Rate" means, with respect to any Interest Determination Date relating to an 11th District Cost of Funds Rate Note, the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such Interest Determination Date falls, as set forth under the caption "11th District" on Telerate Page 7058 as of 11:00 a.m., San Francisco time, on such Interest Determination Date. If such rate does not appear on Telerate Page 7058 on any related Interest Determination Date, the 11th District Cost of Funds Rate for such Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the 11th Federal Home Loan Bank District that was most recently announced (the "11th District Cost of Funds Index") by the Federal Home Loan Bank of

San Francisco (the "FHLB of San Francisco") as such cost of funds for the calendar month immediately preceding the date of such announcement. If the FHLB of San Francisco fails to announce such rate for the calendar month immediately preceding such Interest Determination Date, then the 11th District Cost of Funds Rate determined as of such Interest Determination Date will be the 11th District Cost of Funds Rate in effect on such Interest Determination Date.

#### CURRENCY INDEXED NOTES

##### General

The Company may from time to time offer Currency Indexed Notes, the principal amount of which payable at the Maturity Date is determined by reference to the rate of exchange between the currency or composite currency in which such Notes are denominated (the "Denominated Currency") and the other currency or currencies or composite currency or composite currencies specified as the Indexed Currency (the "Indexed Currency") in the applicable Pricing Supplement, or as determined in such other manner as may be specified in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, Holders of Currency Indexed Notes will be entitled to receive a principal amount in respect of such Currency Indexed Notes exceeding the amount designated as the face amount of such Currency Indexed Notes in the applicable Pricing Supplement (the "Face Amount") if, at the Maturity Date, the rate at which the Denominated Currency can be exchanged for the Indexed Currency is greater than the rate of such exchange designated as the Base Exchange Rate, expressed in units of the Indexed Currency per one unit of the Denominated Currency, in the applicable Pricing Supplement (the "Base Exchange Rate"). Holders of Currency Indexed Notes will be entitled to receive a principal amount in respect of such Currency Indexed Notes less than the Face Amount of such Currency Indexed Notes if, at the Maturity Date, the rate at which the Denominated Currency can be exchanged for the Indexed Currency is less than such Base Exchange Rate. The Base Exchange Rate is determined as described below under "Payment of Principal and Interest". Information as to the relative historical value (which information is not necessarily indicative of relative future value) of the applicable Denominated Currency against the applicable Indexed Currency, any exchange controls applicable to such Denominated Currency or Indexed Currency and certain tax consequences to holders will be set forth in the applicable Pricing Supplement. See "Currency-Related Risk Factors -- Foreign Currency Risks".

Unless otherwise specified in the applicable Pricing Supplement, the term "Exchange Rate Day" shall mean any day (a) which is a Business Day in The City of New York and (b)(i) if the Denominated Currency or Indexed Currency is any currency or composite currency other than the U.S. dollar or the ECU, a Business Day in the principal financial center of the country of such Denominated Currency or Indexed Currency or (ii) if the Denominated Currency or Indexed Currency is the ECU, a Business Day with respect to the ECU.

##### Payment of Principal and Interest

Unless otherwise specified in the applicable Pricing Supplement, interest will be payable by the Company in the Denominated Currency based on the Face Amount of the Currency Indexed Notes and at the rate and times and in the manner set forth herein and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, principal of a Currency Indexed Note will be payable by the Company in the Denominated Currency at Maturity in an amount equal to the Face Amount of the Currency Indexed Note, plus or minus an amount of the Denominated Currency determined by the Exchange Rate Agent by reference to the difference between the Base Exchange Rate and the rate at which the Denominated Currency can be exchanged for the Indexed Currency as determined on the second Exchange Rate Day (the "Exchange Rate Date") prior to Maturity by the Exchange Rate Agent based upon the indicative quotation, selected by such Exchange Rate Agent at approximately 11:00 a.m., New York City time, on such Exchange Rate Date, for the Indexed Currency (spot bid quotation for the Denominated Currency) which will yield the largest number of units of the Indexed Currency per one unit of the Denominated Currency, for an amount of Indexed Currency equal to

the Face Amount of such Currency Indexed Note multiplied by the Base Exchange Rate with the Denominated Currency for settlement at Maturity (such rate of exchange, as so determined and expressed in units of the Indexed Currency per one unit of the Denominated Currency, is hereafter referred to as the "Spot Rate"). Unless otherwise provided in the Pricing Supplement, such selection shall be made from among the quotations appearing on the display "page" within the Reuters or Telerate Monitor Foreign Exchange Service, as may be agreed to by the Company and such Exchange Rate Agent (or, if such display "page" is not available or such Indexed Currency or Denominated Currency is a composite currency for which separate current composite currency quotations are not available, such other comparable display or other comparable manner of obtaining quotations as may be agreed to by the Company and such Exchange Rate Agent), used to determine the Spot Rate. The principal amount of the Currency Indexed Notes determined by the Exchange Rate Agent to be payable at Maturity will be payable to the Holders thereof in the manner set forth herein and in the applicable Pricing Supplement. In the absence of manifest error, the determination by the Exchange Rate Agent of the Spot Rate and the principal amount of Currency Indexed Notes payable at Maturity thereof shall be final and binding on the Company and the holders of such Currency Indexed Notes.

The formula to be used by the Exchange Rate Agent to determine the principal amount of a Currency Indexed Note payable at the Maturity Date will be specified in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, in the event of any redemption or repayment of a Currency Indexed Note prior to its scheduled Maturity Date, the term "Maturity" used above would refer to the redemption or repayment date of such Currency Indexed Note.

#### OTHER INDEXED NOTES

The Notes may be issued as Indexed Notes, other than Currency Indexed Notes, the principal amount of which payable at Maturity or the interest (or premium, if any) thereon, or both, may be determined by reference to the price of one or more specified securities or commodities, to one or more securities or commodities exchange indices or other indices or by other similar methods or formulas. The Pricing Supplement relating to such an Indexed Note will describe, as applicable, the method by which the amount of interest payable and the amount of principal payable at the Maturity Date in respect of such Indexed Note will be determined, certain special tax consequences to holders of such Notes, certain risks associated with an investment in such Notes and other information relating to such Notes.

Unless otherwise specified in the applicable Pricing Supplement, (a) for the purpose of determining whether Holders of the requisite principal amount of Securities outstanding under the Senior Indenture have made a demand or given a notice or waiver or taken any other action, the outstanding principal amount of Indexed Notes will be deemed to be the face amount thereof, and (b) in the event of an acceleration of the Maturity of an Indexed Note, the principal amount payable to the Holder of such Note upon acceleration will be the principal amount determined by reference to the formula by which the principal amount of such Note would be determined on the Maturity Date thereof, as if the date of acceleration were the Maturity Date.

#### SUBSEQUENT INTEREST PERIODS

The Pricing Supplement relating to each Note will indicate whether the Company has the option with respect to such Note to reset the interest rate, in the case of a Fixed Rate Note, or to reset the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, and, if so, the date or dates on which such interest rate or such Spread and/or Spread Multiplier, as the case may be, may be reset (each an "Optional Reset Date"). If the Company has such option with respect to any Note, the following procedures shall apply, unless modified as set forth in the applicable Pricing Supplement.

The Company may at any time and from time to time exercise such option with respect to a Note by notifying the Trustee of such exercise at least 50 but not more than 60 days prior to an Optional Reset Date for such Note. Not later than 10 days after receipt of such notice from the Company but in any event not later than 40 days prior to such Optional Reset Date, the Trustee will mail to the Holder of such Note a

notice (the "Reset Notice") setting forth (i) the election of the Company to reset the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, (ii) such new interest rate or such new Spread and/or Spread Multiplier, as the case may be, and (iii) the provisions, if any, for redemption or repayment during the period from such Optional Reset Date to the next Optional Reset Date or, if there is no such next Optional Reset Date, to Maturity of such Note (each such period a "Subsequent Interest Period"), including the date or dates on which or the period or periods during which the price or prices at which such redemption may occur during such Subsequent Interest Period.

Notwithstanding the foregoing, not later than 20 days prior to an Optional Reset Date for a Note, the Company may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in the Reset Notice and establish an interest rate, in the case of a Fixed Rate Note, or a Spread and/or Spread Multiplier, in the case of a Floating Rate Note, that is higher than the interest rate, Spread and/or Spread Multiplier, as the case may be, provided for in the Reset Notice, for the Subsequent Interest Period commencing on such Optional Reset Date by causing the Trustee to transmit notice of such higher interest rate or higher Spread and/or Spread Multiplier, as the case may be, to the Holder of such Note. Such notice shall be irrevocable. All Notes with respect to which the interest rate or Spread and/or Spread Multiplier is reset on an Optional Reset Date and with respect to which the Holders of such Notes have not tendered such Notes for repayment (or have validly revoked any such tender pursuant to the next succeeding paragraph) will bear such higher interest rate, in the case of a Fixed Rate Note, or higher Spread and/or Spread Multiplier, in the case of a Floating Rate Note, whether or not tendered for repayment.

If the Company elects to reset the interest rate or the Spread and/or Spread Multiplier of a Note, the Holder of such Note will have the option to elect repayment of such Note by the Company on any Optional Reset Date at a price equal to the aggregate principal amount thereof outstanding on, plus any accrued interest to, such Optional Reset Date. In order for a Note to be so repaid on an Optional Reset Date, the Senior Trustee or any other person designated by the Company for such purpose must receive at least 25 days but not more than 35 days prior to such Optional Reset Date (i) if such Note is a Certificated Note, the Note with the form entitled "Option to Elect Repayment" on the reverse side of the Note duly completed or (ii) if such Note is a Book-Entry Note, such notices as may be set forth in the applicable Pricing Supplement. The repayment option may be exercised by the Holder of a Note for less than the aggregate principal amount of the Note then outstanding; provided, however, that the principal amount of the Note remaining outstanding after repayment is an authorized denomination. A Holder who has tendered a note for repayment pursuant to a Reset Notice may, by delivery by the close of business on the tenth day prior to such Optional Reset Date of written notice to the Senior Trustee, revoke any such tender for repayment.

If a Note is represented by a Global Security, the Depositary's nominee will be the holder of such Note and therefore will be the only entity that can exercise a right to repayment. In order to ensure that the Depositary's nominee will exercise timely a right to repayment with respect to a particular Note, the beneficial owner of such Note must instruct the broker or other direct or indirect participant through which it holds an interest in such Note to notify the Depositary of its desire to exercise a right of repayment. Different firms have different cut-off times for accepting instructions from their customers and, accordingly, each beneficial owner should consult the broker or other direct or indirect participant through which it holds an interest in a Note in order to ascertain the cut-off time by which such an instruction must be given in order for timely notice to be delivered to the Depositary.

#### EXTENSION OF MATURITY

The Pricing Supplement relating to each Note (other than an Amortizing Note) will indicate whether the Maturity Date of such Note may be extended, and if so, whether such Maturity Date may be extended at the option of the Company or the Holder of such Note, or both, for one or more periods (each an "Extension Period") up to but not beyond the date (the "Final Maturity Date") set forth in such Pricing Supplement.

If the Company has such option with respect to any Note (other than an Amortizing Note), the following procedures shall apply, unless modified as set forth in the applicable Pricing Supplement. The Company may at any time and from time to time exercise such option with respect to a Note (other than an Amortizing Note) by notifying the Trustee of such exercise at least 50 but not more than 60 days prior to the Maturity Date of such Note in effect immediately prior to the exercise of such option (the "Prior Maturity Date"). Not later than 10 days after receipt of such Notice from the Company but in any event not later than 40 days prior to the Prior Maturity Date, the Trustee will mail to the Holder of such Note a notice (the "Extension Notice") relating to such Extension Period, setting forth (i) the election of the Company to extend the Prior Maturity Date, (ii) the new Maturity Date, (iii) in the case of a Fixed Rate Note, the interest rate applicable to the Extension Period or, in the case of a Floating Rate Note, the Spread and/or Spread Multiplier applicable to the Extension Period, and (iv) the provisions, if any, for redemption by the Company or repayment to the Holder, or both, during the Extension Period, including the date or dates on which or the period or periods during which and the price or prices at which such redemption or repayment may occur during the Extension Period. Upon the transmittal by the Trustee of an Extension Notice to the Holder of a Note, the Prior Maturity Date shall be extended automatically, and, except as modified by the Extension Notice and as described in the next paragraph, such Note will have the same terms as prior to the transmittal of such Extension Notice.

Notwithstanding the foregoing, not later than 20 days prior to the Prior Maturity Date for a Note, the Company may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in the Extension Notice and establish an interest rate, in the case of a Fixed Rate Note, or a Spread and/or Spread Multiplier, in the case of a Floating Rate Note, that is higher than the interest rate, Spread and/or Spread Multiplier, as the case may be, provided for in the Extension Notice, for the Extension Period commencing on such Prior Maturity Date by causing the Trustee to transmit notice of such higher interest rate or higher Spread and/or Spread Multiplier, as the case may be, to the Holder of such Note. Such notice shall be irrevocable. All Notes with respect to which the Maturity Date is extended and with respect to which the Holders of such Notes have not tendered such Notes for repayment (or have validly revoked any such tender) pursuant to the next succeeding paragraph will bear such higher interest rate, in the case of a Fixed Rate Note, or higher Spread and/or Spread Multiplier, in the case of a Floating Rate Note, for the Extension Period.

If the Company elects to extend the Maturity Date of a Note, the Holder of such Note will have the option to elect repayment of such Note by the Company on the immediately Prior Maturity Date at a price equal to the principal amount thereof outstanding on, plus any accrued interest to, such Prior Maturity Date. In order for a Note to be so repaid on such Prior Maturity Date, the Trustee or any other person designated by the Company for such purpose must receive at least 25 days but not more than 35 days prior to such Prior Maturity Date (i) if such Note is a Certificated Note, the Note with the form entitled "Option to Elect Repayment" on the reverse of the Note duly completed or (ii) if such Note is a Book-Entry Note, such notices as may be set forth in the applicable Pricing Supplement. The repayment option may be exercised by the Holder of a Note for less than the aggregate principal amount of the Note then outstanding; provided, however, that the principal amount of the Note remaining outstanding after repayment is an authorized denomination. A Holder who has tendered a Note for repayment pursuant to an Extension Notice may, by delivery of written notice by the close of business on the tenth day prior to such Prior Maturity date to the Senior Trustee, revoke any such tender for repayment.

If a Note is represented by a Global Security, see "Description of Notes -- Subsequent Interest Periods" above for the manner by which a right to repayment may be exercised.

If the Holder of a Note (other than an Amortizing Note) has the option to extend the Maturity Date of such Note for one or more Extension Periods up to but not beyond the Final Maturity Date set forth in the Pricing Supplement relating to such Note, the following provisions shall apply, unless modified as set forth in such Pricing Supplement. The Holder of a Note (other than an Amortizing Note) may, at such time or times as set forth in the applicable Pricing Supplement, exercise such option by delivery to the Trustee by the date set forth in such Pricing Supplement of a written notice of such election



(the "Holder's Extension Notice"). Such Holder's Extension Notice will be irrevocable and will specify the new Maturity Date. Upon the transmittal by such Holder of such Holder's Extension Notice to the Trustee, the applicable Prior Maturity Date shall be extended automatically, and, except as modified pursuant to this paragraph, such Note will have the same terms as prior to the transmittal of such Holder's Extension Notice.

#### REDEMPTION AND REPAYMENT

The Pricing Supplement relating to each Note will indicate either that such Note cannot be redeemed prior to its Maturity Date or that such Note will be redeemable at the option of the Company on a date or dates specified prior to such Maturity Date at a price or prices set forth in the applicable Pricing Supplement, together with accrued interest to the date of redemption. The Company may redeem any of the Notes that are redeemable and remain outstanding either in whole or from time to time in part, upon not less than 30 nor more than 60 days' notice to each Holder of such Note. If Notes of different tenor and terms are to be redeemed, the Company shall select the Notes to be redeemed. If less than all of the Notes with like tenor and terms are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate. The Notes will not be subject to any sinking fund.

The Pricing Supplement relating to each Note will indicate that such Note cannot be repaid prior to its Maturity Date or that such Note will be repayable at the option of the Holder thereof on a date or dates specified prior to its Maturity Date at the price or prices set forth in the applicable Pricing Supplement, together with accrued interest to the date of repayment.

Unless otherwise specified in the applicable Pricing Supplement, in order for a Note to be repaid at the option of the Holder thereof, the Trustee or any other person designated by the Company must receive at least 15 days but not more than 30 days prior to the repayment date, (i) if such Note is a Certificated Note, the Note with the form entitled "Option to Elect Repayment" on the reverse side of the Note duly completed or (ii) if such Note is a Book-Entry Note, such notices as may be set forth in the applicable Pricing Supplement. The repayment option may be exercised by the Holder of a Note for less than the aggregate principal amount of the Note then outstanding; provided, however, that the principal amount of the Note remaining outstanding after repayment is an authorized denomination. Unless otherwise specified in the applicable Pricing Supplement, exercise of the repayment option by the Holder of a Note will be irrevocable.

If a Note is represented by a Global Security, see "Description of Notes -- Subsequent Interest Periods" above for the manner by which a right to repayment may be exercised.

#### REPURCHASE

The Company may at any time and from time to time purchase Notes at any price in the open market or otherwise. Notes so purchased by the Company may, at its discretion, be held, resold or surrendered to the Trustee for cancellation.

#### GLOBAL SECURITIES AND BOOK-ENTRY SYSTEM

Upon issuance, all Book-Entry Notes having the same Specified Currency, Original Issue Date, Maturity Date, redemption provisions (if any), Interest Payment Dates and, in the case of Fixed Rate Notes, interest rate (if any) or in the case of Amortizing Notes, amortization schedule or, in the case of Floating Rate Notes, Base Rate, Initial Interest Rate, Index Maturity, Interest Reset Period and Dates, Spread and/or Spread Multiplier (if any), Minimum Interest Rate (if any), original issue discount provisions (if any) and Maximum Interest Rate (if any), will be represented by a single Global Security. Each Global Security representing Book-Entry Notes will be deposited with, or on behalf of, The Depository Trust Company, New York, New York (the "Depository") or such other depository as is specified in the applicable Pricing Supplement, and registered in the name of a nominee of the Depository. Unless otherwise specified in the applicable Pricing Supplement, Book-Entry Notes will not be exchangeable for Certificated Notes and, except under the circumstances described in the Prospectus under "Description of the Debt Securities -- Global Securities" and as described below, will not otherwise be issuable in definitive form.

The Depository has advised the Company and the Agents as follows: The Depository is a limited-purpose trust company organized under the laws of the State of New York, 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. The Depository was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depository's participants include securities brokers and dealers (including the Agents), banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own the Depository. Access to the Depository's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Upon the issuance of a Global Security, the Depository for such Global Security, or its nominee, will credit the accounts of persons held with it with the respective amount of the Book-Entry Notes represented by such Global Security. Such accounts shall be designated by the Agent or Agents with respect to such Book-Entry Notes or by the Company if such Book-Entry Notes are offered and sold directly by the Company. Ownership of beneficial interests in such Global Security will be limited to persons that have accounts with the Depository for such Global Security or its nominee ("participants") or persons that may hold interests through participants. Ownership of beneficial interests in such Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the Depository or its nominee (with respect to interests of participants) for such Global Security and on the records of participants (with respect to interests of persons other than participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a Global Security.

So long as the Depository for a Global Security, or its nominee, is the registered owner of such Global Security, such Depository or such nominee, as the case may be, will be considered the sole owner or Holder of the Book-Entry Notes represented by such Global Security for all purposes under the Senior Indenture governing such Book-Entry Notes. Except as provided below, owners of beneficial interests in a Global Security will not be entitled to have Book-Entry Notes represented by such Global Security registered in their names, will not receive or be entitled to receive Certificated Notes in exchange for the Global Security representing such Book-Entry Notes and will not be considered the owners or Holders thereof under the Indenture.

Principal, premium, if any, and interest payments on Book-Entry Notes registered in the name of a Depository or its nominee will be made to the Depository or its nominee, as the case may be, as the registered owner of the Global Security representing such Book-Entry Notes. Neither the Company, the Trustee, any Paying Agent nor the Security Registrar for such Book-Entry Notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of the Global Security for such Book-Entry Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that the Depository for Book-Entry Notes or its nominee, upon receipt of any payment of principal, premium or interest, will credit immediately participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Security for such Book-Entry Notes as shown on the records of such Depository or its nominee. The Company also expects that payments by participants to owners of beneficial interests in such Global Security 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 which are registered in "street name", and will be the responsibility of such participants.

If the Depository for Book-Entry Notes is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within 90 days, the Company will issue Certificated Notes in exchange for the Global Security representing such Book-Entry Notes. In addition, the Company may at any time and in its sole discretion determine not to have Book-Entry Notes represented by Global Securities and, in such event, will issue Certificated Notes in exchange for all Global Securities representing such Book-Entry Notes. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery of Certificated Notes represented by such Global Security equal in principal amount to such beneficial interest and to have such Certificated Notes registered in its name. Unless otherwise specified by the Company in a Pricing Supplement or otherwise, Certificated Notes will be so issued in denominations of U.S. \$1,000 and any integral multiple in excess thereof (or the equivalent thereof in a Specified Currency other than U.S. dollars).

#### IMPORTANT CURRENCY EXCHANGE INFORMATION

Purchasers are required to pay for Notes in the Specified Currency and payments of principal, premium (if any) and interest on such Notes will be made in the Specified Currency, unless otherwise provided in the applicable Pricing Supplement. Currently, there are limited facilities in the United States for conversion of U.S. dollars into foreign currencies and vice versa and banks do not generally offer non-U.S. dollar checking or savings account facilities in the United States. Accordingly, unless otherwise specified in a Pricing Supplement or unless alternative arrangements are made between the Company and a prospective purchaser of Notes, payment of principal of (and premium, if any,) and interest on Notes in a Specified Currency other than U.S. dollars will be made to an account at a bank outside the United States. However, if requested by a prospective purchaser of Notes denominated in a Specified Currency other than U.S. dollars, the Agent soliciting the offer to purchase will arrange for the conversion of U.S. dollars into such Specified Currency to enable the purchaser to pay for such Notes. Such request must be made on or before the fifth Business Day preceding the date of delivery of the Notes, or by such other date as is determined by the Agent that presents such offer to the Company. Each such conversion will be made by the relevant Agent on such terms and subject to such conditions, limitations and charges as such Agent may from time to time establish in accordance with its regular foreign exchange practice. All costs of exchange, if any, will be borne by the purchasers of the Notes.

#### UNITED STATES TAXATION

In the opinion of Ivins, Phillips & Barker, Chartered, special tax counsel to the Company, the following summary correctly describes certain United States Federal income tax consequences resulting from the purchase, ownership or disposition of Notes by an initial Holder (unless otherwise indicated) subject to United States income taxation. It does not purport to consider all the possible tax consequences of the purchase, ownership or disposition of the Notes, and it is not intended to reflect the individual tax position of any Holder. It deals only with Notes and currencies or composite currencies other than U.S. dollars ("Foreign Currency") held as capital assets. It does not deal with special tax situations, such as dealers in securities or currencies, Notes (or Foreign Currency) held as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Note and one or more other investments, or (except for the discussion of "Non-United States Persons" below) situations in which the functional currency of the Holder is not the U.S. dollar. It is based upon the United States Federal tax laws and regulations as now in effect and as currently interpreted, and does not take into account possible changes in such tax laws or such interpretations. It does not include any description of the tax laws of any state or local governments, or of any foreign government, that may be applicable to the Notes or Holders thereof. Persons considering the purchase of Notes should consult their own tax advisers concerning the application of the United States Federal tax laws to their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction. The following discussion applies only to Notes under which all payments are denominated in, or determined with reference to, a single currency, either a single Foreign Currency or the U.S. dollar. If Notes are issued under which payments are

denominated in, or determined with reference to, more than one currency, their tax treatment will be discussed in the applicable Pricing Supplement relating to the issuance of such Notes.

The Tax Reform Act of 1986 made major changes in the United States Federal tax laws that affect the treatment of currency gains and losses. Final regulations and proposed regulations dealing with currency gains and losses were issued by the Internal Revenue Service ("IRS") on March 17, 1992 (the "Foreign Currency Regulations"). The following summary reflects the terms of the Foreign Currency Regulations. Under the proposed Foreign Currency Regulations, however, for taxable years ending on or after the date on which the proposed Foreign Currency Regulations become final, certain Holders may elect to mark to market foreign currency transactions based on the Holder's method of financial accounting. Moreover, the Foreign Currency Regulations do not cover all issues, and subsequent versions of such regulations (including the final form of the proposed Foreign Currency Regulations) may adopt positions that would apply to the Notes and that may be contrary to the positions discussed below.

#### UNITED STATES PERSONS

The following addresses the principal United States Federal income tax consequences resulting from the ownership of a Note by a Holder who is a United States person.

For purposes of the following discussion, the term "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized under the laws of the United States or an estate or trust the income of which is subject to United States Federal income taxation regardless of its source, and "United States" means the United States of America (including the States and the District of Columbia).

A Holder that is a nonresident alien individual as to the United States and a bona fide resident of Puerto Rico, Guam, American Samoa or the Northern Mariana Islands during the entire taxable year is also subject to the rules described in this section as if such Holder were a United States person. Such a Holder may also be subject to United States Federal withholding tax under the rules described in the first paragraph under "Non-United States Persons" below.

#### Payments of Interest

Except as described below under "Original Issue Discount", interest on a Note (whether payable in a Foreign Currency or in U.S. dollars) will be taxable to a Holder as ordinary income at the time it accrues or is received in accordance with the Holder's method of accounting for tax purposes.

If payment of interest is denominated in or determined in reference to the value of a Foreign Currency, then in the case of a cash method Holder who is not required to accrue such interest prior to its receipt, the amount of interest income is determined by translating the Foreign Currency into U.S. dollars at the "spot rate" on the date of receipt. In the case of an accrual method Holder or in the case of interest that must be accrued prior to receipt or payment (such as original issue discount) the amount of interest income that is taken into income for any interest accrual period is determined by translating the Foreign Currency into U.S. dollars at the "average rate" for the interest accrual period, or, with respect to an interest accrual period that spans two taxable years, at the "average rate" for the partial period within the taxable year. At the time the interest so accrued in a prior accrual period is received, the Holder will realize exchange gain or loss equal to the difference, if any, between the "spot rate" of the Foreign Currency received by the Holder with respect to such accrual period on the date the interest is received and the amount of interest income previously accrued for such period. A Holder may elect to use, instead of such "average rate", the "spot rate" on the last day of the accrual period (or, if the accrual period spans two of the Holder's taxable years, the last day of the first taxable year). In addition, if the interest is actually received within five Business Days of the end of such accrual period or taxable year, an accrual method Holder making the election may instead use the spot rate on the date the interest is received for purposes of translating accrued interest income into U.S. dollars (in which case no exchange gain or loss will be taken into account upon receipt). The election applies to all debt instruments held by the Holder and cannot be changed without the consent of the IRS.

The exchange gain or loss described in the immediately preceding paragraph is ordinary and will generally not be considered additional interest income or expense. The IRS has authority to issue regulations recharacterizing interest as principal, or principal as interest, for obligations denominated in a hyperinflationary currency. Under the proposed Foreign Currency Regulations, which would become effective for transactions entered into after such regulations are finalized, if a Holder acquires a Note denominated in a Foreign Currency that is a hyperinflationary currency at the time of such acquisition, the Holder would be required to realize exchange gain or loss on the Note each year that the Holder holds the Note based (in general) on the change in exchange rates between the Specified Currency and the U.S. dollar from the beginning to the end of the year. Such exchange gain or loss would generally be treated, respectively, as additional interest income or as an offset to interest income.

For purposes of this discussion, the "spot rate" generally means a rate that reflects a fair market rate of exchange available to the public for currency under a "spot contract" in a free market and involving representative amounts. A "spot contract" is a contract to buy or sell a currency on or before two Business Days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the District Director of the IRS has the authority to determine the spot rate. The "average rate" for an accrual period (or partial period) is the simple average of the spot exchange rates for each Business Day of such period, or other average exchange rate for the period reasonably derived and consistently applied by the Holder.

#### Purchase, Sale and Retirement of Notes

A purchaser of a Note using Foreign Currency as the consideration for such Note will generally be treated for Federal income tax purposes as though the Foreign Currency used to purchase the Note were instead exchanged for U.S. dollars, and the U.S. dollars received in such exchange were used to purchase the Note. Thus, such a purchaser generally will be required to recognize ordinary income or loss equal to the difference, if any, between the U.S. dollar spot rate of the Foreign Currency used to purchase the Note on the date of purchase, and the purchaser's U.S. dollar tax basis in the Foreign Currency.

Upon the sale, exchange or retirement of a Note, a Holder will recognize gain or loss equal to the difference between the amount realized (less any accrued but unpaid qualified stated interest which will be taxable as such) and the Holder's tax basis in the Note. If the amount received on the sale, exchange or retirement is not in U.S. dollars, the amount realized will be based on the spot rate of the Foreign Currency on the date of disposition. In the case of a Note denominated in Foreign Currency, to the extent such recognized gain or loss is attributable to changes in Foreign Currency exchange rates between the date of acquisition and disposition of the Note, such gain or loss ("exchange gain or loss") will be treated as ordinary income or loss (but will generally not be treated as interest income or expense). However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction. Except as provided below, any gain or loss in excess of such exchange gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the Note had been held for more than one year.

If a Holder has a tax basis for a Note, other than a Note with a fixed Maturity Date of one year or less from the date of issue, that is less than its principal amount (or, in the case of an Original Issue Discount Note, less than its original issue price plus original issue discount includable, without regard to adjustments for acquisition premium discussed below under "Original Issue Discount", in gross income by the prior Holder or Holders), the Note may be considered to have "market discount". As a general matter, gain on a Note is treated as ordinary income rather than capital gain to the extent of market discount accrued while the Holder held the Note, although Holders may elect to accrue market discount into income on a current basis. Such an election applies to all debt instruments with market discount acquired by the electing Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS. Market discount will be treated as accruing on a ratable basis or, at the election of the Holder, based on a constant interest method. Furthermore, unless a Holder elects to include market discount into income on a current basis as described above, a Holder of a Note having market discount may be required to defer the deduction of all

or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note until the Maturity Date of the Note or its earlier disposition in a taxable transaction. In the case of a Note payable in a Foreign Currency, (1) market discount is determined in units of the Foreign Currency, (2) accrued market discount required to be taken into account on the Maturity or earlier disposition of a Note is translated into U.S. dollars at the spot rate on the Maturity or disposition date (and no part is treated as exchange gain or loss), and (3) accrued market discount currently includible in income by a Holder is translated into U.S. dollars at the average exchange rate for the accrual period, and exchange gain or loss is determined on the Maturity or disposition of the Note in the manner described in "Payments of Interest" above, with respect to computation of exchange gain or loss on the receipt of accrued interest.

If a Holder has a tax basis for a Note that is greater than its principal amount, the Note may be considered to have "bond premium". The Holder may elect to amortize such premium as offsets to interest income over the remaining life of the Note under a constant interest method. (The treatment of Original Issue Discount Notes purchased at a premium is discussed below. See "Original Issue Discount".) Such an election generally applies to all Notes held by the Holder at the beginning of the taxable year to which the election applies or thereafter acquired by the Holder and is irrevocable without the consent of the IRS. However, if such Note may be optionally redeemed after the Holder acquires it at a price in excess of its principal amount, special rules would apply that could result in a deferral of the amortization of some bond premium until later in the term of the Note. In the case of a Note denominated in Foreign Currency, bond premium is computed in units of Foreign Currency and amortizable bond premium reduces interest income in units of the Foreign Currency. At the time amortized bond premium offsets interest income, foreign currency exchange gain or loss (taxable as ordinary income or loss, but not generally as interest income or expense) is realized based on the difference between spot rates at that time and at the time of the acquisition of the Note. With respect to a Holder that does not elect to amortize bond premium, the amount of bond premium constitutes a capital loss when the bond matures. In the case of a Note denominated in Foreign Currency, foreign currency exchange gain or loss with respect to the premium is realized based on the difference between the spot rates on the Maturity Date and at the time of the acquisition of the Note. In such case, the amount of capital loss relating to the premium may be offset or eliminated by exchange gain.

#### Receipt of Foreign Currency

The tax basis of Foreign Currency received by a Holder generally will equal the U.S. dollar equivalent of such Foreign Currency at the spot rate on the date it is received. Upon the subsequent exchange of such Foreign Currency for U.S. dollars, another currency, or property, a Holder will generally recognize exchange gain or loss equal to the difference between the Holder's tax basis for the Foreign Currency and the U.S. dollars received (or, if another currency is received, the U.S. dollar value of the other currency at the spot rate on the date of the exchange) or, if property is received, the U.S. dollar value of the Foreign Currency based on the spot rate on the date of purchase. Such gain or loss will be ordinary in character.

#### Indexed Notes

The specific treatment of any Indexed Notes issued will be discussed in applicable Pricing Supplement relating to the issuance of such Notes and would generally be subject to different rules from those set forth in this discussion.

#### Original Issue Discount

The following summary is a general discussion of the United States Federal income tax consequences to Holders who are United States persons of Notes issued with original issue discount ("Original Discount Notes"). It is based in part upon income tax regulations (the "OID Regulations") that were published in the Federal Register on April 4, 1994. Additionally, the summary includes a discussion of final regulations published in the Federal Register on June 14, 1996, relating primarily to contingent

payment debt instruments with original issue discount (the "Contingent Payment Debt Regulations"). The discussion assumes that the Notes will not qualify as "applicable high-yield discount obligations" under the code.

For United States Federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of an Original Issue Discount Note over its "issue price" (defined as the first price at which a substantial amount of the Original Issue Discount Notes have been sold) unless, in most circumstances, such excess is less than 0.25% of the Original Issue Discount Note's stated redemption price at maturity multiplied by the number of complete years to its maturity. The stated redemption price at maturity of an Original Issue Discount Note is the total of all payments to be made under the Original Issue Discount Note other than "qualified stated interest." The term "qualified stated interest" means, in general, stated interest that is unconditionally payable in cash or property at least annually at a single fixed rate (or at certain floating rates) that appropriately takes into account the length of the interval between stated interest payments.

In certain cases, Notes that bear stated interest and are issued at par may be deemed to bear original issue discount for Federal income tax purposes, with the result that the inclusion of interest in income for Federal income tax purposes may vary from the actual cash payments of interest made on such Notes, generally accelerating income for cash method taxpayers. Under the OID Regulations, a Note may be an Original Issue Discount Note where, among other things, (i) a Floating Rate Note provides for a maximum interest rate or a minimum interest rate that is reasonably expected as of the issue date to cause the yield on the debt instrument to be significantly less, in the case of a maximum rate, or more, in the case of a minimum rate, than the expected yield determined without the maximum or minimum rate, as the case may be; (ii) a Floating Rate Note provides for a significant front-loading or back-loading of interest; or (iii) a Note bears interest at a floating rate in combination with one or more other floating or fixed rates. Notice will be given in the applicable Pricing Supplement if the Company determines that a particular Note will be an Original Issue Discount Note. Unless specified in the applicable Pricing Supplement, Floating Rate Notes will not be Original Issue Discount Notes.

Persons holding Original Issue Discount Notes having maturities in excess of one year are required to include original issue discount in income before the receipt of cash attributable to such income. The amount of original issue discount includible in income by the initial Holder of such Original Issue Discount Notes and, subject to an adjustment, by any subsequent Holder, is the sum of the daily portions of the original issue discount with respect to the Original Issue Discount Note for each day during the taxable year in which such Holder held the Original Issue Discount Note ("accrued original issue discount"). The daily portion of the original issue discount on any Original Issue Discount Note is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period. The term "accrual period" generally means the period between interest payment dates (or shorter period from the date of issue to the first interest payment date and from the last interest payment date prior to maturity to the date of maturity).

For any accrual period, the original issue discount allocable to the accrual period is an amount equal to the excess, if any, of (a) the product of the Original Issue Discount Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and adjusted for the length of the accrual period) over (b) the sum of the qualified stated interest, if any, allocable to such accrual period. The "adjusted issue price" of an Original Issue Discount Note at the beginning of the first accrual period is the issue price and at the beginning of any accrual period thereafter is (x) the sum of the issue price of such Original Issue Discount Note, the accrued original issue discount for each prior accrual period (determined without regard to the amortization of any acquisition premium, as discussed below, or bond premium, as discussed above), and the amount of any qualified stated interest on the Note that has accrued prior to the beginning of the accrual period but is not payable until a later date, less (y) any prior payments on the Original Issue Discount Note that were not qualified stated interest. If a payment (other than a payment of qualified stated interest) is made on the first day of an accrual period, then the adjusted issue price at the beginning of such accrual period is reduced by the amount of the payment.

Under the above rules, persons holding Original Issue Discount Notes will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods, assuming that no payments other than qualified stated interest are made prior to the maturity of the Note.

If the Company has an option to redeem a Note, or the Holder has an option to cause a Note to be repurchased, prior to the Note's stated maturity, such option will be presumed to be exercised if, by utilizing any date on which such Note may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the terms of such Note (the "redemption price") as the stated redemption price at maturity, the yield on the Note would be (i) in the case of an option of the Company, lower than its yield to stated maturity, or (ii) in the case of an option of the Holder, higher than its yield to stated maturity. If such option is not in fact exercised when presumed to be exercised, the Note would be treated solely for original issue discount purposes as if it were redeemed or repurchased, and a new Note were issued on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date.

Original issue discount on an Original Issue Discount Note denominated in, or under which all payments are determined with reference to, a single Foreign Currency will be determined for any accrual period in that Foreign Currency and then translated into U.S. dollars in the same manner as other interest income accrued by an accrual method Holder before receipt, as described above under "Payments of Interest". Likewise, as described therein, exchange gain or loss will be recognized when the original issue discount is paid. For this purpose, all payments (other than qualified stated interest) on a Note will first be viewed as payments of previously accrued original issue discount (to the extent thereof), with payments considered made for the earliest accrual periods first.

The Contingent Payment Debt Regulations address, among other things, the accrual of original issue discount on, and the character of gain recognized on the sale, exchange, or retirement of debt instruments providing for contingent payments. Prospective Holders of Notes with contingent payments should refer to the discussion regarding taxation in the applicable Pricing Supplement.

Different rules apply to Original Issue Discount Notes having maturities of not more than one year ("Short-Term Discount Notes"). A Holder of a Short-Term Discount Note who uses the cash method of tax accounting will generally not be required to include original issue discount in income on a current basis (but may be required to defer a deduction for a portion or all of the interest paid or accrued on any indebtedness incurred to purchase or carry such Short-Term Discount Note). Rather, such a Holder will be required to treat any gain realized on a sale, exchange or retirement of the Short-Term Discount Note as ordinary income to the extent such gain does not exceed the original issue discount accrued with respect to the Short-Term Discount Note during the period the Holder held the Short-Term Discount Note. Holders using the accrual method of tax accounting, and certain cash method Holders (including banks, securities dealers and regulated investment companies) will generally be required to include original issue discount on the Short-Term Discount Note in income on a current basis. Notwithstanding the foregoing, a cash method Holder of a Short-Term Discount Note may elect to accrue original issue discount into income on a current basis (in which case the limitation on the deductibility of interest described above will not apply). Original issue discount will be treated as accruing for these purposes on a ratable basis or, at the election of the Holder, on a constant interest basis. Furthermore, any Holder (whether cash or accrual method) of a Short-Term Discount Note can elect to accrue the "acquisition discount", if any, with respect to the Short-Term Discount Note on a current basis in lieu of original issue discount. Acquisition discount is the excess of the stated redemption price at maturity of the Short-Term Discount Note over the Holder's tax basis in the Note at the time of acquisition. Acquisition discount will be treated as accruing on a ratable basis or, at the election of the Holder, using a constant interest method. The market discount rules do not apply with respect to Short-Term Discount Notes.

For purposes of determining the amount of original issue discount subject to these rules, the OID Regulations provide that no interest payments on Notes with maturities of one year or less are qualified stated interest, but instead such interest payments are included in such Note's stated redemption price at maturity.



In the event that a person purchases an Original Issue Discount Note (including a Short-Term Discount Note) at an acquisition premium, i.e., at a price in excess of the issue price plus the original issue discount accrued prior to acquisition and minus any payments (other than payments of qualified stated interest) made with respect to such Note prior to acquisition (such amount, the Note's "revised issue price"), the amount includible in income in each taxable year as original issue discount will be reduced by that portion of the acquisition premium properly allocable to such year or, alternatively, a Holder may elect to treat its purchase price as the Note's issue price.

The market discount and bond premium rules discussed above under "Purchase, Sale and Retirement of Notes" may apply to an Original Issue Discount Note purchased at a price that is less than such Note's revised issue price (in the case of market discount) or that is greater than such Note's remaining stated redemption price at maturity (in the case of bond premium), respectively. In such case, the amount of market discount will generally equal the excess of the Original Issue Discount Note's revised issue price over the Holder's purchase price for the Note, and the amount of bond premium will equal the excess of the Holder's purchase price over the Original Issue Discount Note's remaining stated redemption price at maturity. A Holder of an Original Issue Discount Note with bond premium will not be subject to the original issue discount rules described above.

A Holder's tax basis of an Original Issue Discount Note generally will be the Holder's cost increased by any original issue discount included in income (and market discount, if any, if the Holder has elected to include accrued market discount in income on an annual basis) and decreased by the amount of any payment (other than qualified stated interest) received with respect to the Original Issue Discount Note. Gain or loss on the sale, exchange or redemption of an Original Issue Discount Note generally will be long-term capital gain or loss if the Original Issue Discount Note has been held for more than a year except to the extent that gain represents market discount not previously included in the Holder's income.

The original issue discount rules will not be applied to treat Notes as having original issue discount solely by virtue of the contingent U.S. dollar values of payments on Notes denominated in a Foreign Currency.

A Holder may elect to treat all interest that accrues on a Note as original issue discount applying the constant yield method described above to accrue such interest, with the modifications described below. For purposes of this election, interest includes stated interest, original issue discount, de minimis original issue discount, market discount, acquisition discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium (described above) or acquisition premium.

In applying the constant yield method to a Note with respect to which this election has been made, the issue price of the Note will equal the electing Holder's adjusted basis in the Note immediately after its acquisition, the issue date of the Note will be the date of its acquisition by the electing Holder, and no payments on the Note will be treated as payments of qualified stated interest. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If this election is made with respect to a Note with amortizable bond premium, then the electing Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludable from gross income) held by such electing Holder as of the beginning of the taxable year in which the Note with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the IRS.

If the election described above to apply the constant yield method to all interest on a Note is made with respect to a Note that has market discount, as described above, then the electing Holder will be treated as having made the election discussed above under "Purchase, Sale, and Retirement of Notes" to include market discount in income currently over the life of all debt instruments held or thereafter acquired by such Holder.

## Subsequent Interest Periods and Extensions of Maturity

If a reset of the interest rate, Spread and/or Spread Multiplier of a Note (either alone or in conjunction with each other) by the issuer or extension of the maturity of a Note is treated as an exchange of the Note for a new Note, then a United States person who is a Holder of the Note may recognize taxable gain or loss (subject to characterization as capital gain or loss or ordinary income or loss depending on the effect of the original issue discount, foreign currency, or other rules described herein) equal to the difference between the fair market value of the Note and the Holder's adjusted tax basis in the Note at the time of the reset or extension. In such case, the Holder will have a tax basis in a new Note equal to such fair market value. The tax consequences described above with respect to the timing and character of income, gain or loss would apply to the holding of the new Note. If, on the other hand, the interest reset or maturity extension is not treated as an exchange, then a United States person who is a Holder will not recognize gain or loss upon the reset or extension, but the reset or extension may affect the timing, character, and amount of income, gain or loss with respect to the subsequent holding period of the Note. On June 26, 1996, final regulations were published in the Federal Register which govern the resolution of the issue or whether an interest reset or maturity extension would or would not result in an exchange.

## NON-UNITED STATES PERSONS

Under the United States Federal tax laws as in effect on the date of this Prospectus Supplement and subject to the discussion of backup withholding below, payments of principal (and premium, if any) and interest, including original issue discount, by the issuer or its agent (acting in its capacity as such) to any Holder of a Note who is not a United States person will not be subject to United States Federal withholding tax, provided, in the case of interest, including original issue discount, that (i) such Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the issuer entitled to vote, (ii) such Holder is not a controlled foreign corporation for United States tax purposes that is related to the issuer through stock ownership, (iii) the Holder is not receiving interest ineligible for exemption from withholding by reason of the application of Section 881(c)(3)(A) of the Code, (iv) the Holder is not a foreign private foundation and (v) either (A) the beneficial owner of the Note certifies to the last United States person (the "Withholding Agent") in the chain of payment, under penalties of perjury, that he is a non-United States person and provides his name and address, or (B) 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 holds the Note certifies to the Withholding Agent, under penalties of perjury, that such statement has been received from the beneficial owner by it or by another financial institution and furnishes the payor with a copy thereof. Applicable regulations contain certain other requirements regarding the timing, form, and maintenance by the Withholding Agent of the certification described in the preceding sentence.

Payments of certain types of contingent interest to a person who is not a United States person may be subject to United States withholding tax equal to 30% of each such payment (or such lower amount as provided by treaty). The applicable Pricing Supplement will state whether any Notes having contingent payments will be subject to any U.S. withholding taxes.

If a Holder of a Note who is not a United States person is engaged in a trade or business in the United States and interest, including original issue discount, on the Note is effectively connected with the conduct of such trade or business, such Holder, although exempt from the withholding tax discussed in the preceding paragraph, may be subject to United States Federal income tax on such interest, and original issue discount, in the same manner as if it were a United States person. In addition, if such a Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest (including original issue discount) on a Note will be included in the earnings and profits of such Holder if such interest (or original issue discount) is effectively connected with the conduct by such Holder of a trade or business in the United States. In lieu of the certificate described in the second preceding paragraph, such a Holder must provide the payor with a properly executed Internal

Revenue Service Form 4224 to claim an exemption from United States Federal withholding tax. However, such a Holder of a Note may still be required to provide the certification described in the second preceding paragraph in order to obtain an exemption from "backup" withholding, discussed below.

Any capital gain or market discount realized upon retirement or disposition of a Note by a Holder who is not a United States person will not be subject to United States Federal income or withholding taxes if (i) such gain is not effectively connected with a United States trade or business of the Holder, and (ii) in the case of an individual, such Holder is either (A) not present in the United States for 183 days or more in the taxable year of the retirement or disposition or (B) such individual does not have a "tax home" (as defined in the Code) in the United States and the gain is not attributable to an office or other fixed place of business maintained by such individual in the United States.

Notes held by an individual who is neither a citizen nor a resident of the United States for United States Federal income tax purposes at the time of such individual's death will not be subject to United States Federal estate tax provided that the income from such Notes was not or would not have been effectively connected with a United States trade or business of such individual and that such individual qualified for the exemption from United States Federal withholding tax (without regard to the certification requirements) that is described above.

#### BACKUP WITHHOLDING AND INFORMATION REPORTING

For each calendar year in which the Notes are outstanding, the payor of interest (including original issue discount, if any), principal, premium, or the proceeds of disposition to a Holder is required to provide the IRS with certain information, including the Holder's name, address and taxpayer identification number ("TIN") (either the Holder's Social Security number or its employer identification number, as the case may be), the aggregate amount of principal, interest (including original issue discount, if any), premium, or the proceeds of disposition paid to that Holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain United States persons who are Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts and individual retirement accounts, but such entities may be required to establish their status as such.

A "backup withholding" tax equal to 31% of each payment on the Notes will apply to a United States person who is a Holder subject to the reporting requirements described above if such Holder (i) fails to furnish his TIN or (ii) under certain circumstances, fails to certify, under penalty of perjury, that he has both furnished a correct TIN and not been notified by the IRS that he is subject to backup withholding for failure to report interest and dividend payments. Backup withholding will also apply if the payor is notified by the IRS that the payee has failed to report properly a correct TIN or interest and dividends earned by the payee. This backup withholding tax is not an additional tax and may be credited against the United States Holder's United States Federal income tax liability.

Under current Treasury regulations, backup withholding and information reporting will not apply to payments made by the issuer or any agent thereof (in its capacity as such) to a Holder of a Note who is not a United States person if the Holder has provided required certification that it is not a United States person as set forth in clause (v)(A) in the first paragraph under "Non-United States Persons", or has otherwise established an exemption (provided that neither the issuer nor such agent has actual knowledge that the Holder is a United States person or that the conditions of any exemption are not in fact satisfied).

If such principal or interest is collected outside the United States by the non-United States office of a foreign custodian, foreign nominee or other foreign agent of the beneficial owner of a Note and is paid by such office outside the United States to such owner, or if the non-United States office of a foreign "broker" (as defined in applicable Treasury regulations) pays the proceeds of the sale or exchange of a Note outside the United States to the seller thereof, backup withholding and information reporting will not apply to such payment (provided that such nominee, custodian, agent or broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business in the United States

and is not a controlled foreign corporation for United States tax purposes). Principal and interest so paid by the non-United States office of other custodians, nominees or agents, or the payment by the foreign office of other brokers of the proceeds of the sale or exchange of a Note will not be subject to backup withholding, but will be subject to information reporting unless the custodian, nominee, agent or broker has documentary evidence in its records that the beneficial owner or seller is not or was not, as the case may be, a United States person who is a Holder and certain conditions are met or the beneficial owner or seller otherwise establishes an exemption. Principal and interest so paid by the United States office of a custodian, nominee or agent, or the payment by the United States office of a broker of the proceeds of a sale or exchange of a Note is subject to both backup withholding and information reporting unless the beneficial owner or seller certifies its non-United States person status under penalties of perjury or otherwise establishes an exemption.

On February 29, 1988 and September 27, 1990, the United States Treasury Department issued proposed regulations concerning the application of information reporting requirements and the backup withholding tax to non-United States persons. If adopted in their current form, these proposed regulations would not materially affect the application of the rules discussed above. It is impossible to predict whether or in what form the proposed regulations will become final and what the scope or effective date of any such final regulations might be.

#### PLAN OF DISTRIBUTION

The Notes are being offered on a continuous basis by the Company through the Agents, each of which has agreed to use its reasonable best efforts to solicit purchases of the Notes. Unless otherwise specified in the applicable Pricing Supplement, with respect to Notes with Maturity Dates of 30 years or less from the date of issue, the Company will pay each Agent a commission (or grant a discount) ranging from .125% to .750% of the principal amount of each Note, depending upon the Maturity Date, sold through such Agent. With respect to Notes with a Maturity Date that is longer than 30 years from the date of issue sold through any Agent, the rate of commission (or discount) will be negotiated at the time of sale and will be specified in the applicable Pricing Supplement.

The Notes also may be sold by the Company to any Agent, acting as principal, at a discount for resale to one or more purchasers at varying prices related to prevailing market prices at the time of resale, or, if set forth in the applicable Pricing Supplement, the Agent may also resell such Notes at a fixed public offering price, as determined by the Agent. In connection with any resale of Notes purchased, an Agent may use a selling or dealer group and may reallocate any portion of the discount or commission payable pursuant thereto to dealers or purchasers. After any initial public offering of Notes to be resold to investors and other purchasers, the public offering price (in the case of Notes to be resold at a fixed public offering price), the commission and discount may be changed. Unless otherwise specified in the applicable Pricing Supplement, any Note purchased by an Agent as principal will be purchased at 100% of the principal amount thereof less a percentage equal to the commission (or discount) applicable to an agency sale of a Note of identical Maturity Date. In addition, the Company may appoint additional agents for the purpose of soliciting offers to purchase the Notes. Each such additional agent will solicit purchasers of the Notes on a reasonable best efforts basis. Unless otherwise specified in the applicable Pricing Supplement, with respect to Notes with Maturity Dates of 30 years or less from the date of issue, the Company will pay each additional agent that it subsequently appoints a commission (or grant a discount) ranging from .125% to .750% of the principal amount of each Note, depending upon the Maturity Date, sold through such agent. With respect to Notes with a Maturity Date that is longer than 30 years from the date of issue sold through such agent, the rate of commission (or discount) will be negotiated at the time of sale and will be specified in the applicable Pricing Supplement. The Company may also sell the Notes directly to, and may accept offers to purchase the Notes from, investors on its own behalf in those jurisdictions where it is authorized to do so. In the case of sales made directly by the Company, no commission will be payable and no discount will be granted. The Company has agreed to reimburse the Agents for certain of the Agents' expenses, and the Company contemplates that it will enter into similar arrangements with any additional agents that it subsequently appoints.

The Company will have the sole right to accept offers to purchase Notes and may reject any proposed purchase of Notes in whole or in part. Each Agent (and each additional agent subsequently appointed) will have the right, in its discretion reasonably exercised, to reject in whole or in part any offer to purchase Notes received by such Agent.

Each Agent, as an agent or principal, and each additional agent subsequently appointed by the Company, may be deemed to be an "underwriter" within the meaning of the Securities Act of 1933. The Company has agreed to indemnify each Agent (and will agree to indemnify each additional agent that it subsequently appoints) against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments each Agent (or additional agent) may be required to make in respect thereof.

No Note will have an established trading market when issued. The Notes will not be listed on any securities exchange. Each Agent and each subsequently appointed agent may make a market in the Notes, but such Agent or agent is not obligated to do so and may discontinue any marketmaking at any time without notice. There can be no assurance of a secondary market for any Notes or that the Notes will be sold.

In the ordinary course of their respective businesses, CS First Boston Corporation and affiliates, Goldman, Sachs & Co. and affiliates, Lehman Brothers, Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and affiliates, and Salomon Brothers Inc and affiliates have engaged, and may in the future engage, in investment banking transactions with the Company and its affiliates. In the ordinary course of its business, J.P. Morgan Securities Inc. and affiliates have engaged, and may in the future engage, in investment banking and commercial banking transactions with the Company and its affiliates.

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 SUCH STATE.

SUBJECT TO COMPLETION DATED OCTOBER 1, 1996

PROSPECTUS

XEROX CORPORATION

DEBT SECURITIES

Xerox Corporation ("Xerox" or the "Company") intends from time to time to issue debt securities (the "Debt Securities") from which the Company will receive proceeds of up to an aggregate of \$1,200,000,000 (or the equivalent thereof in one or more foreign denominated currencies or units consisting of multiple currencies, including European Currency Units ("ECU")) and which will be offered on terms to be determined at the time of sale. The Debt Securities may be issued in one or more series with the same or various maturities at par or with an original issue discount and may be issued as individual securities in registered form without coupons or as one or more global securities in registered form (each a "Global Security"). The purchase price for the principal of and any premium and any interest on the Debt Securities may be payable in U.S. dollars or in one or more foreign denominated currencies or currency units.

The specific title, aggregate principal amount, ranking, designated currency or currency units, offering price, maturity, rate (which may be fixed or variable) or method of calculating interest and time of any payment of interest (if any), the currency or currency units in which payments of Debt Securities may be made, any right on the part of the holders of Debt Securities to require the repurchase thereof by the Company, any redemption, prepayment, sinking fund and other terms and any securities exchange listing of Debt Securities (the "Offered Debt Securities") in respect of which this Prospectus is being delivered will be set forth in a supplement to this Prospectus (the "Prospectus Supplement") together with the terms of the offering. The Prospectus Supplement will also contain information where applicable about material United States Federal income tax considerations relating to the Debt Securities covered by such Prospectus Supplement.

The Debt Securities are not guaranteed, are unsecured and will rank pari passu with all other unsecured and unsubordinated debt of the Company.

The Company may sell the Offered Debt Securities in any one or more of the following ways: (1) directly to investors, (2) to investors through agents, (3) to broker-dealers as principals, (4) through underwriting syndicates led by one or more managing underwriters as the Company may select from time to time, or (5) through one or more underwriters acting alone. If any underwriters, agents or dealers are involved in the sale of the Offered Debt Securities, their names and any applicable fee, commission or discount arrangements with them will be set forth in the Prospectus Supplement. See "Plan of Distribution".

THIS PROSPECTUS MAY NOT BE USED TO CONSUMMATE SALES OF OFFERED DEBT SECURITIES UNLESS ACCOMPANIED BY A PROSPECTUS SUPPLEMENT.

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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 October , 1996.

IN CONNECTION WITH AN OFFERING OF OFFERED DEBT SECURITIES, THE UNDERWRITERS, IF ANY, FOR SUCH OFFERING MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OFFERED DEBT SECURITIES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

#### 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; 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. This Prospectus does not contain all the information set forth in the Registration Statement and Exhibits thereto which the Company has filed with the Commission under the Securities Act of 1933 and to which reference is hereby made.

#### 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, 1995;
- (2) Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 1996 and June 30, 1996; and
- (3) Current Reports on Form 8-K dated January 18, 1996, February 7, 1996 and September 11, 1996.

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 (other than the information required by paragraphs (k) and (l) of sec.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 offerings of the Debt Securities 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 Customer Service Unit of State Street Bank and Trust Company, Two International Place, Boston, Massachusetts 02110, telephone: (617) 664-5750.

## 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 services 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 Rank Xerox Limited and related companies ("Rank Xerox") in which Xerox has an 80 percent financial interest and The Rank Organisation Plc ("RO") has a 20 percent financial interest. In Japan and other areas of the Pacific Rim, Australia and New Zealand, Document Processing products are distributed by Fuji Xerox Co. Ltd., an unconsolidated joint venture, which is equally owned by Fuji Photo Film Company, Ltd. of Japan and Rank Xerox. On February 28, 1995, Xerox paid RO 620 million pounds sterling, or \$972 million, to increase Xerox' financial interest in Rank Xerox to 80 percent from 67 percent.

In January 1996, Xerox announced agreements to sell its remaining property and casualty insurance units to investor groups led by Kohlberg Kravis Roberts & Co. ("KKR") and existing management for consideration totaling \$2.7 billion. On September 11, 1996, Xerox and KKR announced that they had mutually agreed to terminate the transactions. Xerox has already initiated steps for the simultaneous marketing of each of the property and casualty insurance units, with the objective of completing the individual sale transactions as soon as possible. In connection with the anticipated sales, in 1995 Xerox recorded a \$1.5 billion charge. No additional charges are required as a result of this termination.

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 believes that documents will play a central role in business, government, education and other organizations far into the future and that efficient processing of documents offers significant opportunities for productivity improvements. The financing of Xerox equipment is generally carried out by Xerox Credit Corporation ("XCC") in the United States and internationally by foreign financing subsidiaries and divisions in most countries that Xerox operates. Document Processing operations employed 85,200 people worldwide at year-end 1995.

In 1993, Xerox announced a worldwide Document Processing restructuring program to significantly reduce the cost base and to improve productivity. Xerox' objectives were to reduce its worldwide work force by more than 10,000 employees and to close or consolidate a number of facilities. To date, the activities associated with the 1993 restructuring program have reduced employment by 12,000 and achieved pre-tax cost savings of approximately \$650 million in 1995 and \$350 million in 1994. However, Xerox has reinvested a portion of these savings to reengineer business processes, support expansion in growth markets, and mitigate anticipated continuing pricing pressures.

## USE OF PROCEEDS

Except as otherwise set forth in the applicable Prospectus Supplement, the net proceeds from the sale of the Debt Securities will be added to the general funds of the Company and will be used for general corporate purposes. The approximate amount of such net proceeds will be specified in the applicable Prospectus Supplement and will depend upon the type, aggregate principal amount and initial offering price of the particular series of Debt Securities to be determined at the time of sale.



## RATIO OF EARNINGS TO FIXED CHARGES

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

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,				
	1996	1995	1995	1994	1993*	1992	1991
Ratio of Earnings to Fixed Charges(1)(2).....	3.28	3.07	3.53	3.23	0.66	2.34	2.24

(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, by total fixed charges. Fixed charges consist of interest, including capitalized interest, 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. The discontinued operations consist of the Company's Insurance and Other Financial Services businesses and its real-estate development and third-party financing 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 THE DEBT SECURITIES

The following description of the terms of the Debt Securities sets forth certain general terms and provisions of the Debt Securities to which any Prospectus Supplement may relate. The particular terms of the Debt Securities offered by any Prospectus Supplement and the extent, if any, to which such general provisions may apply to the Debt Securities so offered will be described in the Prospectus Supplement relating to such Debt Securities. Accordingly, for a description of the terms of a particular issue of Debt Securities, reference must be made to both the Prospectus Supplement relating thereto and to the following description.

The Debt Securities will be issued in one or more series under an Indenture dated as of September 20, 1996, between the Company and Citibank, N.A., as Trustee (the "Trustee") (as may be amended, supplemented or modified from time to time, the "Indenture"). A copy of the Indenture is filed as an exhibit to the Registration Statement or incorporated herein by reference. The following summaries of certain provisions of the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture and the provisions of the Trust Indenture Act of 1939, as amended (the "TIA"). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Indenture. References in parentheses below to sections or articles are to Sections or Articles of the Indenture.

The Indenture does not contain any covenants or provisions which may afford holders of Debt Securities protection in the event of a highly leveraged transaction by the Company. No such transaction is contemplated.

## GENERAL

The Indenture does not limit the aggregate principal amount of Debt Securities that may be issued thereunder. The Debt Securities may be issued in one or more series as may be authorized from time to time by the Company. Reference is made to the applicable Prospectus Supplement for the following terms of the Debt Securities: (1) the title and aggregate principal amount of such Debt Securities; (2) the percentage or percentages of their principal amount at which such Debt Securities will be issued;

(3) the date or dates on which such Debt Securities will mature; (4) the rate or rates (which may be fixed or variable) or the method of determination thereof, at which such Debt Securities will bear interest, if any; (5) the dates on which such interest, if any, shall accrue or the method by which such dates shall be determined and the dates on which such interest, if any, will be payable; (6) the terms for redemption or early repayment, if any; (7) the denominations in which such Debt Securities are authorized to be issued; (8) whether such Debt Securities are issuable in registered and/or bearer form; (9) whether such Debt Securities are to be issued as Discount Securities (as defined below) and the amount of discount with which such Debt Securities will be issued; (10) whether such Debt Securities are to be issued in whole or in part in the form of one or more Global Securities and, if so, the identity of the Depositary (as defined below) for such Global Security or Securities; (11) if a temporary Debt Security is to be issued with respect to such series, whether any interest thereon payable on an Interest Payment Date prior to the issuance of a definitive Debt Security of the series will be credited to the account of the Persons entitled thereto on such Interest Payment Date; (12) if a temporary Global Security is to be issued with respect to such series, the terms upon which beneficial interests in such temporary Global Security may be exchanged in whole or in part for beneficial Interests in a definitive Global Security or for individual Debt Securities of the series and the terms upon which beneficial interests in a definitive Global Security, if any, may be exchanged for individual Debt Securities of the series; (13) the currency, currencies or currency units in which the purchase price for, the principal of and any premium and any interest on, the Debt Securities may be payable; (14) if the currency, currencies or currency units in which the purchase price for, the principal of and any premium and any interest on, the Debt Securities may be payable is at the purchaser's election, the time period within which, and the manner in which and the terms and conditions upon which such election may be made; (15) the securities exchange or exchanges, if any, on which the Debt Securities will be listed; (16) whether any underwriter(s) will act as market maker(s) for the Debt Securities; (17) if the Debt Securities are listed on a securities exchange and no underwriter(s) intends to make a market in the Debt Securities, the nature of the exchange market for the Debt Securities; (18) if the Debt Securities are not listed on a securities exchange, the extent to which a secondary market is expected to develop; (19) any right on the part of the holders of such Debt Securities to require the repurchase thereof by the Company; (20) any addition to or change in the Events of Default with respect to the Debt Securities and any change in the right of the Trustee or the holders to declare the principal, premium and interest with respect to such Debt Securities due and payable; and (21) any additional terms (which terms shall not be inconsistent with the provisions of the Indenture).

One or more series of Debt Securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates ("Discount Securities"). One or more series of Debt Securities may be variable rate debt securities that may be exchanged for fixed rate Debt Securities. Federal income tax consequences and special considerations applicable to any such series will be described in the Prospectus Supplement relating thereto.

Debt Securities may be issued, from time to time, with the principal amount payable on any principal payment date, or the amount of interest payable on an interest payment date, to be determined by reference to one or more currency exchange rates, commodity prices, equity indices or other factors. Holders of such Debt Securities may receive a principal amount on any principal date, or a payment of interest on any interest payment date, that is greater than or less than the amount of principal or interest otherwise payable on such dates, depending upon the value on such dates of the applicable currencies, commodities, equity indices or other factors. Information as to the methods for determining the amount of principal or interest payable on any date, the currencies, commodities, equity indices or other factors to which the amount payable on such date is linked and certain additional Federal income tax considerations will be set forth in the Prospectus Supplement relating thereto.

As used herein, the term Debt Securities shall include Debt Securities denominated in U.S. dollars or, at the option of the Company if so specified in the applicable Prospectus Supplement, in any other freely transferable currency or units based on or relating to foreign currencies, including ECU.

If a Prospectus Supplement specifies that Debt Securities are denominated in a currency or currency unit other than U.S. dollars, such Prospectus Supplement shall also specify the denominations in which such Debt Securities will be issued and the coin or currency in which the principal, premium, if any, and interest, if any, on such Debt Securities, will be payable, which may be U.S. dollars based upon the exchange rate for such other currency existing on or about the time a payment is due.

The Debt Securities are unsecured and will rank pari passu with all other unsecured and unsubordinated debt of the Company.

Unless otherwise indicated in the applicable Prospectus Supplement, the Debt Securities will be issued in fully registered form without coupons and in denominations of \$1,000 and any integral multiple thereof. (Section 3.02) Subject to the limitations provided in the Indenture and in the Prospectus Supplement relating thereto, Debt Securities which are issued in registered form may be transferred or exchanged at the office of the transfer agent maintained in the Borough of Manhattan, The City of New York or the Principal Corporate Trust Office of the Trustee, without the payment of any service charge, other than any tax or other governmental charge payable in connection therewith. (Section 3.05)

#### GLOBAL SECURITIES

The Debt Securities of a series may be issued in whole or in part in the form of one or more Global Securities that will be deposited with, or on behalf of, a depository (the "Depository") identified in the Prospectus Supplement relating to such series. Global Securities will be issued in registered form and in either temporary or definitive form. Unless and until it is exchanged in whole or in part for the individual Debt Securities represented thereby, a Global Security may not be transferred except as a whole by the Depository for such Global Security to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor of such Depository or a nominee of such successor. (Sections 3.01, 3.03 and 3.05)

The specific terms of the depository arrangement with respect to any Debt Securities of a series and the rights of and limitations upon owners of beneficial interests in a Global Security representing a series of Debt Securities will be described in the Prospectus Supplement relating to such series. The Company anticipates that the following provisions will generally apply to depository arrangements.

Upon the issuance of a Global Security, the Depository for such Global Security or its nominee will credit, on its book-entry registration and transfer system, the respective principal amounts of the individual Debt Securities represented by such Global Security to the accounts of persons that have accounts with such Depository. Such accounts shall be designated by the dealers, underwriters or agents with respect to such Debt Securities or by the Company if such Debt Securities are offered and sold directly by the Company. Ownership of beneficial interests in a Global Security will be limited to persons that have accounts with the applicable Depository ("participants") or persons that may hold interests through participants. Ownership of beneficial interests in such Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable Depository or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in Global Security.

So long as the Depository for a Global Security, or its nominee, is the registered owner of such Global Security, such Depository or such nominee, as the case may be, will be considered the sole owner or holder of the Debt Securities represented by such Global Security for all purposes under the Indenture governing such Debt Securities. Except as provided below, owners of beneficial interests in a Global Security will not be entitled to have any of the individual Debt Securities of the series represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of any such Debt Securities of such series in definitive form and will not be considered the owners or holders thereof under the Indenture governing such Debt Securities.

Payments of principal, premium, if any, and interest, if any, on individual Debt Securities represented by a Global Security registered in the name of a Depository or its nominee will be made to the Depository or its nominee, as the case may be, as the registered owner of the Global Security representing such Debt Securities. None of the Company, the Trustee for such Debt Securities, any paying agent (a "Paying Agent"), or the Registrar for such Debt Securities will have any responsibility or liability for any aspect of the records relating to or payments made by the Depository or any participants on account of beneficial ownership interests of the Global Security for such Debt Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that the Depository for a series of Debt Securities or its nominee, upon receipt of any payment of principal, premium or interest in respect of a permanent Global Security representing any of such Debt Securities, immediately will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Security for such Debt Securities as shown on the records of such Depository or its nominee. The Company also expects that payments by participants to owners of beneficial interests in such Global Security 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 in bearer form or registered in "street name". Such payments will be the responsibility of such participants.

If the Depository for a series of Debt Securities is at any time unwilling, unable or ineligible to continue as depository and a successor depository is not appointed by the Company within 90 days, the Company will issue definitive Debt Securities of such series in exchange for the Global Security or Securities representing such series of Debt Securities. In addition, the Company may at any time and in its sole discretion, subject to any limitations described in the Prospectus Supplement relating to such Debt Securities, determine not to have any Debt Securities of a series represented by one or more Global Securities, and, in such event, will issue definitive Debt Securities of such series in exchange for the Global Security or Securities representing such series of Debt Securities. Further, if the Company so specifies with respect to the Debt Securities of a series, an owner of a beneficial interest in a Global Security representing Debt Securities of such series may, on terms acceptable to the Company, the Trustee, and the Depository for such Global Security, receive definitive Debt Securities of such series in exchange for such beneficial interests, subject to any limitations described in the Prospectus Supplement relating to such Debt Securities. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery of definitive Debt Securities of the series represented by such Global Security equal in principal amount to such beneficial interest and to have such Debt Securities registered in its name. Definitive Debt Securities of such series so issued will be issued in denominations, unless otherwise specified by the Company, of \$1,000 and integral multiples thereof.

#### COVENANTS

Limitations on Liens. So long as any of the Debt Securities are outstanding, the Company will not create or suffer to exist, or permit any of its Restricted Subsidiaries to create or suffer to exist, any lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, upon or with respect to any of its properties (other than "margin stock" as that term is defined in Regulation U issued by the Board of Governors of the Federal Reserve System), whether now owned or hereafter acquired, or assign, or permit any of its Restricted Subsidiaries to assign, any right to receive income, in each case to secure any Debt without making effective provision whereby all of the Debt Securities of each series (together with, if the Company shall so determine, any other Debt of the Company or such Restricted Subsidiary then existing or thereafter created which is not subordinate to the Debt Securities) shall be equally and ratably secured with the indebtedness or obligations secured by such security; provided, however, that the Company or its Restricted Subsidiaries may create or suffer to exist any lien, security interest, charge, encumbrance or preferential arrangement of any kind in, or upon any of the properties or assets of the Company or its Restricted Subsidiaries to secure any Debt or Debts in an aggregate amount at any time outstanding not greater than 20% of the Consolidated Net Worth of the Company; and provided, further, that the foregoing restrictions shall not apply to any of the following:

(1) deposits, liens or pledges arising in the ordinary course of business to enable the Company or any of its Restricted Subsidiaries to exercise any privilege or license or to secure payments of workers' compensation or unemployment insurance, or to secure the performance of bids, tenders, contracts (other than for the payment of money) or statutory landlords' liens or to secure public or statutory obligations or surety, stay or appeal bonds, or other similar deposits or pledges made in the ordinary course of business; (2) liens imposed by law or other similar liens, if arising in the ordinary course of business, such as mechanic's, materialman's, workman's, repairman's or carrier's liens, or deposits or pledges in the ordinary course of business to obtain the release of such liens; (3) liens arising out of judgments or awards against the Company or any of its Restricted Subsidiaries in an aggregate amount not to exceed the greater of (a) 15% of the Consolidated Net Worth of the Company or (b) the minimum amount which, if subtracted from such Consolidated Net Worth, would reduce such Consolidated Net Worth below \$3.2 billion and, in each case, with respect to which the Company or such Restricted Subsidiary shall in good faith be prosecuting an appeal or proceedings for review, or liens for the purpose of obtaining a stay or discharge in the course of any legal proceedings; (4) liens for taxes if such taxes are not delinquent or thereafter can be paid without penalty, or are being contested in good faith by appropriate proceedings, or minor survey exceptions or minor encumbrances, easements or restrictions which do not in the aggregate materially detract from the value of the property so encumbered or restricted or materially impair their use in the operation of the business of the Company or any Restricted Subsidiary owning such property; (5) liens in favor of any government or department or agency thereof or in favor of a prime contractor under a government contract and resulting from the acceptance of progress or partial payments under government contracts or subcontracts thereunder; (6) liens, security interests, charges, encumbrances, preferential arrangements and assignments of income existing on the date of the Indenture; (7) purchase money liens or security interests in property acquired or held by the Company or any Restricted Subsidiary in the ordinary course of business to secure the purchase price thereof or indebtedness incurred to finance the acquisition thereof; (8) liens or security interests existing on property at the time of its acquisition; (9) the rights of XCC relating to a certain reserve account established pursuant to an operating agreement dated as of November 1, 1980, between the Company and XCC; (10) the replacement, extension or renewal of any of the foregoing and (11) liens on any assets of any Restricted Subsidiary of up to \$500,000,000 incurred in connection with the sale or assignment of assets of such Restricted Subsidiary for cash where the proceeds are applied to repayment of Debt of such Restricted Subsidiary and/or invested by such Restricted Subsidiary in assets which would be reflected as receivables on the balance sheet of such Restricted Subsidiary. (Section 5.06)

"Consolidated Net Worth" means, at any time, as to a given entity, (a) the sum of the amounts appearing on the latest consolidated balance sheet of such entity and its Subsidiaries, prepared in accordance with generally accepted accounting principles consistently applied, as (i) the par or stated value of all outstanding capital stock (including preferred stock), (ii) capital paid-in and earned surplus or earnings retained in the business plus or minus cumulative translation adjustments, (iii) any unappropriated surplus reserves, (iv) any net unrealized appreciation of equity investments, and (v) minorities' interests in equity of subsidiaries, less (b) treasury stock, plus (c) in the case of the Company, \$600,000,000.

"Debt" means (i) indebtedness for borrowed money or for the deferred purchase price of property or services (excluding trade accounts payable incurred in the ordinary course with a maturity of not greater than 90 days), (ii) obligations as lessee under capital leases, (iii) obligations 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 clause (i) or (ii) (excluding obligations of the Company from time to time under (1) a certain support agreement between the Company and XCC, and (2) a certain support agreement between Xerox Canada Inc. and Xerox Canada Finance Inc.), and (iv) the amount of unfunded benefit liabilities, as defined in Section 4001 (a)(18) of the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute or statute, under plans covered by Title IV thereof.

"Restricted Subsidiary" means any consolidated Subsidiary of the Company from time to time having a Consolidated Net Worth of at least \$100 million; provided, however, that "Restricted Subsidiary" does not include Xerox Financial Services, Inc., XCC and any other corporation principally engaged in any business or businesses other than development, manufacture and/or marketing of (x) business equipment (including, without limitation, reprographic, computer (including software) and facsimile equipment), (y) merchandise or (z) services (other than financial services). At the date hereof, the Company has the following Restricted Subsidiaries: (i) Lyell Holdings Limited, (ii) Rank Xerox Limited, (iii) Rank Xerox Holding B.V., (iv) Rank Xerox Manufacturing (Nederland) B.V., (v) Xerox do Brazil Ltda., (vi) Xerox Canada Inc., (vii) Xerox Canada Ltd., and (viii) Xerox Mexicana S.A. de C.V.

"Subsidiary" means, as to any entity, any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation is at the time directly or indirectly owned by such entity.

Consolidation, Merger or Sale of Assets of the Company. The Company shall not consolidate with or merge into any other corporation or sell its assets substantially as an entirety, unless (1) the corporation formed by such consolidation or into which the Company is merged or the corporation which acquires its assets, is organized in the United States and expressly assumes the due and punctual payment of the principal of, premium, if any, and interest on, all the Debt Securities and the performance of every covenant of the Indenture on the part of the Company to be performed or observed and (2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing. (Section 10.01) Upon any such consolidation, merger or sale, the successor corporation formed by such consolidation, or into which the Company is merged or to which such sale is made, shall succeed to, and be substituted for, the Company under the Indenture. (Section 10.02)

#### EVENTS OF DEFAULT, NOTICE AND WAIVER

The Indenture provides that, if an Event of Default specified therein in respect of any series of Debt Securities issued thereunder shall have happened and be continuing, either the Trustee or the Holders of not less than 25% in principal amount of the outstanding Debt Securities of such series may declare the principal amount (or a portion thereof in the case of certain Debt Securities issued with an original issue discount) of all the Debt Securities of such series to be immediately due and payable. (Section 7.02)

Events of Default in respect of any series are defined in the Indenture as being: default for 30 days in payment of any interest instalment when due; default in payment of principal of or premium, if any, (including accrued original issue discount, in the case of certain Debt Securities issued with original issue discount) on, or any sinking fund instalment or analogous obligation with respect to, Debt Securities of such series when due; default for 90 days after notice to the Company by the Trustee or by the holders of at least 25% in principal amount of the outstanding Debt Securities of such series in performance of any covenant in such Indenture in respect of such series; certain events of bankruptcy, insolvency and reorganization; and any other Event of Default provided for with respect to such series. (Section 7.01)

The TIA provides that the Trustee will, within 90 days after the occurrence of a default in respect of any series of Debt Securities, give to the Holders of such series notice of all uncured and unwaived defaults known to it; provided that, except in the case of default in the payment of principal of, premium, if any, or interest on, or any sinking fund instalment or analogous obligation with respect to, any of the Debt Securities of such series, the Trustee will be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the Holders of such series. The term "default" for the purpose of this provision means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Debt Securities of such series.

The Indenture provides that the Holders of a majority in principal amount of the outstanding Debt Securities of any series may, subject to certain limitations, direct the time, method and place of conducting proceedings for remedies available to the Trustee, or exercising any trust or power conferred on the Trustee, in respect of such series. (Section 7.11)

The Indenture contains provisions entitling the Trustee, subject to the duty of the Trustee during an Event of Default in respect of any series of Debt Securities to act with the required standard of care, to be indemnified by the Holders of the Debt Securities of such series before proceeding to exercise any right or power under such Indenture at the request of Holders of such series. (Section 8.01)

The Indenture includes covenants that the Company will file annually with the Trustee a certificate of no default, or specifying any default that exists. (Section 5.04)

In certain cases, the Holders of a majority in principal amount of the outstanding Debt Securities of a series may, on behalf of the Holders of all Debt Securities of such series, waive any past default or Event of Default, or compliance with certain provisions of the applicable Indenture, except for defaults not theretofore cured in the payment of the principal of, premium, if any, or interest on, or any sinking fund instalment or analogous obligation with respect to, any of the Debt Securities of such series and compliance with certain covenants. (Sections 5.07, 7.02 and 7.12)

The Indenture provides that for purposes of calculating the principal amount of Debt Securities of any series denominated in a foreign currency or in units based on or relating to currencies thereunder, such principal amount shall be deemed to be that amount of United States dollars that could be obtained for such principal amount on the basis of a spot rate of exchange, specified to the Trustee by the Company in an Officers' Certificate, for such currency or currency units into United States dollars as of the date of any such calculation. (Section 1.15)

#### MODIFICATION OF THE INDENTURE

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of at least a majority in principal amount of the outstanding Debt Securities of the affected series, to execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the Indenture or modifying the rights of the holders of Debt Securities of such series, except that no such supplemental indenture may, without the consent of the Holders of all of the affected Debt Securities, among other things, change the maturity of any Debt Securities, or the currency in which such Debt Securities are payable, reduce the principal amount thereof or any premium thereon, reduce the rate or extend the time of payment of interest thereon, change the method of computing the amount of principal thereof on any date or reduce the aforesaid percentage of Debt Securities, the consent of the holders of which is required for any such supplemental indenture. (Section 9.02)

#### SATISFACTION AND DISCHARGE OF THE INDENTURES; DEFEASANCE

The Indenture shall generally cease to be of any further effect with respect to a series of Debt Securities if (a) the Company has delivered to the Trustee for cancellation all such Debt Securities of such series (with certain limited exceptions) or (b) all such Debt Securities of such series not theretofore delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year, and the Company shall have deposited with the Trustee as trust funds the entire amount sufficient to pay at maturity or upon redemption all such Debt Securities of such series (and if, in either case, the Company shall also pay or cause to be paid all other sums payable under the Indenture by the Company in respect of all such Debt Securities of such series and deliver to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent in the Indenture have been complied with). (Section 11.01)

The Trustee shall hold in trust all money deposited with it as described above and shall apply the deposited money, in accordance with the provisions of the Debt Securities of the defeased series and the Indenture, to the payment, either directly or through any Paying Agent, as the Trustee may determine, to the Persons entitled thereto, of principal, premium, if any, and interest for whose payment such money has been deposited with the Trustee. (Section 11.02)

## CONCERNING THE TRUSTEE

The Company may from time to time maintain credit facilities, and have other customary banking relationships with Citibank, N.A., the Trustee under the Indenture.

## PLAN OF DISTRIBUTION

The Company may sell the Debt Securities being offered hereby in any one or more of the following ways: (1) directly to investors, (2) to investors through agents, (3) to broker-dealers as principals, (4) through underwriting syndicates led by one or more managing underwriters as the Company may select from time to time, or (5) through one or more underwriters acting alone.

If an underwriter or underwriters are utilized in the sale, the specific managing underwriter or underwriters with respect to the offer and sale of the Offered Debt Securities are set forth on the cover of the Prospectus Supplement relating to such Offered Debt Securities and the members of the underwriting syndicate, if any, are named in such Prospectus Supplement.

Sales of the Offered Debt Securities by underwriters may be in negotiated transactions, at a fixed offering price or at various prices determined at the time of sale. The Prospectus Supplement describes the method of reoffering by the underwriters. The Prospectus Supplement also describes the discounts and commissions to be allowed or paid to the underwriters, if any, all other items constituting underwriting compensation, the discounts and commissions to be allowed or paid to dealers, if any, and the exchanges, if any, on which the Debt Securities offered thereby will be listed.

If so indicated in the Prospectus Supplement, the Company will authorize underwriters to solicit offers by certain institutions to purchase Debt Securities from the Company at the price set forth in the Prospectus Supplement pursuant to Delayed Delivery Contracts providing for payment and delivery at a future date.

If any Debt Securities are sold pursuant to an Underwriting Agreement, the several underwriters will agree, subject to the terms and conditions set forth therein, unless the Prospectus Supplement provides otherwise, to purchase all the Debt Securities offered by the accompanying Prospectus Supplement if any of such securities are purchased and, in the event of default by any underwriter, in certain circumstances, the purchase commitments may be increased or the Underwriting Agreement may be terminated.

Offers to purchase Debt Securities may be solicited directly by the Company or by agents designated by the Company from time to time. Any such agent, who may be deemed to be an underwriter as the term is defined in the Securities Act of 1933 (the "Act"), involved in the offer or sale of the Offered Debt Securities in respect of which this Prospectus is delivered will be named, and any commissions payable by the Company to such agent set forth, in a Prospectus Supplement. Unless otherwise indicated in such Prospectus Supplement, any such agent will be acting on a best efforts basis.

If a broker-dealer is utilized in the sale of the Offered Debt Securities in respect of which this Prospectus is delivered, the Company will sell such Offered Debt Securities to the dealer, as principal. The dealer may then resell such Offered Debt Securities to the public at varying prices to be determined by such dealer at the time of resale.

Agents, broker-dealers or underwriters may be entitled under agreements which may be entered into with the Company to indemnification or contribution by the Company in respect of certain civil liabilities, including liabilities under the Act, and may be customers of, engage in transactions with or perform services for the Company in the ordinary course of business.

The place and time of delivery for the Offered Debt Securities in respect of which this Prospectus is delivered are set forth in the accompanying Prospectus Supplement.



The Offered Debt Securities may or may not be listed on a national securities exchange. No assurances can be given that there will be a market for the Offered Debt Securities.

#### LEGAL OPINIONS

The validity of the Debt Securities to be offered hereby will be passed upon for the Company by Martin S. Wagner, Esq., Associate General Counsel, Corporate, Finance and Ventures of the Company and for the underwriters, agents or dealers, as the case may be, by Cravath, Swaine & Moore, Worldwide Plaza, 825 Eighth Avenue, New York, New York. Certain United States Federal income tax consequences resulting from the purchase, ownership or disposition of the Debt Securities will be 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 included in the Company's Annual Report on Form 10-K as of December 31, 1995 and 1994, and for each of the years in the three-year period ended December 31, 1995, have been incorporated by reference herein and elsewhere in the Registration Statement, 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.

NO DEALER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS, IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY OF THE AGENTS. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT (INCLUDING THE ACCOMPANYING PRICING SUPPLEMENT) AND THE PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATES AS OF WHICH INFORMATION IS GIVEN IN THIS PROSPECTUS SUPPLEMENT (INCLUDING THE ACCOMPANYING PRICING SUPPLEMENT) AND THE PROSPECTUS. THIS PROSPECTUS SUPPLEMENT (INCLUDING THE ACCOMPANYING PRICING SUPPLEMENT) AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

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U.S. \$1,200,000,000  
 XEROX  
 CORPORATION

MEDIUM-TERM NOTES,  
 SERIES D

DUE NINE MONTHS OR MORE  
 FROM DATE OF ISSUE

CS FIRST BOSTON  
 GOLDMAN, SACHS & CO.  
 LEHMAN BROTHERS  
 MERRILL LYNCH & CO.  
 J.P. MORGAN & CO.  
 SALOMON BROTHERS INC

PROSPECTUS SUPPLEMENT

DATED OCTOBER , 1996

## PART II

## INFORMATION NOT REQUIRED IN THE PROSPECTUS

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

The following statement sets forth the expenses, other than underwriting discounts and commissions, to be borne by the Company in connection with the distribution of the Debt Securities:

Securities and Exchange Commission Registration Fee.....	\$307,576
Printing and Engraving.....	50,000
Fees of Legal Counsel to Agents.....	35,000
Fees of Company's Independent Auditors.....	55,000
Blue Sky Fees and Expenses (including legal fees and disbursements).....	15,000
Trustee Fees and Expenses (including counsel fees).....	60,000
Listing Fees.....	-0-
Rating Agency Fees.....	250,000
Miscellaneous Expenses.....	-0-
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Total.....	\$772,576
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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

- (1)(a) -- Form of Underwriting Agreement, incorporated by reference to Exhibit (1)(a) to the Company's Registration Statement on Form S-3, Registration No. 33-44597.
- (1)(b) -- Form of Selling Agency Agreement, incorporated by reference to Exhibit (1)(b) to the Company's Current Report on Form 8-K dated March 10, 1992.
- (4)(a) -- Form of Indenture.
- (4)(b) -- Form of Debt Security, incorporated by reference to Exhibit 4(b) to the Company's Registration Statement on Form S-3, Registration No. 33-7415. The Form of Debt Security is hereby modified, effective as of October 1, 1996, by replacing all references to Bankers Trust Company with Citibank, N.A. and changing the date of the indenture referred to therein to as of October 1, 1996.
- (4)(c) -- Form of Debt Security, incorporated by reference to Exhibit 4(c) to the Company's Registration Statement on Form S-3, Registration No. 33-7415. The Form of Debt Security is hereby modified, effective as of October 1, 1996, by replacing all references to Bankers Trust Company with Citibank, N.A. and changing the date of the indenture referred to therein to as of October 1, 1996.
- (4)(d) -- Form of Debt Security, incorporated by reference to Exhibit (1) to the Company's Registration Statement on Form 8-A dated December 1, 1986 for its 8 1/8% Notes due 1996. The Form of Debt Security is hereby modified, effective as of October 1, 1996, by replacing all references to Bankers Trust Company with Citibank, N.A. and changing the date of the indenture referred to therein to as of October 1, 1996.
- (4)(e) -- Form of Debt Security, incorporated by reference to Exhibit 4(b) to the Company's Registration Statement on Form S-3, Registration No. 2-78982.
- (4)(f) -- Form of Debt Security, incorporated by reference to Exhibit 4(c) to the Company's Registration Statement on Form S-3, Registration No. 2-78982.
- (4)(g) -- Form of Debt Security, incorporated by reference to Exhibit 4(d) to the Company's Registration Statement on Form S-3, Registration No. 2-78982.
- (4)(h) -- Form of Debt Security, incorporated by reference to Exhibit 4(e) to the Company's Registration Statement on Form S-3, Registration No. 2-78982.
- (4)(i) -- Form of Debt Security, incorporated by reference to Exhibit 4(f) to the Company's Registration Statement on Form S-3, Registration No. 2-78982.
- (4)(j) -- Form of Debt Security, incorporated by reference to Exhibit (4)(k) to the Company's Current Report on Form 8-K dated March 10, 1992.
- (4)(k) -- Form of Debt Security, incorporated by reference to Exhibit (4)(k) to the Company's Current Report on Form 8-K dated May 25, 1994.
- (4)(l) -- Form of Debt Security
- (4)(m) -- Additional Forms of Debt Securities Incorporated by reference to the Company's subsequently filed reports on Form 8-K.
- (5)(a) -- Opinion of Martin S. Wagner, Esq., as to legality of the Debt Securities.
- (5)(b) -- Opinion of Ivins, Phillips & Barker, Chartered, special tax counsel to the Company, as to material tax consequences.
- (12) -- Computation of Ratio of Earnings to Fixed Charges.
- (23)(a) -- Consent of Independent Auditors (see page II-6).
- (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 Citibank, N.A. 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 and 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) That, for purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or 4 or 497(h) under the Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(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 1ST DAY OF OCTOBER, 1996.

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 OCTOBER 1, 1996.

SIGNATURE

TITLE

PRINCIPAL EXECUTIVE OFFICER:

PAUL A. ALLAIRE\*

Chairman of the Board, Chief Executive Officer and  
Director

PRINCIPAL FINANCIAL OFFICER:

BARRY D. ROMERIL\*

Executive Vice President and Chief Financial Officer

CONTROLLER:

PHILIP D. FISHBACH\*

Vice President and Controller

DIRECTORS:

B. R. INMAN )  
ANTONIA AX:SON JOHNSON )  
VERNON E. JORDAN, JR. )  
YOTARO KOBAYASHI )  
HILMAR KOPPER )  
RALPH S. LARSEN )  
JOHN D. MACOMBER )  
GEORGE J. MITCHELL )  
N. J. NICHOLAS, JR. )  
JOHN E. PEPPER )  
MARTHA R. SEGER )  
THOMAS C. THEOBALD )

\*By: MARTIN S. WAGNER  
(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  
October 1, 1996



## EXHIBIT INDEX

- (1)(a) -- Form of Underwriting Agreement, incorporated by reference to Exhibit (1)(a) to the Company's Registration Statement on Form S-3, Registration No. 33-44597.
- (1)(b) -- Form of Selling Agency Agreement, incorporated by reference to Exhibit (1)(b) to the Company's Current Report on Form 8-K dated March 10, 1992.
- (4)(a) -- Form of Indenture.
- (4)(b) -- Form of Debt Security, incorporated by reference to Exhibit 4(b) to the Company's Registration Statement on Form S-3, Registration No. 33-7415. The Form of Debt Security is hereby modified, effective as of October 1, 1996, by replacing all references to Bankers Trust Company with Citibank, N.A. and changing the date of the indenture referred to therein to as of October 1, 1996.
- (4)(c) -- Form of Debt Security, incorporated by reference to Exhibit 4(c) to the Company's Registration Statement on Form S-3, Registration No. 33-7415. The Form of Debt Security is hereby modified, effective as of October 1, 1996, by replacing all references to Bankers Trust Company with Citibank, N.A. and changing the date of the indenture referred to therein to as of October 1, 1996.
- (4)(d) -- Form of Debt Security, incorporated by reference to Exhibit (1) to the Company's Registration Statement on Form 8-A dated December 1, 1986 for its 8 1/8% Notes due 1996. The Form of Debt Security is hereby modified, effective as of October 1, 1996, by replacing all references to Bankers Trust Company with Citibank, N.A. and changing the date of the indenture referred to therein to as of October 1, 1996.
- (4)(e) -- Form of Debt Security, incorporated by reference to Exhibit 4(b) to the Company's Registration Statement on Form S-3, Registration No. 2-78982.
- (4)(f) -- Form of Debt Security, incorporated by reference to Exhibit 4(c) to the Company's Registration Statement on Form S-3, Registration No. 2-78982.
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- (24)(b) -- Power of Attorney.
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XEROX CORPORATION

AND

[ TRUSTEE ]

-----

INDENTURE

DATED AS OF [ ]

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THIS INDENTURE is entered into as of , between XEROX CORPORATION, a corporation organized and existing under the laws of the State of New York (hereinafter called the "Company"), having its principal executive office at 800 Long Ridge Road, P.O. Box 1600, Stamford, Connecticut 06904-1600, and , a (hereinafter called the "Trustee"), having its Principal Corporate Trust Office on the date hereof at .

#### RECITALS OF THE COMPANY

The Company deems it necessary from time to time to issue its unsecured debentures, notes, bonds or other evidences of indebtedness (including instruments in global, temporary or definitive form), to be issued in one or more series (hereinafter called the "Securities") as hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with 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 covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or any series thereof, as follows:

#### ARTICLE ONE

##### DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

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

(1) the term "this 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, and shall include the terms of particular series of Securities established as contemplated by Section 3.01;

(2) all references in this instrument to designated "Articles", "Sections " and other subdivisions are to be designated Articles, Sections and other subdivisions of this Indenture. 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;

(3) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(4) 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; and

(5) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of computation.

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

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect 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.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 8.10 to act on behalf of the Trustee to authenticate Securities of one or more series.

"Authorized Newspaper" means a newspaper of general circulation in the relevant area, printed in the English language and customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays. Whenever successive weekly publications in an Authorized Newspaper are authorized hereunder, they may be made (unless otherwise expressly provided herein) on the same or different days of the week and in the same or different Authorized Newspapers.

"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 each day which is neither a Saturday, Sunday or other day on which banking institutions in The City of New York or the pertinent Place of Payment are authorized or required by law or executive order to be closed, except as otherwise provided with respect to a particular issue of Securities as contemplated in Section 3.01.

"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 and delivery 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 on such date.

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

"Company Request" and "Company Order" means, respectively, a written request or order signed in the name of the Company by its Chairman of the Board, President or a Vice President, and by its Treasurer, an Assistant Treasurer, Controller, an Assistant Controller, Secretary, or an Assistant Secretary, and delivered to the Trustee or any other Person, as required by this Indenture.

"Consolidated Net Worth" means, at any time, as to a given Person, the sum of (a) the amounts appearing on the latest consolidated balance sheet of such Person and its Subsidiaries, prepared in accordance with generally accepted accounting principles consistently applied, as

(i) the par or stated value of all outstanding capital stock (including preferred stock),

(ii) capital paid-in and earned surplus or earnings retained in the business plus or minus cumulative translation adjustments,

(iii) any unappropriated surplus reserves,

(iv) any net unrealized appreciation of equity investments, and

(v) minorities' interests in equity of Subsidiaries;

less (b) treasury stock; plus (c) in the case of the Company, the sum of \$600,000,000.

"Coupon Security" means any Security authenticated and delivered with one or more interest coupons appertaining thereto.

"Debt" means (i) indebtedness for borrowed money or for the deferred purchase price of property or services (excluding trade accounts payable incurred in the ordinary course with a maturity of not greater than 90 days), (ii) obligations as lessee under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, (iii) obligations 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 clause (i) or (ii) above (excluding obligations of the Company from time to time under (1) the Support Agreement dated as of November 1, 1980, between the Company and Xerox Credit Corporation, as amended from time to time, and (2) the Support Agreement dated as of February 6, 1985, between Xerox Canada Inc. and Xerox Canada Finance Inc., as amended from time to time), and (iv) the amount of unfunded benefit liabilities as defined in Section 4001(a)(18) of ERISA under plans covered by Title IV of ERISA.

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

"Depository" means, with respect to the Securities of any series issuable or issued, in whole or in part, in the form of a Global Security, the Person designated as Depository by the Company pursuant to Section 3.01 until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depository" shall mean or include each Person who is then a Depository hereunder, and if at any time there is more than one such Person, "Depository" as used with respect to the Securities of any such series shall mean the Depository with respect to the Securities of that series.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute or statutes. Section and Title references to ERISA are to ERISA, as in effect at the date of this Indenture and any subsequent amendatory provision thereof.

"Event of Default" has the meaning specified in Section 7.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor statute or statutes.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy", as amended from time to time, and any successor statute or statutes.

"Fully Registered Security" means any Security registered as to principal and interest.

"Global Security" means a Security issued to evidence all or a part of any series of Securities which is executed by the Company and authenticated by the Trustee and delivered to the Depository or pursuant to the Depository's instructions, all in accordance with this Indenture and pursuant to a Company Order, which shall be registered in the name of the Depository or its nominee and which shall represent the amount of uncertificated Securities of such series as specified therein.

"Holder", when used with respect to any Security, means a Securityholder and, when used with respect to any coupon, means the bearer thereof.

"Interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date", when used with respect to any series of Securities, means the Stated Maturity of an instalment of interest on such Securities.

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

"Mortgage" has the meaning specified in Section 10.03

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or a Vice President (as hereinafter defined), and by the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee in accordance with Section 314 of the TIA, to the extent applicable.

"Opinion of Counsel" means a written opinion of counsel, who may (except as otherwise expressly provided in this Indenture) be an employee of the Company, and who shall be reasonably satisfactory to the Trustee.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 7.02.

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

(a) such Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) such 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 be acting as its own Paying Agent) for the Holders of such Securities, provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(c) such Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of such Securities Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder (i) the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 7.02 and (ii) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or 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 or waiver, only Securities which the Trustee knows to be so owned shall be 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 such other obligor.

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

"Person" means any individual, corporation (including a business trust), partnership, joint venture, joint-stock company, trust, unincorporated association or other entity, or the United States or a foreign state or a political subdivision of either thereof or any agency of the United States or such state or subdivision.

"Place of Payment" means a city or any political subdivision thereof designated as such in Section 3.01.

"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 lieu of a lost, destroyed or stolen Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Security.

"Principal Corporate Trust Office" means the principal corporate trust office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date of initial execution of this Indenture, is , Attention: [; except that with respect to the presentation of Securities for payment or for registration of transfer or exchange, such term shall mean the office or agency of the Trustee in the Borough of Manhattan, City of New York, which office at the date of initial execution of this Indenture, is located at , Attention: ].

"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 specified in such Security at which it is to be redeemed pursuant to this Indenture.

"Registered Coupon Security" means any Coupon Security registered as to principal.

"Registered Holder", when used with respect to a Registered Security, means the person in whose name such Security is registered in the Security Register.

"Registered Security" means any Security registered in the Security Register.

"Regular Record Date" for the interest payable on any Security on any Interest Payment Date means the date, if any, specified in such Security as the "Regular Record Date".

"Repayment Date", when used with respect to any Security to be repaid, means the date fixed for such repayment pursuant to such Security.

"Repayment Price", when used with respect to any Security to be repaid, means the price at which it is to be repaid pursuant to such Security.

"Responsible Officer", when used with respect to the Trustee means the chairman or vice chairman of the board of directors, the chairman or vice chairman of the executive committee of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer or trust officer, the controller and any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Subsidiary" means any Subsidiary of the Company from time to time having a Consolidated Net Worth of at least \$100,000,000; provided, however, that each of Xerox Financial Services, Inc., Xerox Credit Corporation and any other corporation principally engaged in any business or businesses other than development, manufacture and/or marketing of (x) business equipment (including, without limitation, reproduction, reprographic, computer (including software) and facsimile equipment), (y) merchandise or (z) services (other than financial services) shall be excluded as a "Restricted Subsidiary" of the Company.

"Securities" has the meaning stated in the first recital of this Indenture and shall mean any Securities authenticated and delivered pursuant to this Indenture.

"Securityholder" means a bearer of an Unregistered Security or a Registered Holder of a Registered Security.

"Security Register" has the meaning specified in Section 3.05.

"Security Registrar" means the Person who keeps the Security Register specified in Section 3.05.

"Special Record Date" for the payment of any Defaulted Interest (as defined in Section 3.07) means the date fixed by the Trustee pursuant to Section 3.07.

"Stated Maturity", when used with respect to any Security, or any instalment 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 instalment of principal or interest, is due and payable.

"Subsidiary" means, as to any Person, any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person, or by one or more other Subsidiaries of such Person.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, and as in force at the date as of which this instrument was executed, except as provided in Section 9.05.

"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 and include each Person who is then a Trustee hereunder. If at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Unregistered Security" means any Coupon Security, or bearer Security, not registered as to principal.

"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. Except as provided by Section 5.04, any certificate required by this Indenture or the TIA to be delivered by the Company to the Trustee shall be signed by the Chairman of the Board, the President or a Vice President and by the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Company and be in compliance with Section 314 of the TIA, to the extent applicable.

Any opinion of counsel required by this Indenture or the TIA to be delivered by or on behalf of the Company to the Trustee shall be in compliance with Section 314 of the TIA, to the extent applicable, and be provided by counsel to the Company, who may (except as otherwise expressly provided in this Indenture or in the TIA) be an employee of the Company, and who shall be reasonably satisfactory to the Trustee.

SECTION 1.03. Form of Documents Delivered to Trustee. In any case 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 Securityholders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Securityholders of any series may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent duly appointed in writing or by the record of the holders of Securities voting in favor thereof at any meeting of such Securityholders duly called and held in accordance with the provisions of Article Thirteen; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or any such record is delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments or such record (and the action embodied therein and evidenced thereby) is herein sometimes referred to as the "Act" of the Securityholders signing such instrument or instruments or voting at such meeting. 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 8.01) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any Securityholders' meeting shall be proved in the manner provided in Section 13.07 and the record so proved shall be sufficient for any purpose of this Indenture and (subject to Section 8.01) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) 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 the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit shall also constitute proof of the authority of the Person executing the same. 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.

(c) The ownership of Registered Securities shall be proved by the Security Register.

(d) The amount of Unregistered Securities held by any Person executing any such instrument or writing as a Securityholder, and the numbers of such Unregistered Securities, and the date of his holding the same, may be proved by the production of such Securities or by a certificate executed by any trust company, bank, banker or member of a national securities exchange (wherever situated), as depositary, if such certificate is in form satisfactory to the Trustee, showing that at the date therein mentioned such Person had on deposit with such depositary, or exhibited to it, the Unregistered Security therein described; or such facts may be proved by the certificate or affidavit of the Person executing such instrument or writing as a Securityholder, if such certificate or affidavit is in a form satisfactory to the Trustee. The Trustee and the Company may assume that such ownership of any Unregistered Security continues until (i) another certificate bearing a later date issued in respect of the same Unregistered Security is produced, or (ii) such Unregistered Security is produced by some other Person, or (iii) such Unregistered Security is registered as to principal or is surrendered in exchange for a Fully Registered Security, or (iv) such Unregistered Security has been cancelled in accordance with Section 3.09.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of any action taken, suffered or omitted by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(f) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to take any action under this Indenture by vote or consent. Such record date shall be the later of 30 days prior to the first solicitation of such consent or vote or the date of the most recent list of Holders furnished to the Trustee pursuant to Section 6.01 prior to such solicitation. If a record date is fixed, those Persons who were Holders of Securities at such record date (or their duly designated proxies), and only those Persons, shall be entitled to take such action by vote or consent or to revoke any vote or consent previously given, whether or not such Persons continue to be Holders after such record date; provided, however, that unless such vote or consent is obtained from the Holders (or their designated proxies) of the requisite principal amount of Outstanding Securities prior to the date which is the 120th day after such record date, any such vote or consent previously given shall automatically and without further action by any Holder be cancelled and of no further effect.

SECTION 1.05. Notices, etc., to Trustee and Company. Any request, demand, authorization, direction, notice, consent, waiver or Act of Securityholders 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 Securityholder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Principal Corporate Trust Office, or

(2) the Company by the Trustee or by any Securityholder shall be sufficient for every purpose hereunder (except as provided in Section 7.01(4)) if in writing and mailed, first-class, postage pre paid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this Indenture or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 1.06. Notices to Securityholders; Waiver. Where this Indenture or any Security provides for notice to Holders of any event, (1) if any of the Securities affected by such event are Registered Securities, such notice shall be sufficiently given (unless otherwise herein or in such Securities expressly provided) if in writing and mailed, first-class, postage prepaid, to each Registered Holder of such Securities, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice and (2) if any of the Securities affected by such event are Unregistered Securities, such notice shall be sufficiently given (unless otherwise



herein or in such Securities expressly provided) if published once in an Authorized Newspaper in the Place of Payment or, if such Unregistered Securities are listed on the Luxembourg Stock Exchange and if so requested by such exchange, in Luxembourg, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Securityholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Securityholder shall affect the sufficiency of such notice with respect to other Securityholders. 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 Securityholders 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 publication of any Authorized Newspaper or Authorized Newspapers, or by reason of any other cause, it shall be impossible to make publication of any notice in an Authorized Newspaper or Authorized Newspapers as required by any Security or this Indenture, then such method of publication or notification as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or otherwise, it shall be impracticable to mail notice of any event to the Holders of Securities when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee and the Company shall be deemed to be a sufficient giving of such notice.

SECTION 1.07. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.08. Successors and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.09. Separability Clause. In case any provision in this 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 1.10. Benefits of Indenture. Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any Paying Agent, the Security Registrar and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 1.11. Legal Holidays. Except as may otherwise be provided with respect to Securities of any series, in any case where the date of any Interest Payment Date or Redemption Date or Repayment Date or the Maturity of any Security or any date on which any Defaulted Interest is proposed to be paid or the date on or by which any other action (including a date for giving notice) is proposed or required to be taken shall not be a Business Day in a Place of Payment, then payment of the principal of, premium, if any, or interest, if any, on any Securities may be made, and such action may be taken, on the next succeeding Business Day with the same force and effect as if made on the nominal date of any such Interest Payment Date or Redemption Date or Repayment Date or Maturity or on the date on which Defaulted Interest is proposed to be paid or taken or the nominal date on or by which such action is proposed or required to be taken, as the case may be, and no interest shall accrue on the payment so deferred for the period from and after any such nominal date.

SECTION 1.12. GOVERNING LAW. THIS INDENTURE AND THE SECURITIES SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF

RELATING TO CONFLICTS OF LAW (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, AND ANY SUCCESSOR STATUTE OR STATUTES).

SECTION 1.13. Trust Indenture Act. This Indenture is subject to the TIA and if any provision hereof limits, qualifies or conflicts with the TIA, the TIA shall control.

SECTION 1.14. Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 1.15. Securities Denominated in a Currency Other Than United States Dollars. For the purposes of calculating the principal amount of Securities denominated in a currency other than U.S. dollars (including units consisting of multiple currencies) for any purpose under this Indenture the principal amount of such Securities at any time Outstanding shall be deemed to be that amount of U.S. dollars that could be obtained for such principal amount on the basis of the spot rate of exchange for such currency into U.S. dollars as of the date of any such calculation.

## ARTICLE TWO

### SECURITY FORMS

SECTION 2.01. Forms Generally. The Securities of each series and the certificates of authentication thereon shall have 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 as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of such Securities. Any portion of the text of any Security may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Security.

The definitive Securities, if any, shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or otherwise or may be produced in any other manner as the Company may elect, to the extent, if such Securities are listed thereon, permitted by the rules of any securities exchange, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

SECTION 2.02. Forms of Securities. Each Security shall be in one of the forms approved from time to time by or pursuant to a Board Resolution, or established in one or more indentures supplemental hereto. Prior to the delivery of a Security to the Trustee for authentication in any form approved by or pursuant to a Board Resolution, the Company shall deliver to the Trustee the Board Resolution by or pursuant to which such form of Security has been approved, which Board Resolution shall have attached thereto a true and correct copy of the form of Security which has been approved by or pursuant thereto, or, if a Board Resolution authorizes a specific officer or officers to approve a form of Security, a certificate of such officer or officers approving the form of Security attached thereto. Any form of Security approved by or pursuant to a Board Resolution must be acceptable as to form to the Trustee, such acceptance to be evidenced by a certificate signed by a Responsible Officer of the Trustee and delivered to the Company or by the execution by the Trustee of the certificate of authentication thereon.

If any Security of a series is issuable as a Global Security (in whole or in part), such Global Security may provide that it shall represent the aggregate amount of Outstanding Securities from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Securities represented thereby may from time to time be reduced to reflect exchanges or may from time to time be increased to reflect the issuance of additional uncertificated Securities of such series. Any endorsement of a Global Security to reflect the amount, or any increase or decrease in the amount, of Outstanding Securities represented

thereby shall be made by the Trustee pursuant to such instructions and in such manner as shall be specified in such Global Security or in or pursuant to the Company Order to be delivered to the Trustee pursuant to Section 3.03.

SECTION 2.03. Form of Trustees Certificate of Authentication. The Trustee's certificate of authentication for any Security issued pursuant to this Indenture shall be substantially in the following form:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities, of the series designated herein, described in the within mentioned Indenture.

\_\_\_\_\_,  
AS TRUSTEE

By

-----  
Authorized Signatory

ARTICLE THREE

THE SECURITIES

SECTION 3.01. Title and Terms. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued up to the aggregate principal amount of Securities from time to time authorized by or pursuant to a Board Resolution.

The Securities may be issued in one or more series. All Securities of each series issued under this Indenture shall in all respects be equally and ratably entitled to the benefits hereof with respect to such series without preference, priority or distinction on account of the actual time or times of the authentication and delivery or Maturity of the Securities of such series. All Securities of any one series need not be issued at the same time, and unless otherwise provided, a series may be reopened for issuance of additional Securities of such series up to the maximum aggregate principal amount authorized at the time the series is reopened. There shall be established in or pursuant to a Board Resolution, and set forth in an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series,

(1) the title of the Securities of the series (which shall distinguish the Securities of the series from all other Securities);

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of that series pursuant to this Article Three, Article Four or Article Nine);

(3) the date or dates or the periodic intervals on which the principal and premium, if any, of the Securities of such series is payable, or the method of determination thereof;

(4) the rate or rates (which may be fixed or variable), or the method of determination thereof, at which the Securities of such series shall bear interest, if any, which, if so provided in or pursuant to the authority granted by the resolution of the Board of Directors with respect to such series, may be determined by the Company from time to time and set forth in the Securities of such series issued

from time to time, the date or dates from which such interest shall accrue, or the method of determination thereof, the Interest Payment Dates on which such interest shall be payable and the record dates, if any, for the determination of Holders to whom interest is payable;

(5) the place or places where the principal of, and premium, if any, and interest, if any, if other than as set forth in Section 3.01, on Securities of such series shall be payable;

(6) the price or prices at which, the period or periods within which and the terms and conditions upon which Securities of such series may be redeemed or repaid, in whole or in part, at the option of the Company or a Holder thereof, pursuant to any sinking fund or otherwise;

(7) the obligation, if any, of the Company to redeem, purchase or repay Securities of such series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof, and the price or prices at which and the period or periods within which and the terms and conditions upon which Securities of such series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation;

(8) if other than denominations of \$1,000 and integral multiples thereof, the denominations in which Securities of such series shall be issuable;

(9) whether the Securities of the series shall be issued (a) as other than Fully Registered Securities or (b) in whole or in part in the form of a Global Security or Securities and, in such case, (i) the terms and conditions, if any, upon which such Global Security or Securities may be exchanged in whole or in part for other definitive Securities, (ii) the Depositary for such Global Security or Securities and (iii) whether such Global Security shall be definitive or temporary;

(10) if other than the principal amount thereof, the portion of the principal amount of an Original Issue Discount Security which shall be payable upon declaration of acceleration of the maturity thereof pursuant to Section 7.02; and

(11) any and all other terms of such series, including denominations of securities in currencies other than U.S. dollars (including units consisting of multiple currencies) and including any election as to any optional provision, which shall be necessary to complete the form of Security for such series, which shall be one of the forms approved or established pursuant to Section 2.02 hereof (which terms shall not be inconsistent with the provisions of this Indenture).

The principal of, premium, if any, and interest on the Securities shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, unless the form of any such Security shall designate a different place of payment (any such office or place of payment being herein called the "Place of Payment"); provided, however, and unless otherwise provided in the form of Security for any series approved or established pursuant to Section 2.02, that payment of interest with respect to Registered Securities may be made at the option of the Company by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register.

SECTION 3.02. Denominations. The Securities of each series shall be issuable in such form and denominations as shall be specified in the form of Security for such series approved or established pursuant to Section 2.02 or in the Officers' Certificate delivered pursuant to Section 3.01. In the absence of any specification with respect to the Securities of any series, the Securities of such series shall be issuable only as Fully Registered Securities without coupons in denominations of \$1,000 and any integral multiple thereof.

SECTION 3.03. Execution, Authentication, Delivery and Dating. The Securities shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents and by its Secretary or one of its Assistant Secretaries. Interest coupons appertaining to a Coupon Security

shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents. The signatures of any or all of these officers on the Securities and the interest coupons may be manual or facsimile.

Securities and any interest coupons 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 interest coupons or did not hold such offices at the date of such Securities or interest coupons.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication together with a Company Order for authentication and delivery of such securities; and the Trustee shall authenticate and deliver such Securities as in this Indenture provided and not otherwise, without further action by the Company. If all the Securities of any series are not to be issued at one time and if the Board Resolution or supplemental indenture establishing such series shall so permit, such Company Order may set forth procedures acceptable to the Trustee for the issuance of such Securities and determining the terms of particular Securities of such series such as interest rate, maturity date, date of issuance and date from which interest shall accrue, in which case it shall not be necessary to deliver additional Company Orders with respect to Securities of the same series.

Prior to any such authentication and delivery, the Trustee shall be entitled to receive and shall be fully protected in relying upon:

(1) the Opinion of Counsel to be furnished to the Trustee pursuant to Section 314(c)(2) of the TIA with the Officers' Certificate relating to the issuance of any series of Securities;

(2) a Board Resolution relating thereto, certified by the Secretary or an Assistant Secretary of the Company;

(3) an executed supplemental indenture, if any, relating thereto; and

(4) an Opinion of Counsel which shall state

(a) all instruments furnished to the Trustee conform to the requirements of this Indenture and constitute sufficient authority hereunder for the Trustee to authenticate and deliver such Securities;

(b) all laws and requirements with respect to the form and execution by the Company of the supplemental indenture, if any, have been complied with, the Company has corporate power to execute and deliver any such supplemental indenture and has taken all necessary corporate action for those purposes and any such supplemental indenture has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general equity principles);

(c) the form and terms or the procedure for determining the terms of such Securities have been established in conformity with the provisions of this Indenture;

(d) subject to such conditions as may be set forth in said Opinion of Counsel, all laws and requirements with respect to the execution and delivery by the Company of such Securities have been complied with, the Company has the corporate power to issue such Securities and such Securities have been duly authorized, by the Company and, assuming due execution by the

Company and due authentication and delivery by the Trustee, will constitute legal, valid and binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles, and will be entitled to the benefits of this Indenture, equally and ratably with all other Securities, if any, of such series Outstanding;

(e) the amount of Securities Outstanding, including such Securities, does not exceed the amount at the time permitted by law or under the terms of this Indenture;

(f) the Indenture is qualified under the Trust Indenture Act;  
and

(g) subject to such conditions as may be set forth in said Opinion of Counsel, the issuance of the Securities does not contravene the charter or by-laws of the Company and does not violate the terms or provisions of this Indenture or of any indenture, mortgage or other agreement known to such counsel to which the Company is a party.

If all the Securities of any series are not to be issued at one time, it shall not be necessary to deliver the documents specified in (1), (2), (3) and (4) immediately above at the time of issuance of each Security, but such documents, with appropriate modifications, shall be delivered at or prior to the time of issuance of the first Security of such series.

The Trustee shall not be required to authenticate such Securities if the issue thereof will adversely affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee. The Trustee shall not be required to authenticate Securities denominated in a coin or currency other than U.S. dollars if the Trustee reasonably determines that such Securities impose duties or obligations on the Trustee which the Trustee is not able or reasonably willing to accept.

Unless otherwise provided in the form of Security for any series, all Securities shall be dated the date of their authentication.

Subject to Section 3.11, each Depositary designated pursuant to Section 3.01 or this Section 3.03 for a Global Security must, at the time of its designation and at all times while it serves as Depositary, be a clearing agency registered under the Exchange Act, or any other applicable statute or regulation.

If at any time the Depositary for Global Securities of a series notifies the Company in writing that it is unwilling or unable to continue as Depositary for the Global Securities of such series or if at any time the Depositary for the Global Securities for such series shall no longer be eligible under this Section 3.03 or in good standing under the Exchange Act, or other applicable statute or regulation, the Company shall appoint a successor Depositary with respect to the Securities for such series. If a successor Depositary for the Securities of such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities of such series, will authenticate and deliver Securities of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such series in exchange for such Global Security or Securities.

The Company may at any time and in its sole discretion determine that the Securities of any series issued in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Securities of such series, will authenticate and deliver Securities of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such series in exchange for such Global Security or Securities.

If specified by the Company pursuant to Section 3.01 with respect to a series of Securities, the Depositary for such series of Securities may surrender a Global Security for such series of Securities in exchange in whole or in part for Securities of such series of like tenor and terms in definitive form on such terms as are acceptable to the Company, the Trustee and such Depositary. Thereupon, the Company shall execute, and the Trustee, upon receipt of a Company Order, shall authenticate and deliver without service charge to the Holders, (i) to the Depositary or to each Person specified by such Depositary a new Security or Securities of the same series, of like tenor and terms and of any authorized denomination as requested by such person in an aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Security; and (ii) to such Depositary a new Global Security of like tenor and terms and in a denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of securities delivered pursuant to clause (i) hereof.

No Securities 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 definitive Securities of any series, the Company may execute, and upon receipt of the documents required by Sections 3.01 and 3.03, together with a Company Order, the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denominations, 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 of any series are issued, the Company will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company in the Place of Payment, 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 such series of authorized denominations and of the same tenor. Until so exchanged the temporary Securities of such series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

SECTION 3.05. Registration, Registration of Transfer and Exchange. The Company shall keep or cause to be kept a register (herein sometimes 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 each series of Registered Securities and the registration of transfers of Registered Securities of such series. Any such register shall be in written form or in any other form capable of being converted into written form within a reasonable time. At all reasonable times the information contained in such register or registers shall be available for inspection by the Trustee at the office or agency to be maintained by the Company as provided in Section 5.02.

Upon surrender for registration of transfer of any Registered Security of any series at the office or agency of the Company in the Place of Payment or at the Principal Corporate Trust Office, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of such series of any authorized denominations and of a like tenor, aggregate principal amount and Stated Maturity.

Notwithstanding any other provision of this Section 3.05, unless and until it is exchanged in whole or in part for Securities in a definitive form, a Global Security representing all or a portion of the Securities of a series may not be transferred except as a whole by the Depository of such series to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor Depository of such series or a nominee of such successor Depository, and any such Global Security shall contain a legend to the following effect: "Unless and until this Global Security is exchanged as a whole or in part for definitive Securities in registered form, this Global Security may not be transferred except as a whole by the Depository to a nominee thereof or by a nominee thereof to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor."

Upon the exchange of a Global Security for Securities in definitive form, such Global Security shall be cancelled by the Trustee. Definitive Securities issued in exchange for a Global Security pursuant to Section 3.03 shall be registered in such names and in such authorized denominations and delivered to the Depository or to such addresses as the Depository for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee in writing. The Trustee shall deliver such Securities to the Depository or to the persons in whose names such Securities are so registered.

At the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of such series, of any authorized denominations and of a like tenor, aggregate principal amount and Stated Maturity, upon surrender of the Registered Securities to be exchanged at the office or agency of the Company in the Place of Payment or at the Principal Corporate Trust Office. Whenever any Registered Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Registered Securities which the Securityholder making the exchange is entitled to receive.

Upon presentation for registration of any Unregistered Security of any series which by its terms is registrable as to principal at the office or agency of the Company in the Place of Payment or at the Principal Corporate Trust Office, such Security shall be registered as to principal in the name of the Holder thereof and such registration shall be noted on such Security. Any Security so registered shall be transferable on the Security Register, upon presentation of such Security at such office or agency for similar notation thereon, but such Security may, to the extent and under the circumstances specified pursuant to Section 3.11, be discharged from registration by being in like manner transferred to bearer, whereupon transferability by delivery shall be restored. Unregistered Securities shall continue to be subject to successive registrations and discharges from registration at the option of the Holders thereof.

Coupon Securities shall be transferable by delivery except while registered as to principal. Registration of any Coupon Security shall not affect the transferability by delivery of the coupons appertaining thereto, which shall continue to be payable to bearer and transferable by delivery.

At the option of the Holder thereof, Coupon Securities of any series which by their terms are registrable as to principal and interest may be exchanged for Fully Registered Securities of such series of any authorized denominations and of a like aggregate principal amount and Stated Maturity, upon surrender of the Coupon Securities to be exchanged at such office or agency with all unmatured coupons and all matured coupons in default thereto appertaining, and upon payment, if the Company shall so require, of the charges hereinafter provided. At the option of the Holder thereof and to the extent and under the circumstances specified pursuant to Section 3.11, Fully Registered Securities of any series, which by their terms provide for the issuance of Coupon Securities, may be exchanged for Coupon Securities or Fully Registered Securities of such series, of any authorized denominations and of a like tenor, aggregate principal amount and Stated Maturity, upon surrender of the Securities to be exchanged at such office or agency, and upon payment if the Company shall so require of the charges hereinafter provided. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.



All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer, exchange, redemption or repayment shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed, by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise provided in the Securities to be transferred or exchanged, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may (unless otherwise provided in such Securities) 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, 4.07, or 9.06 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange any Securities of any series during a period beginning at the opening of business 15 days before the day of selection of Securities of such series to be redeemed under Section 4.03 and ending at the close of business on the day of the mailing of a notice of redemption of Securities of such series so selected for redemption, or (ii) to register the transfer or exchange of any Securities so selected for redemption in whole or that part of any Security so selected in the case of Securities selected for redemption in part.

SECTION 3.06. Mutilated, Destroyed, Lost and Stolen Securities. If (i) any mutilated Security or any Security to which a mutilated coupon is annexed is surrendered to the Trustee, or if the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security or any coupon appurtenant to a Coupon Security, and (ii) there is delivered to the Company, the Trustee and the Security Registrar such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company and the Trustee that such Security or coupon has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Security or the Coupon Security to which such mutilated, destroyed, lost or stolen coupon appertains, a new Security of the same series and of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

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

Upon the issuance 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 (and appurtenant coupon) issued pursuant to this Section in lieu of any destroyed, lost or stolen Security or coupon shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security or coupon 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 and coupons of the same series 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 or coupons.

SECTION 3.07. Payment of Interest; Interest Rights Preserved. Interest on any Fully Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall unless otherwise provided in such Security be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered on the Regular Record Date for such interest. Subject to the penultimate paragraph of this Section, interest on any Unregistered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Holder of such Unregistered Security, or the coupon appertaining thereto, as the case may be.

Any interest on any Fully Registered 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 of such Fully Registered Security, on the relevant Regular Record Date by virtue of his having been such Holder, and such Defaulted Interest shall be paid by the Company, at its election in each case, as provided in Clause (1) or Clause (2) below:

(1) The Company may elect to make payments of any Defaulted Interest to the Persons in whose names any such Fully Registered 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 Fully Registered 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 provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor 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 Fully Registered Holder at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Company, notify Fully Registered Holders by causing a similar notice to be published at least once in an Authorized Newspaper in the Place of Payment, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names such Fully Registered Securities (or their respective Predecessor Securities) are registered 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 of that series 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; such payment shall be deemed practicable by the Trustee.

Any Defaulted Interest payable in respect of any Security which is not a Fully Registered Security shall be payable pursuant to such procedures as may be satisfactory to the Trustee in such manner that there is no discrimination as between the Holders of Fully Registered Securities and other Securities of the same series, and notice of the payment date therefor shall be given by the Trustee, in the name and at the expense of the Company, by publication at least once in any Authorized Newspaper in the Place of Payment, subject to Section 1.06.

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.

SECTION 3.08. Persons Deemed Owners. Prior to due presentment for registration of transfer of any Registered Security the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of, premium, if any, on, and, if such Registered Security is a Fully Registered Security (subject to Section 3.07) interest on, such Registered Security, and for all purposes whatsoever (except the payment of coupons appertaining to any Registered Coupon Security and the payment of interest payable on presentation of any temporary Security), whether or not such Registered 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. The Company, the Trustee and any agent of the Company or the Trustee may treat the Holder of any Unregistered Security or the Holder of any coupon, whether or not the Security to which such coupon appertains be registered, as the owner of such Unregistered Security or coupon for the purpose of receiving payment thereof and for all other purposes whatsoever, whether or not such Unregistered Security or coupon 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 for maintaining, supervising or reviewing any records relating to such beneficial ownership interests and they shall be protected in acting or refraining from acting on any such information provided by the Depository.

SECTION 3.09. Cancellation. All Securities surrendered for payment, registration of transfer, exchange, repayment or redemption, and all coupons surrendered for payment, shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and any such Securities and coupons, and Securities and coupons surrendered directly to the Trustee for any such purpose, shall be promptly canceled 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 canceled as provided in this Section, except as expressly permitted by this Indenture or such Securities. All canceled Securities and coupons held by the Trustee shall be disposed of in accordance with its standard procedures and the Trustee shall furnish to the Company a certificate of disposition or, at the written request of the Company, the Trustee shall deliver such cancelled Securities to the Company. If the Company shall acquire any of the Securities, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are surrendered to the Trustee for cancellation.

SECTION 3.10. Computation of Interest. Except as otherwise specified in the form of Security for any series approved or established pursuant to Section 2.02 or in the Officers' Certificate delivered pursuant to Section 3.01 with respect to Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 3.11. Compliance with Certain Laws and Regulations. If any Unregistered Securities are to be issued in any series of Securities, the Company will provide for arrangements and procedures reasonably designed pursuant to then applicable laws and regulations, if any, to ensure that Unregistered Securities are sold or resold (in connection with their original issuance), exchanged, transferred and paid only in compliance with such laws and regulations and without adverse consequences to the Company.

## ARTICLE FOUR

## REDEMPTION AND REPAYMENT OF SECURITIES

SECTION 4.01. Applicability of Article. The Company may reserve the right to redeem and pay before Stated Maturity all or any part of the Securities of any series, either by optional redemption, sinking fund or otherwise, by provision therefor in the form of Security for such series approved or established pursuant to Section 2.02 and on such terms as are specified in such form or the Officers' Certificate delivered pursuant to Section 3.01 or the indenture supplemental hereto as provided in Section 3.01 with respect to Securities of such series. Redemption of Securities of any series shall be made in accordance with the terms of such Securities and, to the extent that this Article does not conflict with such terms, in accordance with this Article.

SECTION 4.02. Election to Redeem; Notice to Trustee. The election of the Company to redeem any Securities redeemable at the option of the Company shall be evidenced by a Board Resolution and/or by an Officers' Certificate made pursuant to a Board Resolution. In the case of any redemption at the election of the Company of less than all the Securities of any series, the Company shall notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed not less than 45 nor more than 60 days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee).

SECTION 4.03. Selection by Trustee of Securities to be Redeemed. To the extent that the Securities of a given series have different terms, the Company in its sole and absolute discretion shall select the Securities to be redeemed if less than all of the series are to be redeemed. If less than all the Securities of a given series having the same terms are to be redeemed, the particular Securities to be redeemed shall be selected not less than 35 nor more than 45 days prior to the Redemption Date by the Trustee from the Outstanding Securities of such series having such terms not previously called for redemption, pro rata or by lot or by such method as the Trustee shall deem fair and appropriate (so long as such method is not prohibited by the rules of any stock exchange on which the Securities may be then listed) and which may provide for the selection for redemption of portions of the principal of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of such series. Unless otherwise provided by the terms of the Securities of any series so selected for partial redemption, the portions of the principal of Securities of such series so selected for partial redemption shall be equal to \$1,000 or an integral multiple thereof and the principal amount which remains outstanding shall not be less than the minimum authorized denomination for Securities of such series.

If less than all of the Securities of a given series having different terms are to be redeemed, the Company shall notify the Trustee of the Securities to be redeemed not less than 45 nor more than 60 days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee). If less than all the Securities of a series having the same terms are to be redeemed, the Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Security selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal of such Security which has been or is to be redeemed. The Trustee shall notify the Company promptly of the Securities or portions of Securities to be redeemed.

SECTION 4.04. Notice of Redemption. Notice of redemption shall be given in the manner provided in Section 1.06, not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the Redemption Price,
- (3) the CUSIP number; provided, that such notice shall state to the effect that no representation is made as to the correctness of any such CUSIP number, either as printed on the Security or as contained in any such notice, and that reliance may be placed only on the other identification numbers printed on the Securities and any redemption shall not be affected by any defect in or omission of such numbers,
- (4) the name and address of the Paying Agent,
- (5) if less than all Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Securities to be redeemed,
- (6) that on the Redemption Date the Redemption Price will become due and payable upon each such Security or portion thereof, and that interest, if any, thereon shall cease to accrue on and after said date,
- (7) the place where such Securities and all coupons, if any, are to be surrendered for payment of the Redemption Price, which shall be the office or agency of the Company in the Place of Payment,
- (8) that the redemption is on account of a sinking fund, if that be the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, on Company Request, by the Trustee in the name and at the expense of the Company.

SECTION 4.05. Deposit of Redemption Price. On or prior to any Redemption Date, but, in any event, not later than (i) 12:00 noon New York City time on the applicable Redemption Date for Securities payable only in the United States, or (ii) the close of business on the Business Day prior to the applicable Redemption Date for Securities with a Place of Payment outside the United States, the Company shall deposit with the Trustee or with a Paying Agent in immediately available funds (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 5.03) an amount of money sufficient to pay the Redemption Price of, which shall include any premium and interest payable on, all the Securities which are to be redeemed on that date.

SECTION 4.06. Securities Payable on Redemption Date. Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified and on such date (unless the Company shall default in the payment of the Redemption Price) such Securities shall cease to bear interest. Upon surrender of such Securities for redemption in accordance with said notice, such Securities shall be paid by the Company at the Redemption Price. In the case of Fully Registered Securities, unless otherwise provided in such Securities, instalments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Fully Registered Securities registered as such on the relevant Regular Record Dates according to their terms and the provisions of Section 3.07.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by such Security, or as otherwise provided in such Security.

SECTION 4.07. Securities Redeemed in Part. Any Security which is to be redeemed only in part shall be surrendered at the office or agency of the Company in the Place of Payment (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder of any Registered Security or his 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 the same series, tenor and Stated Maturity of any authorized denominations as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

SECTION 4.08. Provisions with Respect to any Sinking Funds. If the form or terms of any series of Securities shall provide that, in lieu of making all or any part of any mandatory sinking fund payment with respect to such series of Securities in cash, the Company may at its option (1) deliver to the Trustee for cancellation any Securities of such series theretofore acquired by the Company, or (2) receive credit for any Securities of such series (not previously so credited) acquired by the Company and theretofore delivered to the Trustee for cancellation or redeemed other than through the mandatory sinking fund, then (i) Securities so delivered, redeemed or credited shall be credited at the applicable sinking fund Redemption Price with respect to Securities of such series, and (ii) on or before the 60th day next preceding each sinking fund Redemption Date with respect to such series of Securities, the Company will deliver to the Trustee (A) an Officers' Certificate specifying the portions of such sinking fund payment to be satisfied by payment of cash and by the delivery or credit of Securities of such series acquired or so redeemed by the Company, and (B) any Securities to be so delivered, to the extent not previously surrendered. Such Officers' Certificate shall also state that the Securities for which the Company elects to receive credit have not been previously so credited and were not acquired by the Company through operation of the mandatory sinking fund, if any, provided with respect to such Securities or are required to be delivered to the Trustee pursuant to Section 3.09 and shall also state that no Event of Default with respect to Securities of such series has occurred and is continuing. All Securities so delivered to the Trustee shall be canceled by the Trustee and no Securities shall be authenticated in lieu thereof.

If the sinking fund payment or payments (mandatory or optional) with respect to any series of Securities made in cash plus any unused balance of any preceding sinking fund payments with respect to Securities of such series made in cash shall exceed \$50,000 (or a lesser sum if the Company shall so request), unless otherwise provided by the terms of such series of Securities, said cash shall be applied by the Trustee on the sinking fund Redemption Date with respect to Securities of such series next following the date of such payment to the redemption of Securities of such series at the applicable sinking fund Redemption Price with respect to Securities of such series, together with accrued interest, if any, to the date fixed for redemption, with the effect provided in Section 4.06. The Trustee shall select, in the manner provided in Section 4.03, for redemption on such sinking fund Redemption Date a sufficient principal amount of Securities of such series to utilize said cash and shall thereupon cause notice of redemption of the Securities of such series for the sinking fund to be given in the manner provided in Section 4.04 (and with the effect provided in Section 4.06) for the redemption of Securities in part at the option of the Company. Any sinking fund moneys not so applied or allocated by the Trustee to the redemption of Securities of such series shall be added to the next cash sinking fund payment with respect to Securities of such series received by the Trustee and, together with such payment, shall be applied in accordance with the provisions of this Section 4.08. Any and all sinking fund moneys with respect to Securities of any series held by the Trustee at the Maturity of Securities of such series, and not held for the payment or redemption of particular Securities of such series, shall be applied by the Trustee, together with other moneys, if necessary, to be deposited sufficient for the purpose, to the payment of the principal of the Securities of such series at Maturity.

On or before each sinking fund Redemption Date provided with respect to Securities of any series, the Company shall pay to the Trustee in cash a sum equal to all accrued interest, if any, to the date fixed for redemption on Securities to be redeemed on such sinking fund Redemption Date pursuant to this Section 4.08.

SECTION 4.09. Applicability of Early Repayment Provisions. Repayment of Securities of any series before their Stated Maturity at the option of Holders thereof shall be made in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 3.01 for Securities of any series) in accordance with this Section and Sections 4.10, 4.11, 4.12 and 4.13.

SECTION 4.10. Repayment of Securities. Securities of any series subject to repayment in whole or in part at the option of the Holders thereof will, unless otherwise provided in the terms of such Securities, be repaid at a price equal to the principal amount thereof, together with interest thereon accrued to the Repayment Date specified in the terms of such Securities. On or before the Repayment Date, the Company will deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 5.03) an amount of money sufficient to pay the Repayment Price of all the Securities which are to be repaid on such date.

SECTION 4.11. Exercise of Option. Unless otherwise provided in the terms of such Securities, to be repaid at the option of the Holder, (a) in the case of any definitive Security so providing for such repayment, such Security, together with the "Option to Elect Repayment" form on the reverse thereof duly completed by the Holder, or (b) in the case of any Global Security so providing for such repayment, such notice or notices as may be set forth therein, must be received by the Trustee or any other Person designated by the Company at the Place of Payment thereof specified in the terms of such Security (or at such other place or places of which the Company shall from time to time notify the Holders of such Securities) not earlier than 30 days nor later than 15 days (unless a shorter notice shall be satisfactory to the Trustee) prior to the Repayment Date. If less than the entire principal amount of such Security is to be repaid in accordance with the terms of such Security, the principal amount of such Security to be repaid, in increments of \$1,000 unless otherwise specified in the terms of such Security, and the denomination or denominations of the Security or Securities to be issued to the Holder for the portion of the principal amount of such Security surrendered that is not to be repaid must be specified. The principal amount of any Security providing for repayment at the option of the Holder thereof may not be repaid in part, if, following such repayment, the unpaid principal amount of such Security would be less than the minimum authorized denomination of Securities of the series of which such Security to be repaid is a part. Except as otherwise may be provided by the terms of any Security providing for repayment at the option of the Holder thereof, exercise of the repayment option by the Holder shall be irrevocable unless waived by the Company.

SECTION 4.12. When Securities Presented for Repayment Become Due and Payable. If Securities of any series providing for repayment at the option of the Holders thereof shall have been surrendered as provided in Section 4.11 and as provided by the terms of such Securities, such Securities or the portions thereof, as the case may be, to be repaid shall become due and payable and shall be paid by the Company on the Repayment Date therein specified, and on and after such Repayment Date (unless the Company shall default in the payment of such Securities on such Repayment Date) interest on such Securities or the portions thereof, as the case may be, shall cease to accrue.

SECTION 4.13. Securities Repaid in Part. Upon surrender of any Security which is to be repaid in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge and at the expense of the Company, a new Security or Securities of the same series and Stated Maturity, of any authorized denomination specified by the Holder, in an aggregate principal amount equal to and in exchange for the portion of the principal of such Security so surrendered which is not to be repaid.

## ARTICLE FIVE

## COVENANTS

SECTION 5.01. Payment of Principal, Premium and Interest; Compliance with Terms. With respect to each series of Securities, the Company will duly and punctually pay the principal of, premium, if any, and interest, if any, on the Securities of such series in accordance with the terms of the Securities of such series and this Indenture, and will duly comply with all the other terms, agreements and conditions contained in, or made in the Indenture for the benefit of, the Securities of such series.

SECTION 5.02. Maintenance of Office or Agency. The Company will maintain an office or agency in the Place of Payment where Securities may be presented or surrendered for payment, where Registered Securities may be surrendered for registration of transfer or exchange 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 of any change in the location, of such office or agency. If at any time the Company shall fail to maintain such 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 Principal Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee its agent to receive all such presentations, surrenders, notices and demands.

SECTION 5.03. Money for Security Payments to Be Held in Trust. If the Company shall at any time act as its own Paying Agent for any series of Securities, it will, subject to Section 4.05, on or before each due date of the principal of, premium, if any, or interest on any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal, premium 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 for any series of Securities, it will, subject to Section 4.05, on or prior to each due date of the principal of, premium, if any, or interest on any Securities of such series, deposit with a Paying Agent a sum sufficient to pay the principal, premium, if any, or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium 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 for any series of Securities 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 , that such Paying Agent will

(1) hold all sums held by it for the payment of principal of, premium, if any, or interest on Securities of such series 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 of such series) in the making of any payment of principal, premium, if any, or interest on the Securities of such series; 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 the Company or such Paying Agent to the Trustee, the Company or 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 the principal, premium, if any, or interest on any Security of any series and remaining unclaimed for two years after such principal, 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 mailed to the Holder at the Holder's last known address or published once, in an Authorized Newspaper in the Place of Payment, 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 mailing or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 5.04. Statement as to Compliance. The Company will deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate of the principal executive officer, principal financial officer or principal accounting officer of the Company stating that

(1) a review of the activities of the Company during such year and of performance under this Indenture and under the terms of the Securities has been made under his supervision and

(2) to the best of his knowledge, based on such review, the Company has complied with all conditions and covenants under this Indenture and under the terms of the Securities throughout such year, or, if there has been a default in compliance with such conditions and covenants, specifying each such default known to him and the nature and status thereof.

For purposes of this Section 5.04, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture.

SECTION 5.05. Corporate Existence. Subject to Article Ten, the Company will do, or cause to be done, all things necessary to preserve and keep in full force and effect its corporate existence.

SECTION 5.06. Limitation on Liens. So long as any of the Securities shall be Outstanding, the Company will not create or suffer to exist, or permit any of its Restricted Subsidiaries to create or suffer to exist, any lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, upon or with respect to any of its properties (other than any "margin stock" as that term is defined in Regulation U issued by the Board of Governors of the Federal Reserve System), whether now owned or hereafter acquired, or assign, or permit any of its Restricted Subsidiaries to assign, any right to receive income, in each case to secure any Debt of any Person without making effective provision whereby all of the Securities of each series (together with, if the Company shall so determine, any other Debt of the Company or such Restricted Subsidiary then existing or thereafter created which is not subordinate to the Securities of each series) shall be equally and ratably secured with the indebtedness or obligations secured by such security; provided, however, that the Company or its Restricted Subsidiaries may create or suffer to exist any lien, security interest, charge, encumbrance or preferential arrangement of any kind in, of or upon any of the properties or assets of the Company or its Restricted Subsidiaries to secure any Debt or Debts in an aggregate amount at any time outstanding not greater than 20% of the Consolidated Net Worth of the Company; and provided, further, that the foregoing restrictions shall not apply to any of the following:

(i) deposits, liens or pledges to enable the Company or any Restricted Subsidiary to exercise any privilege or license or to secure payments of workers' compensation or unemployment insurance,

or to secure the performance of bids, tenders, contracts (other than for the payment of money) or statutory landlords' liens under leases to which the Company or any such Restricted Subsidiary is a party or to secure public or statutory obligations of the Company or any such Restricted Subsidiary or to secure surety, stay or appeal bonds to which the Company or any such Restricted Subsidiary is a party, but as to all of the foregoing only if the same shall arise and continue in the ordinary course of business or other similar deposits or pledges made and continued in the ordinary course of business;

(ii) liens imposed by law, such as mechanic's, materialmen's, workman's, repairman's or carrier's liens but only if arising, and only so long as continuing, in the ordinary course of business or other similar liens arising and continuing in the ordinary course of business or deposits or pledges in the ordinary course of business to obtain the release of such liens;

(iii) liens arising out of judgments or awards against the Company or any Restricted Subsidiary in an aggregate amount not to exceed the greater of (a) 15% of the Consolidated Net Worth of the Company or (b) the minimum amount which, if subtracted from such Consolidated Net Worth would reduce such Consolidated Net Worth below \$3.2 billion, and in each case with respect to which the Company or any such Restricted Subsidiary shall in good faith be prosecuting an appeal or proceeding for review or liens incurred by the Company or any such Restricted Subsidiary for the purpose of obtaining a stay or discharge in the course of any legal proceedings to which the Company or any such Restricted Subsidiary is a party;

(iv) liens for taxes if such taxes shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings, or minor survey exceptions or minor encumbrances, easements or reservations of or rights of others for rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes or zoning or other restrictions as to the use of real properties which encumbrances, easements, reservations, rights and restrictions do not in the aggregate materially detract from the value of the said properties or materially impair their use in the operation of the business of the Company or any Restricted Subsidiary owning the same;

(v) liens in favor of any government or any department or agency thereof or in favor of a prime contractor under a government contract and resulting from the acceptance of progress or partial payments under government contracts or sub-contracts thereunder;

(vi) liens, security interests, charges, encumbrances, preferential arrangements and assignments of income in existence on the date hereof;

(vii) purchase money liens or purchase money security interests upon or in any property acquired or held by the Company or any Restricted Subsidiary in the ordinary course of business to secure the purchase price of such property or to secure indebtedness incurred solely for the purpose of financing the acquisition of such property;

(viii) liens or security interests existing on property at the time of its acquisition;

(ix) the rights of Xerox Credit Corporation relating to the reserve account established pursuant to the Operating Agreement, dated as of November 1, 1980, between the Company and Xerox Credit Corporation, as such Operating Agreement is amended from time to time;

(x) the replacement, extension or renewal of any lien, security interest, charge or encumbrance, preferential arrangement or assignment of income permitted by clauses (i) through (ix) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase of principal amount) of the indebtedness secured thereby; and

(xi) liens on any assets of any Restricted Subsidiary of up to \$500,000,000 which may be incurred in connection with the sale or assignment of assets of such Restricted Subsidiary for cash where the proceeds are applied to repayment of Debt of such Restricted Subsidiary and/or invested by such Restricted Subsidiary in assets which would be reflected as receivables on the such Restricted Subsidiary's balance sheet in accordance with generally accepted accounting principles.

SECTION 5.07. Waiver of Covenants. The Company may omit, in respect of any series of Securities, in any particular instance to comply with any covenant or condition set forth in Section 5.06 hereof, if before or after the time for such compliance the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

#### ARTICLE SIX

##### SECURITYHOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 6.01. Company to Furnish Trustee Names and Addresses of Securityholders. The Company will furnish or cause to be furnished to the Trustee (a) semiannually, not more than 10 days after each and , commencing , a list, in such form as the Trustee may reasonably require, containing all the information in the possession or control of the Company, or any of its Paying Agents other than the Trustee, as to the names and addresses of the Holders of Securities as of such or , and (b) at such other times as the Trustee may request in writing, within 30 days after 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; provided, however, that so long as the Trustee is the Security Registrar and all of the Securities of any series are Registered Securities, no such list shall be required to be furnished in respect of such series, but in any event the Company shall be required to furnish such information concerning the Holders of Unregistered Securities which is known to the Company; provided, however, that the Company shall have no obligation to investigate any matter relating to any Holder of an Unregistered Security.

SECTION 6.02. Preservation of Information; Communications to Securityholders. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information furnished to it or received by it in its capacity of Security Registrar pursuant to Section 6.01.

(b) If three or more Holders of Securities of any series (hereinafter referred to as "applicants") apply in writing to the Trustee, accompanied by reasonable proof that each such applicant has owned a Security of such series for a period of at least six months preceding the date of such application and by a copy of the form of proxy or other communication which such applicants propose to transmit, and such application states that the applicants desire to communicate with other Holders of Securities of such series or with the Holders of all Securities with respect to their rights under this Indenture or under such Securities, then the Trustee shall, within five Business Days after receipt of the application, at its election, either (i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 6.02(a), or (ii) inform such applicants as to the approximate number of Holders of Securities of such series or all Securities, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 6.02(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder of a Security of such series or to all Holders, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 6.02(a), a copy of the form of proxy or other communication

which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders of Securities of such series or all Holders, as the case may be, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all Holders of such series or all Holders, as the case may be, with reasonable promptness after the entry of such order and the renewal of such tender; otherwise, the Trustee shall be relieved of any obligation or duty to such applicants with respect to their application.

(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 shall be held accountable by reason of the disclosure of any such information as to the names and address of the Holders of Securities in accordance with Section 6.02(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 6.02(b).

SECTION 6.03. Reports by Trustee. Within 60 days after each \_\_\_\_\_, commencing \_\_\_\_\_, the Trustee shall transmit to Securityholders a report as provided in Section 313(a) of the TIA if so required by such Section .

SECTION 6.04. Reports by Company. The Company will

(a) file with the Trustee, within 30 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act; or, if the the Company is not required to file information, documents and reports pursuant to either of said Sections, then it will file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 or 15(d) of the Exchange Act, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time such rules and regulations; and

(c) mail or cause to be mailed to all Securityholders, in the manner and to the extent provided in Section 313(c) of the TIA, such summaries of any information, documents and reports required to be filed by the Company pursuant to clauses (a) and (b) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

## ARTICLE SEVEN

## REMEDIES

SECTION 7.01. Events of Default. "Event of Default", with respect to any series of Securities, wherever used herein, means each one of the following events (whatever the reason for such Event of Default and whether it shall 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), unless it is either inapplicable to a particular series or it is specifically deleted or modified in the supplemental indenture under which such series of Securities is issued or in the form of Security for such series:

(1) default in the payment of any interest upon any Security of such series when the same becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of or premium, if any, on any Security of such series at its Maturity; or

(3) default in the making or satisfaction of any sinking fund payment or analogous obligation when the same becomes due by the terms of the Securities of such series; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in respect of the Securities of such series (other than a covenant or warranty in respect of the Securities of such series a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of such series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) the entry of a decree by a court having jurisdiction in the premises adjudging the Company bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under the Federal Bankruptcy Code or any other applicable Federal or State law, or appointing a receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(6) the institution by the Company of proceedings to be adjudicated a bankrupt or insolvent or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other applicable Federal or State law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(7) any other Event of Default provided in the supplemental indenture under which such series of Securities is issued or in the form of Security for such series.

SECTION 7.02. Acceleration of Maturity; Rescission and Annulment. If an Event of Default with respect to any series of Securities for which there are Securities Outstanding occurs and is continuing, then, and in every such case, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of such series (each such series acting as a separate class) may declare the principal (or, if the Securities of such series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of the Securities of such series) of all the Securities of such series to be immediately due and payable, by a notice in writing to the Company (and to the Trustee if given by Securityholders), and upon any such declaration the same shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series 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 provided, the Holders of a majority in principal amount of the Outstanding Securities of such series, 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) all overdue instalments of interest on all Securities of such series,

(B) the principal of and premium, if any, on any Securities of such series which have become due otherwise than by such declaration of acceleration, and interest thereon at the rate or rates prescribed therefor by the terms of the Securities of such series, to the extent that payment of such interest is lawful,

(C) to the extent that payment of such interest is lawful, interest upon overdue instalments of interest at the rate or rates prescribed therefor by the terms of the Securities of such series, and

(D) 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 with respect to such series of Securities, other than the non-payment of the principal of Securities of such series which have become due solely by such acceleration, have been cured or waived as provided in Section 7.12.

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

SECTION 7.03. Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if

(1) default is made in the payment of any instalment of interest on any Security of any series when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of or premium, if any, on any Security of any series at the Maturity thereof, or

(3) default is made in the making or satisfaction of any sinking fund payment or analogous obligation when the same becomes due by the terms of the Securities of any series,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holder of any such Security (or Holders of Securities of any such series in the case of Clause (3) above), the whole amount then due and payable on any such Security (or Securities of any such series in the case of Clause (3) above) for principal, premium, if any, and interest, with interest upon the overdue principal and premium, if any (to

the extent that payment of such interest is lawful), and (to the extent that payment of such interest shall be legally enforceable) upon overdue instalments of interest, at the rate or rates prescribed therefor by the terms of any such Security (or Securities of any such series in the case of Clause (3) above); and, in addition thereto, such further amount as shall be sufficient to cover the reasonable costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to any series of Securities occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series 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 7.04. Trustee May File Proofs of Claim. With respect to any proofs of claims filed by the Trustee pursuant to Section 317 of the TIA, the Trustee shall be entitled to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same and any receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Securityholder 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 Securityholders, to pay to the Trustee any amount due to 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 8.05.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Securityholder 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 Securityholder in any such proceeding.

SECTION 7.05. Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under the Indenture or under the Securities of any series may be prosecuted and enforced by the Trustee without the possession of any of the Securities of such series or the related coupons 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 of such series in respect of which such judgment has been recovered.

SECTION 7.06. Application of Money Collected. Any money collected by the Trustee with respect to a series of Securities pursuant to this Article 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, premium or interest, upon presentation of the Securities of such series or the coupons appertaining thereto, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 8.05;

SECOND: To the payment of the amounts then due and unpaid upon the Securities of such series for principal, premium, if any, and interest, 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 Securities of such series, for principal, premium, and interest, respectively; and

THIRD: To the Company.

SECTION 7.07. Limitation on Suits. No Holder of any Security of any series shall 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 with respect to Securities of such series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of such series 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 of such series;

it being understood and intended that no one or more Holders of Securities of such series 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 Holders of Securities of such series or to obtain or to seek to obtain priority or preference over any other 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 the Holders of Securities of such series.

SECTION 7.08. Restoration of Rights and Remedies. If the Trustee or 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 the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, 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 7.09. Rights and Remedies Cumulative. Except as provided 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 7.10. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder 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 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 7.11. Control by Securityholders. The Holders of a majority in principal amount of the Outstanding Securities of any series 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 with respect to the Securities of such series, provided that

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

(2) the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Officer or Officers of the Trustee, determine that the proceeding so directed would be prejudicial to the Holders of Securities of such series not joining in any such direction or would involve the Trustee in personal liability,

(3) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(4) the Trustee has reasonable indemnity against the costs, expenses and liabilities incurred in compliance with such direction.

SECTION 7.12. Waiver of Past Defaults. The Holders of a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder and its consequences, except a default not theretofore cured

(1) in the payment of the principal of, premium, if any, or interest on any Security of such series, or in the payment of any sinking fund instalment or analogous obligation with respect to Securities of such series, or

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

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 the Securities of such series under this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 7.13. Waiver of 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 stay or extension law wherever enacted, now or at any time here after 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 EIGHT

### THE TRUSTEE

SECTION 8.01. Certain Rights of Trustee. Except as otherwise provided in Section 315 of the TIA:

(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, note 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 may 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, note 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;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties here under 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;

(h) the Trustee shall not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; and

(i) 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 the Trustee in good faith believes that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 8.02. Not Responsible for Recitals or Issuance of Securities. The recitals contained herein and in the Securities, except the certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 8.03. May Hold Securities. The Trustee, any Paying Agent, 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 Sections 310(b) and 311 of the TIA, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

[The following indentures shall be excluded from the operation of Section 310(b)(1) of the TIA: ]

SECTION 8.04. Money Held in Trust. Money held by the Trustee in 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 8.05. Compensation and Reimbursement. The Company agrees

(1) to pay to the Trustee from time to time such reasonable compensation for all services rendered by it hereunder as may be agreed upon between the Company and the Trustee (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 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.

As security for the performance of the obligations of the Company under this Section the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of, premium, if any, or interest on particular Securities.

SECTION 8.06. Corporate Trustee Required; Eligibility. The Trustee shall at all times satisfy the eligibility requirements of Section 310 of the TIA and together with its immediate parent maintain a combined capital and surplus of at least \$50,000,000. If the Trustee together with its immediate parent publishes a report of condition at least annually, pursuant to law or pursuant to the requirements of any Federal, State, territorial, or District of Columbia supervising or examining authority to which the Trustee is subject, then, for purposes of this section, the combined capital and surplus of the Trustee shall be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee with respect to any series of Securities 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 8.07. 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 under Section 8.08.

(b) The Trustee may resign with respect to any series of Securities at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee 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 with respect to Securities of such series.

(c) The Trustee may be removed with respect to any series of Securities at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 310(b)(i) of the TIA with respect to any series of Securities after written request therefor by the Company or by any Securityholder who has been a bona fide Holder of a Security of such series for at least six months, or

(2) the Trustee shall cease to be eligible under Section 8.06 hereof or Section 310(a) of the TIA with respect to any series of Securities and shall fail to resign after written request therefor by the Company or by any such Securityholder, or

(3) the Trustee shall become incapable of acting with respect to any series of Securities 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 or pursuant to a Board Resolution may remove the Trustee with respect to such series, or (ii) subject to Section 315(e) of the TIA, any Securityholder who has been a bona fide Holder of a Security of such series 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 with respect to such series.

(e) If the Trustee shall resign, be removed or become incapable of acting with respect to any series of Securities, or if a vacancy shall occur in the office of Trustee with respect to any series of Securities for any cause, the Company, by or pursuant to a Board Resolution, shall promptly appoint a successor Trustee with respect to such series of Securities. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to such series of Securities shall be appointed by the Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee with respect to such series, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to such series and supersede the successor Trustee appointed by the Company with respect to such series. If no successor Trustee with respect to such series shall have been so appointed by the Company or the Holders of Securities of such series and accepted appointment in the manner hereinafter provided, any Securityholder who has been a bona fide Holder of a Security of such series 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 with respect to such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to any series and each appointment of a successor Trustee with respect to any series by mailing written notice of such event by first-class mail, postage prepaid, to Registered Holders of Securities of such series as their names and addresses appear in the Security Register and to all other Holders of Securities of such series by publishing notice of such event once in an Authorized Newspaper in the Place of Payment. Each notice shall include the name of such successor Trustee and the address of its Principal Corporate Trust Office.

SECTION 8.08. Acceptance of Appointment by Successor. Every 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 with respect to all or any series as to which it is resigning as Trustee, 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 with respect to all or any such series; but, on request of the Company or such 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 such retiring Trustee with respect to all or any such series; and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to all or any

such series; subject nevertheless to its lien, if any, provided for in Section 8.05. 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.

In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of any applicable series shall execute and deliver an indenture supplemental hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of any series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be Trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee.

No successor Trustee with respect to a series of Securities shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible with respect to such series under this Article and the TIA.

SECTION 8.09. Merger Conversion, Consolidation or Succession to Business of Trustee. Any corporation into which the Trustee may be merged or converted or 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 of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided that such corporation shall be otherwise qualified and eligible under this Article and the TIA, 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 8.10. Appointment of Authenticating Agent. As of the date of the Indenture and at any time when any of the Securities remain Outstanding the Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon exchange, registration of transfer, or partial redemption thereof, 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 meet the requirements of Section 8.06, unless otherwise agreed to by the Company, as though it were trustee.

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 give notice of such appointment in accordance with Section 1.06 to all Holders of Securities of the series with respect to which such Authenticating Agent will serve. 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.

The provisions of Sections 3.08, 8.02 and 8.03 shall be applicable to each Authenticating Agent.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section .

The Trustee shall incur no liability for the appointment or for any misconduct or negligence of an Authenticating Agent. In the event the Trustee does incur liability for any such misconduct or negligence of the Authenticating Agent, the Company agrees to indemnify the Trustee for, and hold it harmless against, any such liability, including the costs and expenses of defending itself against any liability in connection with such misconduct or negligence of the Authenticating Agent.

If an appointment with respect to one or more series is made pursuant to this Section , the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Securities, of the series designated herein, described in the within-mentioned Indenture.

[NAME OF TRUSTEE]  
as Trustee

By \_\_\_\_\_  
As Authenticating Agent

By \_\_\_\_\_  
Authorized Officer

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 9.01. Supplemental Indentures Without Consent of Securityholders. Without the consent of any Holders of any Securities, the Company, when authorized by or pursuant to a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities contained; or

(2) to evidence and provide for the acceptance of appointment by another corporation as a successor Trustee hereunder with respect to one or more series of Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to Section 8.08; or

(3) to add to the covenants of the Company, for the benefit of the Holders of Securities of all or any series, or to surrender any right or power herein conferred upon the Company, provided that such action shall not adversely affect the interests of the Holders of Securities of any series in any material respect; or

(4) to cure any ambiguity, to correct or supplement any provision in this Indenture or in the Securities which may be inconsistent with any other provision in this Indenture or in such Securities, or to make any other provisions with respect to matters or questions arising under this Indenture or in such Securities; or

(5) to establish the form of any Security, as permitted by Section 2.02, and to provide for the issuance of any series of Securities, as permitted by Section 3.01, and to set forth the terms thereof; or

(6) to make any other amendments, modifications or supplements hereto or to the Securities, provided, that such amendments, modifications or supplements shall only apply to Securities of one or more series to be thereafter issued or shall not adversely affect the rights of any Holder of any Outstanding Security.

SECTION 9.02. Supplemental Indentures with Consent of Securityholders. With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture or indentures (each such series voting separately as a class), by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by or pursuant to a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or such Securities or of modifying in any manner the rights of the Holders of Securities of each such series under this Indenture or such Securities; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby:

(1) change the Maturity of the principal of, or the premium if any, or the Stated Maturity of any instalment of interest on, any Security, or reduce the principal amount thereof or any premium thereon or the rate of interest thereon, or change the method of computing the amount of principal thereof on any date or change the coin or currency in which any Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Maturity or the Stated Maturity, as the case may be, thereof (or, in the case of redemption or repayment, on or after the Redemption Date or the Repayment Date, as the case may be); or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or of certain defaults hereunder and their consequences) provided for in this Indenture; or

(3) modify any of the provisions of this Section, Section 5.07 or Section 7.12, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

It shall not be necessary for any Act of Securityholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 9.03. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel in compliance with Section 314 of the TIA stating that the execution of such supplemental indenture is authorized or permitted by and complies with this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.04. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, 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.

SECTION 9.05. Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of TIA as then in effect.

SECTION 9.06. Reference in Securities to Supplemental Indentures. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article 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 Board of Directors, 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.

#### ARTICLE TEN

##### CONSOLIDATION, MERGER, CONVEYANCE OR TRANSFER

SECTION 10.01. Company May Consolidate, etc., Only on Certain Terms. The Company shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person, unless

(1) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer the properties and assets of the Company substantially as an entirety 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, premium, if any, and interest on all the Securities and the performance of every covenant of this Indenture 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 which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing; and

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

SECTION 10.02. Successor Corporation Substituted. Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of the Company substantially as an entirety in accordance with Section 10.01, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance or transfer 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 corporation had been named as the Company herein. In the event of any such conveyance or transfer, the Company as the predecessor corporation shall be discharged from its obligations hereunder and may be dissolved, wound up and liquidated at any time thereafter.

SECTION 10.03. Securities to be Secured in Certain Events. If, upon any such consolidation or merger of the Company, or upon any conveyance or transfer of the properties and assets of the Company substantially as an entirety to any other Person, any property, whether now owned or hereafter acquired, or right to receive income of the Company or any Restricted Subsidiary would thereupon become subject



to any lien, security interest or other charge or encumbrance, or any other type of preferential arrangement (any such lien, security interest or other charge or encumbrance, or any other type of preferential arrangement being herein called a "Mortgage"), unless the Company could create such Mortgage pursuant to Section 5.06 without equally and ratably securing the Securities, the Company, prior to such consolidation, merger, conveyance or transfer, will secure the Outstanding Securities of each series hereunder, equally and ratably with (or prior to) the Debt secured by such Mortgage.

#### ARTICLE ELEVEN

##### SATISFACTION AND DISCHARGE

SECTION 11.01. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for and rights to receive payments thereon pursuant to Section 11.02), with respect to a series of Securities, and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to such series of Securities, when

(1) either

(A) all Securities of such series theretofore authenticated and delivered (other than (i) Securities of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.06, and (ii) Securities of such series 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 5.03) have been delivered to the Trustee for cancellation; or

(B) all such Securities of such series not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee, as trust funds in trust for the purpose, an amount sufficient to pay and discharge the entire indebtedness on such Securities of such series not theretofore delivered to the Trustee for cancellation, for principal, premium, if any, and interest, if any, to the date of such deposit (in the case of Securities of such series which have become due and payable), or to the Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company with respect to the Securities of such series;

(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 with respect to the Securities of such series have been complied with; and

(4) the Company has delivered to the Trustee an Opinion of Counsel stating that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or

(ii) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion will confirm that, the Holders of the Outstanding Securities of such series will not recognize income, gain or loss for Federal income tax as a result of such satisfaction and discharge and will be subject to the Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such satisfaction and discharge had not occurred.

Notwithstanding the satisfaction and discharge of the Indenture, the obligations of the Company to the Trustee under Section 8.05 shall survive.

SECTION 11.02. Application of Trust Money. All money deposited with the Trustee pursuant to Section 11.01 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, premium, if any, and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

#### ARTICLE TWELVE

##### IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 12.01. Exemption from Individual Liability. No recourse under or upon any obligation, covenant or agreement of this Indenture, or of any Security, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the obligations issued hereunder are solely corporate obligations of the Company, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, stockholders, officers or directors, as such, of the Company or of any successor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, stockholder, officer or director, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or implied therefrom, are hereby expressly waived and released as a condition of, and as consideration for, the execution of this Indenture and the issuance of the Securities.

#### ARTICLE THIRTEEN

##### MEETINGS OF HOLDERS OF SECURITIES

SECTION 13.01. Purposes of Meetings. A meeting of Holders of Securities of all or any series may be called at any time and from time to time pursuant to the provisions of this Article for any of the following purposes:

(1) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to waive any default hereunder and its consequences, or to take any other action authorized to be taken by the Holders of Securities pursuant to any of the provisions of Article Seven;

(2) to remove the Trustee and appoint a successor Trustee pursuant to the provisions of Article Eight;

(3) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 9.02; or

(4) to take any other action authorized to be taken by or on behalf of the Holders of any specified percentage in aggregate principal amount of the Securities of all or any series, as the case may be, under any other provision of this Indenture or under applicable law.

SECTION 13.02. Call of Meetings by Trustee. The Trustee may at any time call a meeting of Holders of Securities of all or any series to take any action specified in Section 13.01 to be held at such time and at such place as the Trustee shall determine or at such other place as may be provided with respect to the Securities of such series. Notice of every meeting of the Holders of Securities of all or any series, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given to all holders of Securities of each series that are to be affected by the action proposed to be taken at such meeting by publication at least twice in an Authorized Newspaper in the Borough of Manhattan, The City of New York or in such other place as may be provided with respect to the Securities of such series prior to the date fixed for the meeting, the first publication to be not less than 20 nor more than 180 days prior to the date fixed for the meeting, and the last publication to be not more than five days prior to the date fixed for the meeting, or such notice may be given to Registered Holders by mailing the same by registered mail, postage prepaid, to the Holders of Registered Securities at the time Outstanding, at their address as they shall appear in the Security Register, not less than 20 nor more than 60 days prior to the date fixed for the meeting. Failure to receive such notice or any defect therein shall in no case affect the validity of any action taken at such meeting. Any meeting of Holders of Securities of all or any series shall be valid without notice if the Holders of all such Securities Outstanding, the Company and the Trustee are present in person or by proxy or shall have waived notice thereof before or after the meeting.

SECTION 13.03. Call of Meetings by Company or Securityholders. In case at any time the Company, by or pursuant to Board Resolution, or the Holders of at least 10% in aggregate principal amount of Securities then Outstanding of each series that may be affected by the action proposed to be taken at the meeting shall have requested the Trustee to call a meeting of Holders of Securities of all series that may be so affected to take any action authorized in Section 13.01 by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed or made the first publication of the notice of such meeting within 30 days after receipt of such request, then the Company or the Holders in the amount above specified may determine the time and the place referred to in Section 13.02 for such meeting and may call such meeting by mailing or publishing notice thereof as provided in Section 13.02.

SECTION 13.04. Qualifications for Voting. To be entitled to vote at any meeting of Securityholders a Person shall (a) be a Holder of one or more Securities of a series affected by the action proposed to be taken, or (b) be a Person appointed by an instrument in writing as proxy by the Holder of one or more such Securities. The right of Securityholders to have their votes counted shall be subject to the proviso in the definition of "Outstanding" in Section 1.01. The only Persons who shall be entitled to be present or to speak at any meeting of Securityholders shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 13.05. Quorum; Adjourned Meetings. At any meeting of Securityholders, the presence of Persons holding or representing Securities in an aggregate principal amount sufficient to take action on the business for the transaction of which such meeting was called shall be necessary to constitute a quorum. No business shall be transacted in the absence of a quorum unless a quorum is represented when the meeting is called to order. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of the Holders of Securities (as provided in Section 13.03), be dissolved. In any other case the Persons holding or representing a majority in aggregate principal amount of the Securities represented at the meeting may adjourn such a meeting for a

period of not less than 10 days with the same effect, for all intents and purposes, as though a quorum had been present. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be similarly further adjourned for a period of not less than 10 days. Notice of the reconvening of any such adjourned meeting shall be given as provided in Section 13.02 except that, in the case of publication, such notice need be published only once but must be given not less than five days prior to the date on which the meeting is scheduled to be reconvened, and in the case of mailing, such notice may be mailed not less than five days prior to such date.

Any Holder of a Security who has executed an instrument in writing complying with the provisions of Section 1.04 shall be deemed to be present for the purposes of determining a quorum and be deemed to have voted; provided, however, that such holder shall be considered as present or voting only with respect to the matters covered by such instrument in writing.

Any resolution passed or decision taken at any meeting of the Holders of Securities of any series duly held in accordance with this Section shall be binding on all Holders of such series of Securities whether or not present or represented at the meeting.

SECTION 13.06. Regulations. Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities, in regard to proof of the holding of Securities and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 13.03, in which case the Company or the Holders of Securities calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Securities represented at the meeting.

At any meeting each Holder of a Security of a series entitled to vote at such meeting, or proxy therefor, shall be entitled to one vote for each \$1,000 principal amount (in the case of Original Issue Discount Securities, such principal amount to be determined as provided in the definition of "Outstanding") of Securities of such series held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote except as a Holder of Securities of such series or proxy therefor. Any meeting of Holders of Securities duly called pursuant to the provisions of Section 13.02 or 13.03 at which a quorum is present may be adjourned from time to time, and the meeting may be held as so adjourned without further notice.

SECTION 13.07. Voting Procedure. The vote upon any resolution submitted to any meeting of Securityholders shall be by written ballot on which shall be subscribed the signatures of the Holders of Securities entitled to vote at such meeting, or proxies therefor, and on which shall be inscribed an identifying number or numbers or to which shall be attached a list of identifying numbers of the Securities so held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders of Securities shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed or published as provided in Section 13.02 and, if applicable, Section 13.05. The record shall be signed and verified by the permanent chairman and secretary of the meeting and one of the duplicates

shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 13.08. Written Consent in Lieu of Meetings. The written authorization or consent by the Holders of the requisite percentage in aggregate principal amount of Securities of any series herein provided, entitled to vote at any such meeting, evidenced as provided in Section 1.04 and filed with the Trustee, shall be effective in lieu of a meeting of the Holders of Securities of such series, with respect to any matter provided for in this Article Thirteen.

SECTION 13.09. No Delay of Rights by Meeting. Nothing in this Article contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Holders of Securities of any or all series or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or the Holders of the Securities of any or all such series under any provisions of this Indenture or the Securities.

\_\_\_\_\_ hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereinabove set forth.

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

Attest:

[CORPORATE SEAL]

\_\_\_\_\_

Title:

\_\_\_\_\_  
BY \_\_\_\_\_  
Title:

Attest:

[CORPORATE SEAL]

\_\_\_\_\_

COUNTY OF FAIRFIELD, )  
 ) ss.:  
STATE OF CONNECTICUT, )

On this day of , before me personally appeared ,  
to me known, who being by me duly sworn, did depose and say that (s)he resides ,  
at ; that (s)he is of  
XEROX CORPORATION, one of the corporations described in and which executed the  
foregoing instrument; that (s)he knows the corporate seal of said corporation;  
that the seal affixed to said instrument is such corporate seal; that it was so  
affixed by authority of the Board of Directors of said corporation; and that  
(s)he signed her/his name thereto by like authority.

\_\_\_\_\_  
Notary Public  
My Commission Expires

[NOTARIAL SEAL]

COUNTY OF )  
 ) ss.:  
STATE OF )

On this day of , before me personally appeared ,  
to me known, who, being by me duly sworn, did depose and say that (s)he resides ,  
at ; that  
(s)he is of , one of the corporations  
described in and which executed the foregoing instrument; that (s)he knows the  
corporate seal of said corporation; that the seal affixed to said instrument is  
such corporate seal; that it was so affixed by authority of the Board of  
Directors of said corporation; and that (s)he signed her/his name thereto by  
like authority.

\_\_\_\_\_  
Notary Public  
My Commission Expires

[NOTARIAL SEAL]

[FORM OF FACE OF MEDIUM-TERM NOTE]

[LEGEND FOR NOTE HELD BY DTC]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC") TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED PURSUANT HERETO IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT 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 HOLDER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN. UNLESS AND UNTIL THIS CERTIFICATE IS EXCHANGED AS A WHOLE OR IN PART FOR SECURITIES IN REGISTERED FORM, THIS CERTIFICATE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY DTC TO A NOMINEE THEREOF OR BY A NOMINEE THEREOF TO DTC OR ANOTHER NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR OF DTC OR A NOMINEE OF SUCH SUCCESSOR.

REGISTERED  
No. R-

PRINCIPAL AMOUNT:  
CUSIP

XEROX CORPORATION  
MEDIUM-TERM NOTE, SERIES [ ]  
Due Nine Months or More From Date of Issue

If Applicable, the "Total Amount of OID", "Yield to Maturity" and "Initial Accrual Period OID" (computed under the approximate method) below will be completed solely for the purposes of applying the Federal income tax Original Issue Discount ("OID") Rules.

## GENERAL:

## Principal Amount:

Issue Price: % (see below under 'If as Principal' if Agent(s) is(are) acting as Principal)

Agent's Discount or Commission: \$ ( % of Principal Amount)

Net proceeds to Company:

Original Issue Date: Maturity Date:

Agent(s):

Agent's capacity: / / As Principal (see below) / / As Agent

If as Principal: / / The Note is being offered at varying prices related to prevailing market prices at the time of resale.

/ / The Note is being offered at a fixed initial public offering price of % of Principal Amount.

Form of Note: / / Book Entry / / Certificated

Specified Currency (if other than U.S. dollars):

Authorized Denominations (if other than denominations of U.S.\$1,000 and any integral multiples in excess thereof):

## INTEREST

/ / Floating Rate Note:

Base Rate(s):

/ / Commercial Paper Rate

/ / CD Rate

/ / CMT Rate

/ / Federal Funds Rate

// J.J. Kenny Rate  
 // Prime Rate  
 // Treasury Rate  
 // LIBOR: Designated LIBOR Page: // LIBOR-Reuters  
 // LIBOR-Telerate  
 Index Currency (if other than U.S. dollars):  
 // 11th District Cost of Funds Rate  
 // Other (see Attachment)

Index Maturity:  
 Initial Interest Rate:  
 Interest Payment Date(s):  
 Interest Reset Period:  
 Interest Reset Date(s):  
 Spread (+/-):  
 Spread Multiplier:  
 Maximum Interest Rate:  
 Minimum Interest Rate:  
 Calculation Agent (if other than [NAME OF INITIAL CALCULATION AGENT]):  
 Other provisions:

// Fixed Rate Note(other than Amortizing Note or Zero-Coupon Note):  
 Fixed rate of: % per annum  
 // Amortizing Note (see Attachment)  
 // Zero-Coupon Note (see Attachment)  
 // Discount Note (see below)  
 Total Amount of OID:  
 Yield to Maturity:  
 Initial Accrual Period OID:  
 Other provisions:  
 // Currency Indexed Note (see Attachment)  
 // Other Indexed Note (see Attachment)

EARLY REDEMPTION AND EARLY REPAYMENT; OPTIONAL EXTENSION OF MATURITY DATE AND RESETS; AND PAYMENT CURRENCY

Early redemption at Company's option: // No // Yes (see below)  
 Redemption date(s):  
 Redemption price(s): % of the principal amount of the Note to be redeemed  
 Other provisions:

Early repayment at Holder's option: // No // Yes (see below)  
 Repayment date(s):  
 Repayment price(s): % of the principal amount of the Note to be repaid  
 Other provisions:

Option to extend Maturity Date: // No // Yes (see below and Attachment)  
 By: // the Company // the Holder

Option to reset interest rate (if Fixed Rate Note) or Spread and/or Spread Multiplier (if Floating Rate Note): // No // Yes (see Attachment)

Option to receive payment in Specified Currency, other than U.S. dollars (if Currency Indexed Note): // No // Yes (see Attachment)



## ATTACHMENT

## SCHEDULE A

// THE FOREGOING TERMS OF THIS NOTE ARE SET FORTH IN THE COMPANY'S PRICING SUPPLEMENT NO. \_\_\_\_\_ DATED \_\_\_\_\_ TO PROSPECTUS DATED \_\_\_\_\_ AND PROSPECTUS SUPPLEMENT DATED \_\_\_\_\_ ATTACHED AS SCHEDULE A HERETO AND MADE A PART HEREOF.

XEROX CORPORATION, a corporation duly organized and existing under the laws of the state of New York (herein referred to as the "Company"), for value received, hereby promises to pay

or registered assigns, the principal sum of \_\_\_\_\_ at Maturity (as defined below) and to pay interest thereon as described on the reverse hereof.

The principal of (and premium, if any) and interest on this Note are payable by the Company in such coin or currency specified above as at the time of payment shall be legal tender for the payment of public and private debts (the "Specified Currency"). If the Specified Currency is other than U.S. dollars, the Company will arrange to have all such payments converted into U.S. dollars in the manner described in Section 6 on the reverse hereof. Notwithstanding the foregoing, the Holder hereof (as defined in the Indenture referred to on the reverse hereof) may, if so specified on the face hereof and subject to the conditions set forth in Section 6 of the reverse hereof, elect to receive all payments in respect hereof in the Specified Currency shown on the face hereof in the manner described in Section 6 on the reverse hereof. Such election will remain in effect unless and until changed by written notice to the Paying Agent received on or prior to the applicable Regular Record Date or at least fifteen calendar days prior to Maturity, as the case may be. "Maturity" means the date on which the principal of this Note becomes due and payable in accordance with its terms, whether on the Maturity Date shown on the face hereof or by declaration of acceleration, call for redemption, put for repayment, extension of Maturity Date or otherwise.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH ON THE REVERSE HEREOF, AND SUCH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH IN THIS PLACE.

This Note shall not become valid or obligatory for any purpose unless and until this Note has been authenticated by [ ], or its successor, as Trustee under the Indenture referred to on the reverse hereof.

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

DATED: XEROX CORPORATION

By: \_\_\_\_\_  
[Chairman, President or Vice  
President or Treasurer]  
  
\_\_\_\_\_  
[Secretary or Assistant Secretary]

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series provided under the within-mentioned Indenture.

[ \_\_\_\_\_ ],  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

[FORM OF REVERSE OF MEDIUM-TERM NOTE]

XEROX CORPORATION  
MEDIUM-TERM NOTE, SERIES [ ]  
Due Nine Months or More From Date of Issue

1. This is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Company (herein called the "Securities") of a series hereinafter specified, as issued and to be issued under an indenture dated as of [ ] (as amended, supplemented or modified from time to time, the "Indenture"), between the Company and [ ], as trustee (the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture reference is hereby made for a statement of the respective rights and obligations thereunder of the Company, the Trustee and the Holders of the Securities, and the terms upon which the Securities are, and are to be, authenticated and delivered. All capitalized terms used herein without definition shall have the meanings assigned to such terms in the Indenture.

The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any), may be subject to different covenants and Events of Default and may otherwise vary as in the Indenture provided. This Note is one of a series of Securities of the Company designated as its Medium-Term Notes, Series [ ] (herein called the "Notes"), limited in aggregate principal amount of U.S. \$[ ] or the equivalent thereof in one of more foreign or composite currencies or currency units. The Company may, however, increase the foregoing limit if it determines in the future that it wishes to sell additional Notes of this Series. The U.S. dollar equivalent of Notes denominated in currencies or currency units other than U.S. dollars

will be determined by an agent appointed by the Company (the "Exchange Rate Agent"), which shall initially be [ ], on the basis of the Market Exchange Rate (as defined in Section 6 hereof) for such currencies or currency units on the applicable trading dates. The Notes of this series may be issued at various times with different maturity dates and different principal repayment provisions, may bear interest (if any) at different rates, may be payable in different currencies or currency units and may otherwise vary, all as provided herein and in the Indenture.

2(A). Unless otherwise specified on the face hereof, a Regular Record Date for a Floating Rate Note with respect to any Interest Payment Date specified on the face hereof shall be the date, whether or not such date shall be a Business Day (as defined in this Section 2(A) below), which is 15 calendar days immediately preceding such Interest Payment Date. Interest which is payable, and is punctually paid or duly provided for on each Interest Payment Date specified above, will be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such Interest Payment Date, provided, however, that interest payable at Maturity shall be paid to the Person to whom the principal hereof is payable. Notwithstanding the foregoing, if this Note is issued between a Regular Record Date and an Interest Payment Date or on an Interest Payment Date, the interest so payable for the period from the Original Issue Date to such Interest Payment Date shall be paid on the next succeeding Interest Payment Date to the Registered Holder hereof on the related Regular Record Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Registered Holder hereof on such Regular Record Date and may be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes not less than ten calendar days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, as more fully described in said Indenture.

Unless otherwise specified on the face hereof, "Business Day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York and (x) if the Specified Currency shown on the face hereof is other than U.S. dollars or European Currency Units ("ECUs"), in the Principal Financial Center (as defined below) of the country of such Specified Currency, (y) if the Specified Currency shown on the face hereof is ECUs, in the city of London and Luxembourg City, Luxembourg, and (z) if the Base Rate specified on the face hereof is LIBOR, is also a London Banking Day. "London Banking Day" means any day (i) if the Index Currency (as defined below) is other than ECU, on which dealings in such Index Currency are transacted in the London interbank market or (ii) if the Index Currency is ECU, that is not designated as an ECU Non-Settlement Day by the ECU Banking Association or is otherwise generally regarded in the ECU interbank market as a day on which payments in ECUs shall be made.

In connection with any calculations of the rate of interest in this Note, all percentages will be, unless otherwise specified on the face hereof, rounded, if necessary, to the nearest one one-hundred-thousandth of a percent (with five one-millionths of a percent being rounded upwards), and all currency or currency unit amounts used in or resulting from calculations on the Notes will be rounded to the nearest one one-hundredth of a unit (with five one-thousandths of a unit being rounded upwards).

2(B). If this is a Fixed Rate Note, the Company promises to pay interest on the principal amount shown on the face hereof at the rate per annum shown on the face hereof from the Original Issue Date shown on the face hereof until such principal amount is paid or made available for payment. Unless otherwise provided on the face hereof, the Company will pay interest on a Fixed Rate Note (other than an Amortizing Note (as defined in this Section 2(B) below) or a Note which, in lieu of any interest payment thereon, will be issued at a price less than 100% of the principal amount thereof (each such Note, a "Zero-Coupon Note")) at Maturity and semi-annually in arrears on each April 15 and October 15 (each an "Interest Payment Date"), commencing with the Interest Payment Date specified on the face hereof, and the "Regular Record Dates" with respect to such Fixed Rate Note will be March 31 and September 30 (whether or not a Business Day). Unless otherwise provided on the face hereof, if this is a Fixed Rate Note the payment of both principal of and interest on which is amortized at a level amount over the life of such Note (each such Note, an "Amortizing Note"), the Company will pay principal of and interest on such Note at Maturity and either semi-annually each April 15 and October 15 or quarterly each January 15, April 15, July 15 and October 15, and the "Regular Record Dates" will be March 31 and September 30 (whether or not a Business Day), in the case that the principal of and interest on such Amortizing Note are payable semi-annually, and December 31, March 31, June 30 and September 30 (whether or not a Business Day), in the case that the principal of and interest on such Amortizing Note are payable quarterly. Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof.

Unless otherwise specified on the face hereof, each payment of interest on a Fixed Rate Note shall include interest accrued to but excluding the Interest Payment Date or Maturity, as the case may be. Unless otherwise specified on the face hereof, any payment of principal of (and premium, if any) or interest required to be made in respect of a Fixed Rate Note (including an Amortizing Note), whether at Maturity or otherwise, on a day that is not a Business Day need not be made on such day, but may be made on the next succeeding Business Day with the same force and effect as if made on such day, and no additional amounts shall be payable as a result of such delayed payment. Interest will accrue from and including the most recent Interest Payment Date or, if no interest has been paid or duly provided for, from and including the Original Issue Date shown on the face hereof, to, but excluding, the Interest Payment Date. Unless otherwise specified on the face hereof, the amount of such interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

2(C). Unless otherwise specified on the face hereof, if this is a Floating Rate Note, the Company promises to pay interest on the principal amount, until the principal hereof is paid or duly made available for payment, at the rate per annum (a) equal to the Initial Interest Rate shown on the face hereof until the first Interest Reset Date shown on the face hereof following the Original Issue Date specified on the face hereof and (b) thereafter, at a rate or rates (the "Base Rate") determined in accordance with the provisions below under the heading "Determination of CD Rate", "Determination of CMT Rate", "Determination of Commercial Paper Rate", "Determination of Federal Funds Rate", "Determination of J.J. Kenny Rate", "Determination of LIBOR", "Determination of Treasury Rate", "Determination of Prime Rate", "Determination of 11th District Cost of Funds Rate" or "Determination of Other Base Rates" (depending upon whether the Base Rate specified on the face hereof is CD Rate, CMT Rate, Commercial Paper Rate, Federal Funds Rate, J.J. Kenny Rate, LIBOR, Treasury Rate, Prime Rate, 11th District Cost of Funds Rate or some other Base Rate or formula, respectively), in each case adjusted by the addition or subtraction of the Spread, if any, specified on the face hereof,

and/or by the multiplication by the Spread Multiplier, if any, specified on the face hereof.

Interest will be calculated on a daily, weekly, monthly, quarterly, semiannual, annual or other basis, as specified on the face hereof under "Interest Reset Period". Unless otherwise provided on the face hereof, Interest will be payable commencing with the first Interest Payment Date specified on the face hereof next succeeding the Original Issue Date, and at Maturity. Unless otherwise provided on the face hereof, the dates on which interest will be payable (each an "Interest Payment Date") will be: (i) in the case of Floating Rate Notes with a daily, weekly or monthly Interest Reset Period, the third Wednesday of each month or the third Wednesday of March, June, September and December of each year, as specified on the face hereof; (ii) in the case of Floating Rate Notes with a quarterly Interest Reset Period, the third Wednesday of March, June, September and December of each year; (iii) in the case of Floating Rate Notes with a semi-annual Interest Reset Period, the third Wednesday of the two months specified on the face hereof; and (iv) in the case of Floating Rate Notes with an annual Interest Reset Period, the third Wednesday of the month specified on the face hereof; provided, however, in each case, unless otherwise specified on the face hereof, that if an Interest Payment Date would fall on a day that is not a Business Day, such Interest Payment Date shall be postponed to the next succeeding Business Day, except that if the Base Rate specified on the face hereof is LIBOR and such Business Day is in the next calendar month, such Interest Payment Date shall be the immediately preceding Business Day. Any payment of principal (and premium, if any) and interest required to be made on a Floating Rate Note at Maturity on a day that is not a Business Day shall be made on the next succeeding Business Day with respect to such Floating Rate Note (with the same force and effect as if made at Maturity, and no additional interest shall accrue as a result of any such delayed payment).

Unless otherwise specified on the face hereof, the interest payable on a Floating Rate Note on each Interest Payment Date or at Maturity will include accrued interest from and including the Original Issue Date or from and including the last Interest Payment Date to which interest has been paid to, but excluding, such Interest Payment Date or date of Maturity, as the case may be (each such period, an "Interest Period"). Such accrued interest will be calculated by multiplying the principal amount hereof by an accrued interest factor. The accrued interest factor shall be computed by adding the interest factors calculated for each day in the Interest Period or from the last date from which accrued interest is being calculated. Unless otherwise specified on the face hereof, the interest factor for each such day is computed by dividing the interest rate applicable to such day by 360, if the Base Rate specified on the face hereof is CD Rate, Commercial Paper Rate, Federal Funds Rate, J.J. Kenny Rate, LIBOR, Prime Rate or 11th District Cost of Funds Rate, or by the actual number of days in the year, if the Base Rate specified on the face hereof is Treasury Rate or CMT Rate.

Unless otherwise specified on the face hereof, the interest rate in effect on each day will be (a) if such day is an Interest Reset Date, the interest rate with respect to the Interest Determination Date determined as of such Interest Reset Date or (b) if such day is not an Interest Reset Date, the interest rate with respect to the Interest Determination Date determined as of the next preceding Interest Reset Date (or, if none, the Initial Interest Rate), subject in either case to any adjustment by a Spread and/or Spread Multiplier specified on the face hereof; provided, however, that the interest rate in effect from the Original Issue Date to the first Interest Reset Date will be the Initial Interest Rate.

Notwithstanding the foregoing, if this is a Floating Rate Note, the interest rate hereon shall not accrue during any Interest Period at a rate which is greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, shown on the face hereof. In addition, the interest rate hereon shall in no event be higher than the maximum rate, if any, permitted by applicable law, including, without limitation, the law of the State of New York and United States law of general application. The Maximum Interest Rate, if any, and Minimum Interest Rate, if any, specified on the face hereof are, in each case, expressed as a rate per annum on a simple interest basis.

If this is a Floating Rate Note, the interest rate on this Note will be reset daily, weekly, monthly, quarterly, semi-annually, annually or otherwise (such period being the "Interest Reset Period"), as specified on the face hereof. Unless otherwise specified on the face hereof, the "Interest Reset Dates" will be: (i) if the Interest Reset Period is daily, each Business Day; (ii) if the Interest Reset Period is weekly, Wednesday of each week, except that if the Base Rate specified on the face hereof is the Treasury Rate, Tuesday of each week; (iii) if the Interest Reset Period is monthly, the third Wednesday of each month; (iv) if the Interest Reset Period is quarterly, the third Wednesday of March, June, September and December of each year; (v) if the Interest Reset Period is semi-annually, the third Wednesday of the two months specified on the face hereof; and (vi) if the Interest Reset Period is annually, the third Wednesday of the month of each year specified on the face hereof; provided, however, that the interest rate in effect from the Original Issue Date to the first Interest Reset Date will be the Initial Interest Rate. If any Interest Reset Date would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next day that is a Business Day, except that (a) if the Base Rate specified on the face hereof is LIBOR and such next Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day or (b) if the Base Rate specified on the face hereof is Treasury Rate and the Interest Reset Date falls on a date which is an auction date for Treasury bills (as defined under "Determination of Treasury Rate" below), the Interest Reset Date shall be the following day that is a Business Day.

The interest rate applicable to each Interest Reset Period commencing on the Interest Reset Date with respect to such Interest Reset Period will be the rate determined as of the applicable Interest Determination Date on or prior to the Calculation Date (as defined below). Unless otherwise specified on the face hereof, the Interest Determination Date pertaining to an Interest Reset Date will be (i) if the Base Rate specified on the face hereof is CD Rate, CMT Rate, Commercial Paper Rate, Federal Funds Rate, J.J. Kenny Rate or Prime Rate, the second Business Day next preceding such Interest Reset Date, (ii) if the Base Rate specified on the face hereof is LIBOR, the second London Banking Day next preceding such Interest Reset Date, (iii) if the Base Rate specified on the face hereof is 11th District Cost of Funds Rate, the last working day of the month next preceding the applicable Interest Reset Date on which the FHLB of San Francisco (as defined below) publishes the 11th District Cost of Funds Index (as defined below) and (iv) if the Base Rate specified on the face hereof is Treasury Rate, the day of the week in which such Interest Reset Date falls on which Treasury bills (as defined under "Determination of Treasury Rate" below) of the Index Maturity specified on the face hereof are auctioned. Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday. If, as a result of a legal holiday, an auction is so held on the preceding Friday, such Friday will be the Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction date shall fall on any day that would otherwise be an Interest

Reset Date for a Floating Rate Note whose Base Rate is the Treasury Rate, then such Interest Reset Date shall instead be the first Business Day immediately following such auction date.

The Company will calculate, or will from time to time appoint and enter into an agreement with an agent to calculate (the Company or such agent being the "Calculation Agent"), the interest rates on Floating Rate Notes (including this Note if this is a Floating Rate Note). Initially, [ ] shall be the Calculation Agent. The Calculation Agent shall calculate the interest rate hereon in accordance with the foregoing and will confirm in writing such calculation to the Trustee and any Paying Agent promptly after each such determination. Neither the Trustee nor any Paying Agent shall be responsible for any such calculation. At the request of the Holder hereof, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective on the next Interest Reset Date. All determinations of interest rates by the Calculation Agent shall, in the absence of manifest error, be conclusive for all purposes and binding on the Holder hereof. Unless otherwise specified on the face hereof, the "Calculation Date", if applicable, pertaining to an Interest Determination Date shall be the earlier of (i) the tenth calendar day after such Interest Determination Date, or if such day is not a Business Day, the next succeeding Business Day, or (ii) the Business Day preceding the applicable Interest Payment Date or Maturity, as the case may be.

Subject to applicable provisions of law and except as specified herein, on each Interest Reset Date the rate of interest hereon, if this is a Floating Rate Note, shall be the rate determined in accordance with the provisions of the applicable heading below, adjusted by the addition or subtraction of the Spread, if any, specified on the face hereof, and/or by the multiplication by the Spread Multiplier, if any, specified on the face hereof.

#### Determination of CD Rate

Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is CD Rate, the interest rate for any Interest Determination Date shall equal (a) the rate on such Interest Determination Date for negotiable certificates of deposit having the Index Maturity specified on the face hereof (1) as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates", or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "CDs (Secondary Market)" or (2) if such rate is not so published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then as published by the Federal Reserve Bank of New York in its daily statistical release, "Composite 3:30 p.m. Quotations for U.S. Government Securities", or any successor publication of the Federal Reserve Bank of New York ("Composite Quotations") under the heading "Certificates of Deposit" or (b) if such rate is not published in Composite Quotations by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the arithmetic mean as calculated by the Calculation Agent of the secondary market offered rates as of 10:00 a.m., New York City time, on such Interest Determination Date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable certificates of deposit of major United States money center banks of the highest credit standing (in the market for negotiable certificates of deposit) with a remaining maturity closest to the Index Maturity specified on the face hereof in a denomination of U.S. \$5,000,000; provided, however, that if such dealers selected as aforesaid by the Calculation Agent are not quoting such rate as mentioned in this sentence, the

interest rate for such Interest Determination Date shall equal the interest rate then in effect hereon on such Interest Determination Date.

CD Rate Notes, like other Notes, are not deposit obligations of a bank and are not insured by the Federal Deposit Insurance Corporation.

#### Determination of CMT Rate

Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is CMT Rate, the interest rate for any Interest Determination Date shall equal the rate displayed on the Designated CMT Telerate Page under the caption "...Treasury Constant Maturities... Federal Reserve Board Release H.15...Mondays Approximately 3:45 P.M.," under the column for the Designated CMT Maturity Index for (i) if the Designated CMT Telerate Page is 7055, the rate on such Interest Determination Date and (ii) if the Designated CMT Telerate Page is 7052, the week, or the month, as specified on the face hereof, ended immediately preceding the week in which the related Interest Determination Date occurs. If such rate is no longer displayed on the relevant page, or if not displayed by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate for such Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index as published in the relevant H.15(519). If such rate is no longer published, or if not published by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate for such Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the Interest Determination Date with respect to such Interest Reset Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the Designated CMT Telerate Page and published in the relevant H.15(519). If such information is not provided by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate for the Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 p.m. (New York City time) on the Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers (each, a "Reference Dealer") in The City of New York selected by the Calculation Agent (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury Notes") with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year. If the Calculation Agent cannot obtain three such Treasury Note quotations, the CMT Rate for such Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market offer side prices as of approximately 3:30 p.m. (New York City time) on the Interest Determination Date of three Reference Dealers in The City of New York (from five such Reference Dealers selected by the Calculation Agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for Treasury Notes with an original maturity of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least \$100 million. If three or four (and not five) of such Reference Dealers are quoting as described above, then the CMT



Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of such quotes will be eliminated; provided, however, that if fewer than three Reference Dealers selected by the Calculation Agent are quoting as described herein, the CMT Rate will be the CMT Rate in effect on such Interest Determination Date. If two Treasury Notes with an original maturity as described in the second preceding sentence, have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the CMT Rate Note with the shorter remaining term to maturity will be used.

"Designated CMT Telerate Page" means the display on the Dow Jones Telerate Service on the page designated in the applicable Pricing Supplement (or any other pages as may replace such page on that service for the purposes of displaying Treasury Constant Maturities as reported in H.15(519)), for the purpose of displaying Treasury Constant Maturities as reported in H.15(519). If no such page is specified in the applicable Pricing Supplement, the Designated CMT Telerate Page shall be 7052, for the most recent week.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20, or 30 years) specified in the applicable Pricing Supplement with respect to which the CMT Rate will be calculated. If no such maturity is specified in the applicable Pricing Supplement, the Designated CMT Maturity Index shall be two years.

#### Determination of Commercial Paper Rate

Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is Commercial Paper Rate, the interest rate for any Interest Determination Date shall equal (a) the Money Market Yield (as defined below) on such Interest Determination Date of the rate for commercial paper having the Index Maturity specified on the face hereof (1) as published in H.15(519) under the heading "Commercial Paper", or (2) if such rate is not published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then as published in Composite Quotations under the heading "Commercial Paper", or (b) if such rate is not published in Composite Quotations by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Money Market Yield of the arithmetic mean of the offered rates as of 11:00 a.m., New York City time, on such Interest Determination Date, of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper placed for industrial issuers whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency, having the Index Maturity specified on the face hereof; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting offered rates as mentioned in this sentence, the rate of interest for such Interest Determination Date shall equal the interest rate then in effect on such Interest Determination Date. "Money Market Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the period for which interest is being calculated.

#### Determination of Federal Funds Rate

Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is Federal Funds Rate, the interest rate for any Interest Determination date shall equal (a) the rate on such Interest Determination Date for Federal Funds (1) as published in H.15(519) under the heading "Federal Funds (Effective)" or (2) if not so published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then as published in Composite Quotations under the heading "Federal Funds/Effective Rate" or (b) if such rate is not published in Composite Quotations by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, such rate as shall be calculated by the Calculation Agent which will be the arithmetic mean of the rates for the last transaction in overnight Federal Funds arranged by three leading brokers of Federal Funds transactions in The City of New York selected by the Calculation Agent as of 9:00 a.m., New York City time, on such Interest Determination Date; provided, however, that if the brokers selected as aforesaid by the Calculation Agent are not quoting such rates as mentioned in this sentence, the interest rate for such Interest Determination Date shall equal the interest rate then in effect on such Interest Determination Date.

#### Determination of J.J. Kenny Rate

Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is J.J. Kenny Rate, the interest rate for any Interest Determination Date shall equal the rate in the high grade weekly index (the "Weekly Index") on such date made available by Kenny information Systems ("Kenny") to the Calculation Agent. The Weekly Index is, and shall be, based upon 30-day yield evaluations at par of bonds, the interest of which is exempt from Federal income taxation under the Internal Revenue Code of 1986, as amended (the "Code"), of not less than five high grade component issuers selected by Kenny which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by Kenny in its discretion. The bonds on which the Weekly Index is based shall not include any bonds on which the interest is subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. In the event Kenny fails to make available such Weekly Index prior to the relevant Calculation Date, a successor indexing agent will be selected by the Calculation Agent, such index to reflect the prevailing rate for bonds rated in the highest short-term rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation in respect of issuers most closely resembling the high grade component issuers selected by Kenny for its Weekly index, the interest on which is (A) variable on a weekly basis, (B) exempt from Federal income taxation under the Code and (C) not subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. If such successor indexing agent is not available, the rate for any Interest Determination Date shall be 67% of the rate determined if the Treasury Rate had been originally selected as the interest rate for the J.J. Kenny Notes. The Calculation Agent shall calculate the J.J. Kenny Rate in accordance with the foregoing. At the request of a Holder of a Floating Rate Note bearing interest at the J.J. Kenny Rate, the Calculation Agent will provide such holder with the interest rate that will become effective as of the next Interest Reset Date.

## Determination of LIBOR

Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is LIBOR or the interest rate is to be determined with reference to LIBOR, the interest rate for any Interest Determination Date shall equal the rate determined by the Calculation Agent as follows:

(i) If (a) "LIBOR Reuters" is specified on the face hereof, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Index Currency having the Index Maturity specified on the face hereof, commencing on the second London Banking Day immediately following such Interest Determination Date, that appear on the Designated LIBOR Page specified on the face hereof as of 11:00 A.M., London time, on such Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (b) "LIBOR Telerate" is specified on the face hereof or if neither LIBOR Reuters nor LIBOR Telerate is specified on the face hereof as the method of calculating LIBOR, the rate for deposits in the Index Currency (as defined below) having the Index Maturity specified on the face hereof, commencing on the second London Banking Day immediately following such Interest Determination Date that appear on the Designated LIBOR Page specified on the face hereof as of 11:00 A.M., London time, on such Interest Determination Date. If fewer than two such offered rates appear (unless the specified Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate shall be used), or if no such rate appears, as applicable, LIBOR in respect of the related Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to an Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the applicable Designated LIBOR Page as specified in clause (i) above, the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity specified on the face hereof, commencing on the second London Banking Day immediately following such Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such Interest Determination Date and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time. If at least two such quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center (as defined below), on such Interest Determination Date by three major banks in such Principal Financial Center selected by the Calculation Agent for loans in the Index Currency to leading European banks, having the Index Maturity specified on the face hereof and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoted as mentioned in this sentence, LIBOR determined on such Interest Determination Date will be LIBOR in effect on such Interest Determination Date.

"Index Currency" means the currency (including composite currencies) specified on the face hereof as the currency for which LIBOR shall be calculated. If no such currency is specified on the face hereof, the Index Currency shall be U.S. dollars.

"Designated LIBOR Page" means either (a) if "LIBOR Reuters" is specified on the face hereof, the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency, or (b) if "LIBOR Telerate" is specified on the face hereof, or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified on the face hereof as the method for calculating LIBOR, the display on the Dow Jones Telerate Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency.

"Principal Financial Center" will generally be the capital city of the country of the specified Index Currency, except that with respect to the U.S. dollars, Deutsche marks, Dutch guilders, Italian lire, Swiss francs and ECUs, the Principal Financial Center shall be The City of New York, Frankfurt, Amsterdam, Milan, Zurich and Luxembourg, respectively.

If the Base Rate specified on the face hereof is LIBOR and this Note is indexed to the offered rates for deposits in a Specified Currency other than U.S. dollars, the method of calculating the interest rate for any Interest Determination Date will be as specified on the face hereof.

#### Determination of Treasury Rate

Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is Treasury Rate, the interest rate for any Interest Determination Date shall equal the rate for the auction held on such Interest Determination Date of direct obligations of the United States ("Treasury bills") having the Index Maturity specified on the face hereof, as published in H.15(519) under the heading "U.S. Government Securities--Treasury bills--auction average (investment)" or, if not so published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the auction average rate (expressed as a bond equivalent, rounded to the nearest one one-hundredth of a percent, with five one-thousandths of a percent rounded upward, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of Treasury bills having the Index Maturity specified on the face hereof are not published or announced as provided above by 3:00 p.m., New York City time, on such Calculation Date or if no such auction is held on such Interest Determination Date, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent, rounded to the nearest one one-hundredth of a percent, with five one-thousandths of a percent rounded upward, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on such Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent for the issue of Treasury bills with a remaining maturity closest to the Index Maturity specified on the face hereof; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting bid rates as mentioned in this sentence, the interest rate for such Interest Determination Date shall equal the interest rate then in effect on such Interest Determination Date.

#### Determination of Prime Rate

Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is Prime Rate, the interest rate for any Interest Determination Date shall equal the rate on such Interest Determination Date as published by the Board of Governors of the Federal Reserve System in H.15(519) under the heading "Bank Prime Loan". If such rate is not published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank named on the "Reuters Screen USPRIME1 Page" (as defined below) as such bank's prime rate or base lending rate as in effect for such Interest Determination Date. "Reuters Screen USPRIME1 Page" means the display designated as page "USPRIME1" on the Reuters Monitor Money Rates Service (such term to include such other page as may replace the USPRIME1 page on that Service for the purpose of displaying prime rates or base lending rates of major United States banks). If fewer than four such rates but more than one such rate appear on the Reuters Screen USPRIME1 Page for such Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on such Interest Determination Date by four major money center banks in The City of New York selected by the Calculation Agent from a list approved by the Company. If fewer than two such rates appear on the Reuters Screen USPRIME1 Page for such Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the prime rates furnished in The City of New York by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any State thereof, in each case having total equity capital of at least U.S.\$500,000,000 and being subject to supervision or examination by Federal or state authority, selected by the Calculation Agent from a list approved by the Company to provide such rate or rates; provided, however, that if the banks or trust companies selected as aforesaid by the Calculation Agent from a list approved by the Company are not quoting as mentioned in this sentence, the rate of interest in effect for the applicable period will be the rate of interest in effect on such Interest Determination Date.

#### Determination of 11th District Cost of Funds Rate

Unless otherwise specified on the face hereof, if the Base Rate specified on the face hereof is 11th District Cost of Funds Rate, the interest rate for any Interest Determination Date shall equal the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such Interest Determination Date falls, as set forth under the caption "11th District" on Telerate Page 7058 as of 11:00 a.m., San Francisco time, on such Interest Determination Date. If such rate does not appear on Telerate Page 7058 on any related Interest Determination Date, the 11th District Cost of Funds Rate for such Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the 11th Federal Home Loan Bank District that was most recently announced (the "11th District Cost of Funds Index") by the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") as such cost of funds for the calendar month immediately preceding the date of such announcement. If the FHLB of San Francisco fails to announce such rate for the calendar month immediately preceding such Interest Determination Date, then the 11th District Cost of Funds Rate determined as of such Interest Determination Date will be the 11th District Cost of Funds Rate in effect on such Interest Determination Date.

#### Determination of Other Base Rates

If the Base Rate specified on the face hereof is none of the foregoing, the method of calculating such Base Rate for any Interest Determination Date will be as provided on the face hereof.

2(D). If this is a Currency Indexed Note, the principal amount payable at Maturity will be determined by reference to the Denominated Currency and the Indexed Currency shown on the face hereof, or as determined in such other manner as may be specified on the face hereof. Unless otherwise specified on the face hereof, the Holder of a Currency Indexed Note will be entitled to receive a principal amount in respect of such Note (i) exceeding the Face Amount shown on the face hereof if, at Maturity, the rate at which the Denominated Currency can be exchanged for the Indexed Currency is greater than the rate of such exchange designated as the Base Exchange Rate, expressed in units of the Indexed Currency per one unit of the Denominated Currency, shown on the face hereof (the "Base Exchange Rate"), or (ii) less than such Face Amount if, at Maturity, the rate at which such Denominated Currency can be exchanged for such Indexed Currency is less than such Base Exchange Rate. Unless otherwise specified on the face hereof, the Company will pay principal of a Currency Indexed Note in the Denominated Currency at Maturity in an amount equal to the Face Amount, plus or minus an amount of the Denominated Currency determined by the Exchange Rate Agent by reference to the difference between the Base Exchange Rate and the rate at which the Denominated Currency can be exchanged for the Indexed Currency as determined on the second Exchange Rate Day (as defined in this Section 2(D) below) (such second Exchange Rate Day is hereafter referred to as the "Exchange Rate Date") prior to Maturity by the Exchange Rate Agent based on the indicative quotation, selected by such Exchange Rate Agent at approximately 11:00 a.m. New York City time on such Exchange Rate Date, for the Indexed Currency (spot bid quotation for the Denominated Currency) which will yield the largest number of units of the Indexed Currency per one unit of the Denominated Currency, for an amount of Indexed Currency equal to the Face Amount multiplied by the Base Exchange Rate with the Denominated Currency for settlement at Maturity (such rate of exchange, as so determined and expressed in units of the Indexed Currency per one unit of the Denominated Currency, is hereafter referred to as the "Spot Rate"). Unless otherwise provided on the face hereof, such selection shall be made from among the quotations appearing on the display "page" within the Reuters or Telerate Monitor Foreign Exchange Service, as may be agreed to by the Company and such Exchange Rate Agent (or, if such display "page" is not available or such Indexed Currency or Denominated Currency is a composite currency for which separate current composite currency quotations are not available, such other comparable display or other comparable manner of obtaining quotations as may be agreed to by the Company and such Exchange Rate Agent), used to determine the Spot Rate. The principal amount hereof determined by the Exchange Rate Agent to be payable at Maturity will be payable to the Holder hereof in the manner set forth herein. In the absence of manifest error, the determination by the Exchange Rate Agent of the Spot Rate and the principal amount of Currency Indexed Notes payable at Maturity thereof shall be final and binding on the Company and the Holders of such Currency Indexed Notes. The formula to be used by the Exchange Rate Agent to determine the principal amount of this Currency Indexed Note payable at Maturity is specified on the face hereof. As used herein, "Exchange Rate Day" means any day (a) which is a Business Day in The City of New York and (b) (i) if the Denominated Currency or Indexed Currency is any currency or composite currency other than the U.S. dollar or the ECU, a Business Day in the principal financial center of the country of such Denominated Currency or Indexed Currency or (ii) if the Denominated Currency or Indexed Currency is the ECU, a Business Day with respect to the ECU.

Unless otherwise specified on the face hereof, if this is a Currency Indexed Note, the Company promises to pay interest in the Denominated Currency based on the Face Amount shown on the face hereof and at the rate and times specified on the face hereof.

2(E). If this is an Indexed Note other than a Currency Indexed Note, the principal amount (and premium, if any) hereof payable at Maturity or the interest hereon, or both, may be determined by reference to the price of one or more specified securities or commodities, to one or more securities or commodities exchange indices or other indices or by other similar methods or formulae, all as set forth on the face hereof. The method by which the amount of interest payable and the amount of principal payable at Maturity will be determined is set forth under the heading "Reference Indices or Formulae" on the face hereof. Unless otherwise specified on the face hereof, (a) for the purpose of determining whether Holders of the requisite principal amount of Outstanding Securities under the Indenture have made a demand or given a notice or waiver or taken any other action, the outstanding principal amount hereof will be deemed to be the face amount hereof, and (b) in the event of an acceleration of Maturity of such Note, the principal amount payable to the Holder hereof upon acceleration will be the principal amount determined by reference to the formula by which the principal amount hereof would be determined on the Maturity Date, as if the date of acceleration were the Maturity Date.

3. The Authorized Denominations of Notes denominated in U.S. dollars or, if applicable, the Authorized Denominations of Registered Notes denominated in a Specified Currency other than U.S. dollars, and the Integral Multiples thereof in excess of such Authorized Denominations, are as set forth on the face hereof.

4. Each Note will be issued initially as either a Book-Entry Note or a Certificated Note in fully registered form without coupons. Book-Entry Notes will not be exchangeable for Certificated Notes and will not otherwise be issuable as Certificated Notes.

5. Unless otherwise provided on the face hereof, payments of interest on this Note and, if this is an Amortizing Note, principal of this Note, in U.S. dollars (in each case, other than interest on this Note or, if this is an Amortizing Note, principal of this Note, payable at Maturity) will be made by check (from an account at a bank outside the United States if such interest or principal is payable in a currency other than U.S. dollars) mailed to the address of the Person entitled thereto as such address shall appear on the Security Register on the applicable Regular Record Date (which, in the case of Global Securities representing Book-Entry Notes, will be a nominee of the Depositary or such other depositary as may be specified on the face hereof); provided, however, that if this Note is issued between a Regular Record Date and the initial Interest Payment Date relating to such Regular Record Date, interest for the period beginning on the Original Issue Date shown on the face hereof and ending on such initial Interest Payment Date shall be paid on the next succeeding Interest Payment Date to the Registered Holder on the related Regular Record Date; and provided, further, that, if the Holder hereof is the Holder of U.S. \$10,000,000 or more (or the equivalent thereof in a Specified Currency other than U.S. dollars) in aggregate principal amount of Notes of like tenor and terms, such payments will be made by wire transfer of immediately available funds, but only if appropriate wire instructions have been received in writing by the Paying Agent on or prior to the applicable Regular Record Date. Simultaneously with any election by the Holder hereof to receive payments in respect hereof in the Specified Currency (if other than U.S. dollars), such Holder shall provide appropriate wire transfer

instructions to the Paying Agent, and all such payments will be made by wire transfer of immediately available funds to an account maintained by the payee with a bank located outside the United States. Unless otherwise provided on the face hereof, the principal hereof and any premium and interest hereon payable at Maturity will be paid to the Holder in immediately available funds (payable to an account maintained by the payee with a bank located outside the United States if payable in a currency other than U.S. dollars) upon surrender of this Note at the Corporate Trust Office of the Paying Agent located in the Borough of Manhattan, The City of New York (or at such other location as may be specified on the face hereof), provided, that this Note is presented to the Paying Agent in time for the Paying Agent to make such payments in funds in accordance with its customary procedures. The Company will pay any administrative costs imposed by banks in connection with making payments in immediately available funds, but any tax, assessment or governmental charge imposed upon payments will be borne by the Holder hereof.

6. The principal hereof and any premium and interest hereon are payable by the Company in the Specified Currency specified on the face hereof. If the Specified Currency shown above is other than U.S. dollars, the Exchange Rate Agent will arrange to convert all payments in respect hereof into U.S. dollars in the manner described below; provided, however, that the Holder hereof may, if so indicated on the face hereof and subject to the conditions set forth in the third and fourth paragraphs and the last sentence of this paragraph of this Section 6, elect to receive all payments in respect hereof in such Specified Currency by delivery of written notice to the Paying Agent in the City of New York, which written request must be received by the Paying Agent on or prior to the applicable record date or at least fifteen calendar days prior to Maturity, as the case may be. Such election will remain in effect unless and until changed by written notice to the Paying Agent in The City of New York, which written notice of any such change must be received by the Paying Agent on or prior to the applicable record date or at least fifteen calendar days prior to Maturity, as the case may be. If the Company determines that such Specified Currency is not available for making payments in respect hereof due to the conditions set forth in the third and fourth paragraphs of this Section 6, then the Holder hereof may not so elect to receive payments in such Specified Currency, and any such outstanding election shall be automatically suspended and payments in respect hereof shall be made in U.S. dollars as described below, until the Company determines that such Specified currency is again available for making such payments.

Unless otherwise specified on the face hereof, if the Specified Currency is other than U.S. dollars, unless the Holder of this Note has elected otherwise, the amount of any U.S. dollar payment to be made in respect hereof will be determined by the Exchange Rate Agent based on the highest firm bid quotation received by such Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date, from three recognized foreign exchange dealers selected by the Exchange Rate Agent and approved by the Company (one of which may be the Exchange Rate Agent) for the purchase by the quoting dealer, for settlement on such payment date, of the aggregate amount of the Specified Currency payable on such payment date in respect of all Notes denominated in such Specified Currency on which payments are to be made in U.S. dollars. If three such bid quotations are not available, payments will be made in the Specified Currency which will yield the largest number of U.S. dollars when the Company is receiving U.S. dollars in lieu of the Specified Currency and will require the smallest number of U.S. dollars when the Company is paying U.S. dollars in lieu of the Specified Currency. Unless otherwise provided on the face hereof, such selection shall be made from among the quotations appearing on the display "page" within the Reuters or Telerate Monitor Foreign Exchange Service, as may be agreed to by the Company and such Exchange Rate Agent (or, if such display



"page" is not available or such Specified Currency is a composite currency for which separate current composite currency quotations are not available, such other comparable display or other comparable manner of obtaining quotations as may be agreed to by the Company and such Exchange Rate Agent), used to determine the U.S. dollar equivalent of such Specified Currency. If no such indicative quotations are available, then such payment will be made in such Specified Currency, unless such Specified Currency is unavailable due to the conditions set forth in the third and fourth paragraphs of this Section 6, in which case payment may be made as described in the next paragraph. All currency exchange costs, if any, will be borne by the Company, unless the Holder hereof has made the election specified on the face hereof to receive payments in the Specified Currency. In such case, each electing Holder shall bear its pro-rata portion of currency exchange costs, if any, by deductions from such payments due to such Holder.

Except as set forth below with respect to payments in ECU, if any payment in respect hereof is required to be made in a Specified Currency other than U.S. dollars and such currency is unavailable due to the imposition of exchange controls or other circumstances beyond the Company's control or is no longer used by the government of the country issuing such currency or for the settlement of transactions by public institutions of or within the international banking community, then such payment shall be made in U.S. dollars. The amount so payable on any date in such Specified Currency shall be converted into U.S. dollars at a rate determined by the Exchange Rate Agent on the basis of the noon buying rate in The City of New York for cable transfer in the Specified Currency as certified for customs purposes by the Federal Reserve Bank of New York (the "Market Exchange Rate") for such Specified Currency on the second Business Day prior to such payment date, or as otherwise indicated on the face hereof. In the event such Market Exchange Rate is not then available, the Company will be entitled to make payments in U.S. dollars (i) if such Specified Currency is not a composite currency, on the basis of the most recently available Market Exchange Rate for such Specified Currency or (ii) if such Specified Currency is a composite currency, in an amount determined by the Exchange Rate Agent to be the sum of the results obtained by multiplying the number of units of each component currency of such composite currency, as of the most recent date on which such composite currency was used, by the Market Exchange Rate for such component currency on the second Business Day prior to such payment date (or, if such Market Exchange Rate is not then available, by the most recently available Market Exchange Rate for such component currency). Any payment under such circumstances in U.S. dollars will not constitute a default or an Event of Default under the Indenture.

If any payment in respect hereof on any date is required to be made in ECU and ECU are unavailable due to the imposition of exchange controls or other circumstances beyond the Company's control or are not used in the European Monetary System, then such payment shall be made in U.S. dollars. The amount of such payment in U.S. dollars shall be converted at a rate determined by the Exchange Rate Agent on the basis of the equivalent of the ECU in U.S. dollars as of the second Business Day prior to the date on which such payment is due. The equivalent of ECU in U.S. dollars as of any date (the "Day of Valuation") shall be determined by the Exchange Rate Agent on the following basis. The component currencies of ECU for these purposes (the "Components") shall be the currency amounts that were components of ECU as of the last date on which ECU was used in the European Monetary System. The equivalent of ECU in U.S. dollars shall be calculated by aggregating the U.S. dollar equivalents of the Components. The U.S. dollar equivalent of each of the Components shall be determined by the Exchange Rate Agent on the basis of the most recently available Market Exchange Rates for such Components or as otherwise indicated on the face hereof. If the official unit of any component currency is altered

by way of combination or subdivision, the number of units of that currency as a Component shall be divided or multiplied in the same proportion. If two or more component currencies are consolidated into a single currency, the amounts of those currencies as Components shall be replaced by an amount in such single currency equal to the sum of the amount of the consolidated component currencies expressed in such single currency. If any component currency is divided into two or more currencies, the amount of that currency as a Component shall be replaced by amounts of such two or more currencies, each of which shall be equal to the amount of the former component currency divided by the number of currencies into which that currency was divided.

All determinations referred to above of the Exchange Rate Agent shall be at its sole discretion (except to the extent expressly provided herein that any determination is subject to approval by the Company) and, in the absence of manifest error, shall be conclusive for all purposes and binding upon the Holders of the Notes and the Trustee, and the Exchange Rate Agent shall have no liability therefor.

7. If so specified on the face hereof, this Note may be redeemed at the option of the Company in whole or from time to time in part on the Redemption Date or Dates shown on the face hereof (which date or dates shall be on or after the Initial Redemption Date and prior to the Maturity Date), upon not less than 30 nor more than 60 days' prior notice given as provided in the Indenture, at the redemption price or prices shown on the face hereof, together with accrued interest, if any, to the Redemption Date. If less than all of the Outstanding Notes of different tenor and terms are to be redeemed, the Company in its sole and absolute discretion shall select the tenor and terms of the Notes to be redeemed. If less than all the Outstanding Notes of like tenor and terms are to be redeemed, the particular Notes to be redeemed shall be selected by the Trustee pro rata or by lot or by such method as the Trustee shall deem fair and appropriate (so long as such method is not prohibited by the rules of any exchange on which such Notes may be then listed).

If so specified on the face hereof, this Note may be repaid at the option of the Holder hereof, in whole or from time to time in part, on the Repayment Date or Dates shown on the face hereof (which date or dates shall be on or after the Initial Repayment Date but prior to the Maturity Date) at the price or prices shown on the face hereof, together with accrued interest, if any, to the Repayment Date. Unless otherwise specified on the face hereof, in order for this Note to be so repaid by the Holder hereof on any Repayment Date, the Trustee or any other Person designated by the Company for such purpose must receive at least 15 but not more than 30 days prior to such Repayment Date, (i) if this Note is a Certificated Note, such Note with the form entitled "Option to Elect Repayment" on the reverse of this Note duly completed or (ii) if this Note is a Book-Entry Note, such notices as are specified on the face hereof. Unless otherwise specified on the face hereof, the repayment option may be exercised by the Holder of this Note for less than the aggregate principal amount hereof then outstanding, provided that the principal amount hereof remaining outstanding after such repayment is an Authorized Denomination or any Integral Multiple in excess thereof. Unless otherwise specified on the face hereof, exercise of the repayment option by the Holder of this Note will be irrevocable.

8. The Company may at any time and from time to time purchase Notes at any price in the open market or otherwise. Notes so purchased by the Company may, at its discretion, be held, resold or surrendered to the Trustee for cancellation.

9. This Note will not be subject to any sinking fund.

10. If this Note is an Original Issue Discount Security, the amount payable in the event of redemption or acceleration of Maturity, in lieu of the principal amount due at the Stated Maturity hereof, shall be the Amortized Face Amount of this Note as of the Redemption Date or the date of such acceleration. The "Amortized Face Amount" of this Note shall be the amount equal to (a) the Issue Price (as set forth on the face hereof) plus (b) that portion of the difference between the Issue Price and the principal amount hereof that has accrued at the Yield to Maturity (as set forth on the face hereof) (computed in accordance with generally accepted United States bond yield computation principles) at the date as of which the Amortized Face Amount is calculated, but in no event shall the Amortized Face Amount of this Note exceed its stated principal amount.

11. If so specified on the face hereof, the Maturity Date of this Note may be extended at the option of the Company, at such time or times as set forth on the face hereof, for one or more periods (each an "Extension Period") up to but not beyond the date ("Final Maturity Date") specified on the face hereof, by notifying the Trustee at least 50 but not more than 60 days prior to the Maturity Date of this Note in effect immediately prior to the exercise of such option (the "Prior Maturity Date"). Not later than 10 days after receipt of such notice from the Company but in any event not later than 40 days prior to the Prior Maturity Date, the Trustee will mail to the Holder of this Note a notice (the "Extension Notice") relating to such Extension Period, setting forth (i) the election of the Company to extend the Prior Maturity Date, (ii) the new Maturity Date, (iii) in the case of a Fixed Rate Note, the interest rate to be applicable to the Extension Period or, in the case of a Floating Rate Note, the Spread or Spread Multiplier to be applicable to the Extension Period, and (iv) the provisions, if any, for redemption by the Company or repayment to the Holder, or both, during the Extension Period, including the date or dates on which or the period or periods during which and the price or prices at which such redemption or repayment may occur during the Extension Period. Upon the transmittal by the Trustee of an Extension Notice to the Holder of this Note, the Prior Maturity Date shall be extended automatically, and, except as modified by the Extension Notice and as described in the next paragraph, this Note will have the same terms as prior to the transmittal of such Extension Notice.

Notwithstanding the foregoing paragraph, not later than 20 days prior to the Prior Maturity Date of this Note, the Company may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in the Extension Notice and establish an interest rate, in the case of a Fixed Rate Note, or a Spread and/or Spread Multiplier, in the case of a Floating Rate Note, that is higher than the interest rate, Spread and/or Spread Multiplier, as the case may be, provided for in the Extension Notice, for the Extension Period commencing on such Prior Maturity Date by causing the Trustee to transmit notice of such higher interest rate or higher Spread and/or Spread Multiplier, as the case may be, to the Holder of this Note. Such notice shall be irrevocable. In the event that the Maturity Date hereof is so extended and the Holder hereof shall have not tendered this Note for repayment (or shall have validly revoked any such tender) pursuant to the next paragraph, this Note, if it is a Fixed Rate Note, shall bear such higher interest rate, or if it is a Floating Rate Note, shall bear such higher Spread and/or Spread Multiplier, for the Extension Period.

If the Company elects to extend the Maturity Date of this Note, the Holder hereof will have the option to elect repayment hereof on the immediately Prior Maturity Date at a price equal to the principal amount hereof outstanding on, plus accrued interest (if any) to, such Prior Maturity Date. In order for

this Note to be so repaid on such Prior Maturity Date, the Trustee or any other Person designated by the Company for such purpose must receive at least 25 days but not more than 35 days prior to such Prior Maturity Date (i) if this Note is a Certificated Note, such Note with the form entitled "Option to Elect Repayment" on the reverse of this Note duly completed or (ii) if this Note is a Book-Entry Note, such notices as are specified on the face hereof. The repayment option may be exercised by the Holder of this Note for less than the aggregate principal amount hereof then outstanding, provided that the principal amount hereof remaining outstanding after such repayment is an Authorized Denomination or any Integral Multiple in excess hereof. A Holder who has tendered this Note for repayment pursuant to an Extension Notice may, by delivery of written notice by the close of business on the tenth day prior to the applicable Prior Maturity Date to the Trustee, revoke any such tender for repayment.

If so specified on the face hereof, the Maturity Date of this Note may be extended at the option of the Holder of this Note (other than an Amortizing Note) at such time or times as shown on the face hereof for one or more Extension Periods up to but not beyond the Final Maturity Date shown on the face hereof by delivery to the Trustee by the date specified on the face hereof of a written notice of such election (the "Holder's Extension Notice"). Such Holder's Extension Notice shall be irrevocable and shall specify the new Maturity Date. Upon the transmittal by such Holder of such Holder's Extension Notice to the Trustee, the applicable Prior Maturity Date shall be extended automatically, and, except as modified pursuant to this paragraph, such Note will have the same terms as prior to the transmittal of such Holder's Extension Notice.

12. If so specified on the face hereof, the Company may, at its option, reset the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, on the date or dates (each such date, an "Optional Reset Date"), if any, specified on the face hereof, by notifying the Trustee at least 50 but not more than 60 days prior to an Optional Reset Date with respect to any such Note. Not later than 10 days after receipt of such notice from the Company but in any event not later than 40 days prior to such Optional Reset Date, the Trustee will mail to the Holder of such Note a notice (a "Reset Notice") setting forth (i) the election of the Company to reset the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, (ii) such new interest rate or such new Spread and/or Spread Multiplier, as the case may be, and (iii) the provisions, if any, for redemption or repayment during the period from such Optional Reset Date to the next Optional Reset Date or, if there is no such next Optional Reset Date, to Maturity of such Note (each such period, a "Subsequent Interest Period"), including the date or dates on which or the period or periods during which, and the price or prices at which, such redemption may occur during such Subsequent Interest Period.

Notwithstanding the foregoing, not later than 20 days prior to an Optional Reset Date for a Note, the Company may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in a Reset Notice and establish an interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, that is higher than the interest rate, Spread and/or Spread Multiplier, as the case may be, provided for in such Reset Notice, for the Subsequent Interest Period commencing on such Optional Reset Date by causing the Trustee to transmit notice, which shall be irrevocable, of such higher interest rate, Spread and/or Spread Multiplier, as the case may be, to the Holder of such Note. All Notes with respect to which the interest rate, Spread and/or Spread Multiplier is reset on an Optional Reset Date and with respect to which the Holder of

such Notes have not tendered such Notes for repayment (or validly revoked any such tender pursuant to the next succeeding paragraph) will bear such higher interest rate, Spread and/or Spread Multiplier, as the case may be, whether or not tendered for repayment.

If the Company elects to reset the interest rate or the Spread and/or Spread Multiplier, as the case may be, of this Note, the Holder hereof will have the option to elect repayment hereof on any Optional Reset Date at a price equal to the principal amount hereof outstanding on, plus accrued interest (if any) to, such Optional Reset Date. In order for this Note to be so repaid on an Optional Reset Date, the Trustee or any other Person designated by the Company for such purpose must receive at least 25 days but not more than 35 days prior to such Optional Reset Date (i) if this Note is a Certificated Note, such Note with the form entitled "Option to Elect Repayment" on the reverse of this Note duly completed or (ii) if this Note is a Book-Entry Note, such notices as are specified on the face hereof. The repayment option may be exercised by the Holder of this Note for less than the aggregate principal amount hereof then outstanding, provided that the principal amount hereof remaining outstanding after such repayment is an Authorized Denomination or any Integral Multiple in excess thereof. A Holder who has tendered this Note for repayment pursuant to a Reset Notice may, by delivery of written notice by the close of business on the tenth day prior to the applicable Prior Maturity Date to the Trustee, revoke any such tender for repayment.

13. As provided in the Indenture, and subject to certain limitations therein set forth, this Note is exchangeable for a like aggregate principal amount of different authorized denominations, as requested by the Holder.

14. As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable on the Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company in the Borough of Manhattan, the City and State of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Security Registrar and the Trustee duly executed by the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

Unless otherwise provided herein, no service charge shall be made for any such registration of transfer or exchange, but the Company may (unless otherwise provided herein) require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

15. Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

16. If an Event of Default with respect to the Securities of this series shall have occurred and be continuing, the principal of all the Securities of this series may be declared due and payable in this manner and with the effect provided in the Indenture.

17. As provided in the Indenture and subject to certain conditions therein set forth, in case this Note shall at any time become mutilated, destroyed, stolen or lost and this Note or evidence of the loss, theft or destruction hereof (together with such indemnity and such other documents or proof as may be required by the Company, the Trustee and the Security Registrar) shall be

delivered to the principal corporate trust office of the Trustee, a new Registered Note of like tenor and principal amount will be issued by the Company in exchange for, or in lieu of, this Note. All expenses and reasonable charges associated with procuring such indemnity and with the preparation, authentication and delivery of a new Note, and all taxes and other governmental charges that may be imposed in relation therewith, shall be borne by the Holder of this Note.

18. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series under the Indenture to be affected at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities of each series to be so affected. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Outstanding Securities of any series on behalf of the Holders of all the Securities of such series to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon the Note.

Holders of Securities may not enforce their rights pursuant to the Indenture or the Securities except as provided in the Indenture. No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Note at the times, place and rate, and in the coin or currency herein prescribed.

19. No recourse under or upon any obligation, covenant or agreement of the Indenture, or of this Note, or for any claim based thereon or hereon or otherwise in respect thereof or hereof, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against every such person being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

20. THIS NOTE, AND THE RIGHTS AND OBLIGATIONS HEREUNDER OF THE COMPANY, THE TRUSTEE AND THE HOLDER HEREOF, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICTS OF LAW RULES (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW, OR ANY SUCCESSOR STATUTE OR STATUTES) OF SAID STATE.

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[OPTION TO ELECT REPAYMENT]

[IN THE CASE OF CERTIFICATED NOTES ONLY]

The undersigned hereby irrevocably requests and instructs the Company to repay the within or attached Note (or portion thereof specified below) pursuant to its terms at a price equal to the principal amount thereof, together with accrued interest, if any, to the Optional Reset Date or Prior Maturity Date, as applicable, to the undersigned, at \_\_\_\_\_

\_\_\_\_\_  
 (Print or Typewrite Name, Address and Telephone Number of the Undersigned)

For the within or attached Note to be repaid on any Optional Reset Date or Prior Maturity Date, as applicable, the Company must receive at its office or agency in the Borough of Manhattan, the City and State of New York, or at such additional place or places of which the Company shall from time to time notify the Holder of such Note, at least 25 days but not more than 35 days prior to such Optional Reset Date or Prior Maturity Date, as applicable, (i) such Note with this "Option to Elect Repayment" form duly completed or (ii) a telegram, telex, facsimile transmission or letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or a trust company in the United States of America setting forth the name, address and telephone number of the holder of such Note, the principal amount of such Note, the amount of the Note to be repaid, a statement that the option to elect repayment is being made thereby and a guarantee that the Note to be repaid with the form entitled "Option to Elect Repayment" on the reverse of such Note duly completed will be received by the Company not later than five Business Days after the date of such telegram, telex, facsimile transmission or letter, and such Note and form duly completed are received by the Company by such fifth Business Day; and, provided that, if the Company has revoked the interest rate, Spread and/or Spread Multiplier, as the case may be, and caused the Trustee to transmit a notice of a higher interest rate or higher Spread and/or Spread Multiplier, as the case may be, to Holders of the Notes, either form of notice has not been revoked as provided in such Note.

If less than the entire principal amount of the within attached Note is to be repaid; specify the portion thereof (which shall be an Authorized Denomination (as defined on the face hereof) or an Integral Multiple (as defined on the face hereof) in excess of thereof) which the Holder elects to have repaid: \$\_\_\_\_\_; and specify the denomination or denominations (which shall be an Authorized Denomination or an Integral Multiple in excess thereof) of the Note or Notes to be issued to the Holder for the portion of the within attached Note not being repaid (in the absence if any such specification, one such Note will be issued for the portion not being repaid): \$\_\_\_\_\_.

\_\_\_\_\_  
 NOTICE: The signature to this Option to Elect Repayment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever.





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

October 1, 1996

Xerox Corporation  
P.O. Box 1600  
Stamford, Connecticut 06904-1600

Gentlemen:

As Associate General Counsel, Corporate, Finance and Ventures of Xerox Corporation, I am familiar with the Registration Statement on Form S-3 filed under the Securities Act of 1933, as amended ("Registration Statement"), relating to the proposed offering and sale from time to time by Xerox Corporation, a New York corporation ("Company"), of debt securities ("Debt Securities") from which the Company may receive an aggregate of up to \$1,015,000,000 of proceeds and which will be offered on terms to be determined at the time of sale. 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 September 20, 1996, between the Company and Citibank, N.A., as Trustee (the "Indenture"), under which the Debt Securities are to be issued, the Company's certificate of incorporation and by-laws, each as amended to date, certain minutes of meetings of the Board of Directors of the Company and such other documents and matters of law as have been considered necessary or desirable of 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 in good standing under the laws of New York.
2. The Debt Securities, when duly authorized by appropriate corporate action and duly executed and authenticated, and when issued and delivered against payment therefor as described in the Registration Statement and a Prospectus Supplement, will be legally issued and validly and legally binding obligations of the Company and such Debt Securities will be entitled to the benefits of the Indenture under which they are issued.

I consent to the reference to my name under the caption "Legal Opinions" 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

October 1, 1996

Xerox Corporation  
800 Long Ridge Road  
P.O. Box 1600  
Stamford, CT 06904-1600

Gentlemen:

We have acted as special tax counsel for Xerox Corporation, a New York corporation (the "Company"), in connection with the preparation and filing under the Securities Act of 1933, as amended, of the Registration Statement on Form S-3 (the "Registration Statement") relating to the proposed offering and sale from time to time by the Company of debt securities ("Debt Securities") from which the Company may receive up to an aggregate of \$1,015,000,000 of proceeds and which will be issued under an indenture dated as of September 20, 1996, between the Company and Citibank, N.A., as trustee (the "Indenture"), included as an exhibit to the Registration Statement.

It is our opinion that if the offer and sale of the Debt Securities is conducted in the manner described in the Prospectus (the "Prospectus") and the Prospectus Supplement (the "Prospectus Supplement") filed as part of the Registration Statement and if the terms of Debt Securities are as contemplated by the Prospectus and Prospectus Supplement, then the statements under the caption "United States Taxation" in the Prospectus Supplement (the "Tax Section") correctly describe certain United States Federal income tax consequences resulting from the purchase, ownership and disposition of Debt Securities by an initial holder thereof subject to United States income taxation. As described in the Tax Section, United States Federal income tax consequences with respect to Debt Securities having certain terms will be set forth in the pricing supplement to the Prospectus Supplement relating to the offer and sale of such Debt Securities.

We do not purport to be expert 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 Opinions" in the Prospectus and the caption "United States Taxation" in the Prospectus Supplement, and to the filing of a copy of this opinion as an exhibit to the Registration Statement.

Very truly yours,

IVINS, PHILLIPS &amp; BARKER, CHARTERED

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
(IN MILLIONS)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,				
	1996	1995	1995	1994	1993*	1992	1991
<b>Fixed Charges:</b>							
Interest expense.....	\$ 295	\$ 296	\$ 605	\$ 520	\$ 540	\$ 627	\$ 596
Rental expense.....	74	81	142	170	180	187	178
Total fixed charges before capitalized interest.....	369	377	747	690	720	814	774
Capitalized interest.....	--	--	--	2	5	17	3
Total fixed charges.....	<u>\$ 369</u>	<u>\$ 377</u>	<u>\$ 747</u>	<u>\$ 692</u>	<u>\$ 725</u>	<u>\$ 831</u>	<u>\$ 777</u>
<b>Earnings available for fixed charges:</b>							
Earnings**.....	\$ 905	\$ 843	\$ 1,979	\$ 1,602	\$(193)	\$ 1,183	\$ 1,035
Less undistributed income in minority owned companies.....	(62)	(63)	(90)	(54)	(51)	(52)	(70)
Add fixed charges before capitalized interest.....	369	377	747	690	720	814	774
Total earnings available for fixed charges.....	<u>\$ 1,212</u>	<u>\$ 1,157</u>	<u>\$ 2,636</u>	<u>\$ 2,238</u>	<u>\$ 476</u>	<u>\$ 1,945</u>	<u>\$ 1,739</u>
Ratio of earnings to fixed charges (1)(2).....	3.28	3.07	3.53	3.23	0.66	2.34	2.24

(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, by total fixed charges. Fixed charges consist of interest, including capitalized interest, 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. The discontinued operations consist of the Company's Insurance and Other Financial Services businesses and its real-estate development and third-party financing 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 May 16, 1996, 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 1st day of October, 1996.

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 Statements or any amendment thereto (whether on behalf of the Company or as an officer or director thereof) 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 Statements 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 SEC, 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 AUTHORIZE EACH OF EUNICE M. FILTER, GEORGE R. ROTH AND MARTIN S. WAGNER (EACH AN "APPOINTEE") TO FILE, EITHER IN PAPER OR ELECTRONIC FORM, FROM TIME TO TIME ONE OR MORE REGISTRATION STATEMENTS AND AMENDMENTS THERETO (INCLUDING POST-EFFECTIVE AMENDMENTS), UNDER THE SECURITIES ACT OF 1933, AS AMENDED, FOR THE PURPOSE OF REGISTERING THE OFFERING AND SALE OF AN UNLIMITED AMOUNT OF DEBT SECURITIES OF THE COMPANY, WHICH REGISTRATION STATEMENTS AND AMENDMENTS SHALL CONTAIN SUCH INFORMATION AND EXHIBITS AS ANY SUCH APPOINTEE DEEMS ADVISABLE. 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 STATED BELOW, INCLUDING THE POWER 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 MIGHT OR COULD DO PERSONALLY OR IN THE CAPACITIES AS AFORESAID.

XEROX CORPORATION

Dated as of September 17, 1996

By: /s/ PAUL A. ALLAIRE  
-----  
PAUL A. ALLAIRE  
CHAIRMAN OF THE BOARD AND CHIEF  
EXECUTIVE OFFICER

SIGNATURE

TITLE

----- /s/ PAUL A. ALLAIRE ----- PAUL A. ALLAIRE	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
----- /s/ BARRY D. ROMERIL ----- BARRY D. ROMERIL	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
----- /s/ PHILIP D. FISHBACH ----- PHILIP D. FISHBACH	Vice President and Controller (Principal Accounting Officer)
----- /s/ B.R. INMAN ----- B.R. INMAN	Director
----- /s/ ANTONIA AX:SON JOHNSON ----- ANTONIA AX:SON JOHNSON	Director
----- /s/ VERNON E. JORDAN, JR. ----- VERNON E. JORDAN, JR.	Director

## SIGNATURE

## TITLE

-----  
/s/ YOTARO KOBAYASHI

Director

-----  
YOTARO KOBAYASHI

/s/ HILMAR KOPPER

Director

-----  
HILMAR KOPPER

/s/ RALPH S. LARSEN

Director

-----  
RALPH S. LARSEN

/s/ JOHN D. MACOMBER

Director

-----  
JOHN D. MACOMBER

/s/ GEORGE J. MITCHELL

Director

-----  
GEORGE J. MITCHELL

/s/ N. J. NICHOLAS, JR.

Director

-----  
N. J. NICHOLAS, JR.

/s/ JOHN E. PEPPER

Director

-----  
JOHN E. PEPPER

/s/ MARTHA R. SEGER

Director

-----  
MARTHA R. SEGER

/s/ THOMAS C. THEOBALD

Director

-----  
THOMAS C. THEOBALD

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)

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CITIBANK, N.A.  
(Exact name of trustee as specified in its charter)

13-5266470  
(I.R.S. Employer  
Identification no.)

399 Park Avenue, New York, New York  
(Address of principal executive office)

10043  
(Zip Code)

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XEROX CORPORATION  
(Exact Name of obligor as specified in its charter)

New York  
(State or other jurisdiction of  
incorporation or organization)

16-0468020  
(I.R.S. Employer  
Identification no.)

P.O. Box 1600  
Stamford, Connecticut  
(Address of Principal Executive Offices)

06904-1600  
(Zip Code)

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Debt Securities  
(Title of the 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.

Name ----	Address -----
Comptroller of the Currency,	Washington, D.C.
Federal Reserve Bank of New York	New York, NY
Federal Deposit Insurance Corporation	Washington, D.C.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

## Item 2. AFFILIATIONS WITH OBLIGOR.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

## Item 16. LIST OF EXHIBITS.

Exhibit 1 - Copy of Articles of Association of the Trustee, as now in effect. (Exhibit 1 to T-1 to Registration Statement No. 2-79983)

Exhibit 2 - Copy of certificate of authority of the Trustee to commence business. (Exhibit 2 to T-1 to Registration Statement No. 2-29577)

Exhibit 3 - Copy of authorization of the Trustee to exercise corporate trust powers. (Exhibit 3 to T-1 to Registration Statement No. 2-55519)

Exhibit 4 - Copy of existing By-Laws of the Trustee. (Exhibit 4 to T-1 to Registration Statement No. 33-34988)

Exhibit 5 - Not applicable.

Exhibit 6 - The consent of the Trustee required by Section 321(b) of the Trust Indenture Act of 1939. (Exhibit 6 to T-1 to Registration Statement No. 33-19227.)



Exhibit 7 - Copy of the latest Report of Condition of Citibank, N.A (as of June 30, 1996 - attached).

Exhibit 8 - Not applicable.

Exhibit 9 - Not applicable.

-----

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, Citibank, N.A., 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 New York and State of New York, on the 16th day of September, 1996.

CITIBANK, N.A.

By /s/ Louis A. Piscitelli

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Louis A. Piscitelli  
Senior Trust Officer