AVON PRODUCTS INC
Form 424B3
March 06, 2013
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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not offers to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-180054

SUBJECT TO COMPLETION, DATED MARCH 6, 2013

Preliminary Prospectus Supplement

(To Prospectus Dated March 12, 2012)

$

Avon Products, Inc.

$ % Notes due 20

$ % Notes due 20

This is an offering of $ aggregate principal amount of our % Notes due 20 (the 20 Notes) and $ aggregate principal amount of our % Notes due 20 (the 20 Notes and, together with the 20 Notes, the Notes). The 20 Notes will mature on , 20 . The 20 Notes will mature on , 20 . The interest rate on each series of the Notes may be adjusted under the circumstances described in this prospectus supplement under the heading Description of Notes Interest Rate Adjustment. We will pay interest on the Notes semi-annually in arrears on each and , commencing on , 2013.

We may redeem some or all of the Notes at any time and from time to time at the prices described under the heading Description of Notes Optional Redemption. If we experience a Change of Control Triggering Event (as defined herein), we will be required to offer to repurchase the Notes from holders as described under the heading Description of Notes Offer to Repurchase Upon Change of Control Triggering Event.

The Notes will be our unsecured senior obligations and will rank equally in right of payment with our other existing and future unsecured senior indebtedness.

This prospectus supplement and the accompanying prospectus include additional information about the terms of the Notes.

Investing in the Notes involves risks. See the Risk Factors section beginning on page S-4 of this prospectus supplement, page 1 of the accompanying prospectus and page 8 of our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2012.

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Per 20 Note	Total for 20 Notes	Per 20 Note	Total for 20 Notes
Public offering price[1]	%	$	%	$
Underwriting discounts	%	$	%	$
Proceeds, before expenses, to Avon	%	$	%	$

(1) Plus accrued interest, if any, from , 2013, if settlement occurs after that date.

We expect that the Notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company and its direct and indirect participants, including Euroclear Bank S.A./N.V. and Clearstream Banking S.A., on or about , 2013.

Joint Book-Running Managers

BofA Merrill Lynch **Citigroup** **Goldman, Sachs & Co.**

The date of this prospectus supplement is , 2013.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should read this prospectus supplement, the accompanying prospectus and the additional information described under the heading Incorporation of Certain Information by Reference before you make a decision to invest in the Notes. In particular, you should review the information under the heading Risk Factors beginning on page S-4 of this prospectus supplement, page 1 of the accompanying prospectus and page 8 of our Annual Report on Form 10-K/A for the year ended December 31, 2012, which are incorporated by reference herein. You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus required to be filed with the SEC. Neither we nor the underwriters are making an offer to sell the Notes in any manner in which, or in any jurisdiction where, the offer or sale thereof is not permitted. We have not, and the underwriters have not, authorized any person to provide you with different or additional information. If any person provides you with different or additional information, you should not rely on it. You should assume that the information in this prospectus supplement, the accompanying prospectus, any such free writing prospectus and the documents incorporated by reference herein and therein is accurate only as of its date or the date which is specified in those documents. Our business, financial condition, cash flows, liquidity, results of operations and prospects may have changed since any such date.

The terms the Company, Avon, we, us and our refer to Avon Products, Inc. and our consolidated subsidiaries, where appropriate.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

Statements contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus that are not historical facts or information may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act) and the Private Securities Litigation Reform Act of 1995. Words such as estimate, project, forecast, plan, believe, may, expect, anticipate, planned, potential, can, expectation, could, will, would and similar expressions, or the negative of those expressions, may identify forward-looking statements. They include, among other things, statements regarding our anticipated or expected results, future financial performance, various strategies and initiatives (including our stabilization strategies, cost savings initiative, multi-year restructuring programs and other initiatives and related actions), liquidity, cash flow and uses of cash, our ability to service our debt obligations or obtain additional financing, costs and cost savings, competitive advantages, impairments, the impact of currency devaluations and other laws and regulations, government investigations, internal investigations and compliance reviews, results of litigation, contingencies, taxes and tax rates, potential acquisitions or divestitures, hedging and risk management strategies, pension, postretirement and incentive compensation plans, supply chain and the legal status of our Representatives. Such forward-looking statements are based on management s reasonable current assumptions, expectations, plans and forecasts regarding the Company s current or future results and future business and economic conditions more generally. Such forward-looking statements involve risks, uncertainties and other factors, which may cause the actual results, levels of activity, performance or achievement of Avon to be materially different from any future results expressed or implied by such forward-looking statements, and there can be no assurance that actual results will not differ materially from management s expectations. Such factors include, among others, the following:

our ability to improve our financial and operational performance and execute fully our global business strategy, including our ability to implement the key initiatives of, and realize the projected benefits (in the amounts and time schedules we expect) from, our stabilization strategies, cost savings initiative, multi-year restructuring programs and other initiatives, product mix and pricing strategies, enterprise resource planning, customer service initiatives, sales and operation planning process, outsourcing strategies, Internet platform and technology strategies, information technology and related system enhancements and cash management, tax, foreign currency hedging and risk management strategies, and any plans to invest these projected benefits ahead of future growth;

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the possibility of business disruption in connection with our stabilization strategies, cost savings initiative, multi-year restructuring programs or other initiatives;

our ability to improve our business in North America, including enhancing our Leadership model;

our ability to improve working capital and effectively manage doubtful accounts and inventory and implement initiatives to reduce inventory levels, including the potential impact on cash flows and obsolescence;

our ability to reverse declines in Active Representatives, to implement our Leadership program globally, to generate Representative activity, to increase the number of consumers served per Representative and their engagement online, to enhance the Representative and consumer experience and increase Representative productivity through field activation programs and technology tools and enablers, execution of Service Model Transformation and other investments in the direct-selling channel, and to compete with other direct-selling organizations to recruit, retain and service Representatives and to continue to innovate the direct-selling model;

our ability to reverse declining margins and net income;

general economic and business conditions in our markets, including social, economic and political uncertainties in the international markets in our portfolio;

our ability to achieve profitable growth, particularly in our largest markets, such as Brazil and the United States (U.S.), and developing and emerging markets, such as Mexico and Russia, and our ability to realize sustainable growth from our investments in our brand and the direct-selling channel;

the effect of economic factors, including inflation and fluctuations in interest rates and currency exchange rates, as well as the designation of Venezuela as a highly inflationary economy, foreign exchange restrictions and the potential effect of such factors on our business, results of operations and financial condition;

our indebtedness and debt service obligations, our ability to access and generate cash to repay debt and cover debt service obligations, our access to short- and long-term financing, our ability to refinance upcoming maturities of our current indebtedness or to secure such refinancing at attractive rates and terms, our ability to secure other financing or to secure such other financing at attractive rates and terms, and our credit ratings and the impact of any changes on our financing costs, rates, terms, debt service obligations and access to lending sources;

our ability to comply with certain covenants in our debt instruments, including the impact of any significant restructuring charges or significant legal or regulatory settlements, or obtain necessary waivers from compliance with, or necessary amendments to, such covenants, and the impact any non-compliance may have on our ability to secure financing;

any developments in or consequences of investigations and compliance reviews, and any litigation related thereto, including the ongoing investigations and compliance reviews of Foreign Corrupt Practices Act and related U.S. and foreign law matters in China and additional countries, as well as any disruption or adverse consequences resulting from such investigations, reviews, related actions or litigation;

a general economic downturn, a recession globally or in one or more of our geographic regions, or sudden disruption in business conditions, and the ability of our broad-based geographic portfolio to withstand an economic downturn, recession, cost inflation, commodity cost pressures, economic or political instability, competitive or other market pressures or conditions;

the effect of political, legal, tax and regulatory risks imposed on us in the U.S. and abroad, our operations or our Representatives, including foreign exchange or other restrictions, adoption, interpretation and enforcement of foreign laws, including in non-U.S. jurisdictions such as Brazil,

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Russia, Venezuela and Argentina, and any changes thereto, as well as reviews and investigations by government regulators that have occurred or may occur from time to time, including, for example, local regulatory scrutiny in China;

the impact of changes in tax rates on the value of our deferred tax assets and declining earnings on our ability to realize foreign tax credits in the U.S.;

our ability to attract and retain key personnel;

competitive uncertainties in our markets, including competition from companies in the cosmetics, fragrances, skincare and toiletries industry, some of which are larger than we are and have greater resources;

the impact of the typically seasonal nature of our business, adverse effect of rising energy, commodity and raw material prices, changes in market trends, purchasing habits of our consumers and changes in consumer preferences, particularly given the global nature of our business and the conduct of our business in primarily one channel;

other sudden disruption in business operations beyond our control as a result of events such as acts of terrorism or war, natural disasters, pandemic situations, large-scale power outages and similar events;

key information technology systems, process or site outages and disruptions;

the risk of product or ingredient shortages resulting from our concentration of sourcing in fewer suppliers;

the impact of possible pension funding obligations, increased pension expense and any changes in pension regulations or interpretations thereof on our cash flow and results of operations;

our ability to successfully identify new business opportunities and strategic alternatives and identify and analyze acquisition candidates, secure financing on favorable terms and negotiate and consummate acquisitions, as well as to successfully integrate or manage any acquired business;

the challenges to our businesses, such as Silpada and China, including the effects of rising costs, macro-economic pressures, competition, any potential strategic decisions, including the review of strategic alternatives for Silpada, and the impact of declines in expected future cash flows and growth rates, and a change in the discount rate used to determine the fair value of expected future cash flows, which have impacted, and may continue to impact, the estimated fair value of the recorded goodwill and intangible assets;

disruption in our supply chain or manufacturing and distribution operations;

the quality, safety and efficacy of our products;

the success of our research and development activities;

our ability to protect our intellectual property rights; and

the risk of an adverse outcome in any material pending and future litigations or with respect to the legal status of Representatives. Additional information identifying such factors is contained in Item 1A of our Annual Report on Form 10-K/A for the year ended December 31, 2012. We undertake no obligation to update any such forward-looking statements.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can inspect and copy these reports, proxy statements and other information at the Public Reference Room of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our SEC filings will also be available to you on the SEC s website at http://www.sec.gov and through the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which our common stock is listed.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows the incorporation by reference of the information filed by us with the SEC into this prospectus supplement, which means that important information can be disclosed to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede the previously filed information. The documents listed below and any filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, on or after the date of this prospectus supplement and the accompanying prospectus and before termination of this offering, are incorporated by reference herein:

1. Our Annual Report on Form 10-K/A for the year ended December 31, 2012, filed on March 5, 2013.

2. Our Definitive Proxy Statement on Schedule 14A, filed on April 3, 2012 and the Definitive Additional Materials on Schedule 14A, filed on April 11, 2012.

3. Our Current Report on Form 8-K, filed on January 3, 2013.

We are not, however, incorporating by reference any documents or portions thereof, whether specifically listed above or filed in the future, that are not deemed filed with the SEC, including any information furnished pursuant to Items 2.02 or 7.01 of Form 8-K or certain exhibits furnished pursuant to Item 9.01 of Form 8-K. Copies of these SEC reports and other documents are also available, without charge, upon written or oral request, from Investor Relations, Avon Products, Inc., 777 Third Avenue, New York, New York 10017, by sending an email to investor.relations@avon.com or by calling (212) 282-5320. Information about us is also available on our website at http://www.avon.com. Information on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and therefore is not part of this prospectus supplement or the accompanying prospectus.

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SUMMARY

This summary may not contain all the information that may be important to you. You should read this entire prospectus supplement and the accompanying prospectus, as well as all the documents incorporated by reference herein and therein, before making an investment decision.

The Company

We are a global manufacturer and marketer of beauty and related products. Our business is conducted worldwide, primarily in the direct-selling channel. We presently have sales operations in 65 countries and territories, including the United States (U.S.), and distribute products in 43 more. Our reportable segments are based on geographic operations and include commercial business units in Latin America; Europe, Middle East & Africa; North America; and Asia Pacific. Our product categories are Beauty, Fashion and Home. Beauty consists of color cosmetics, fragrances, skin care and personal care. Fashion consists of jewelry, watches, apparel, footwear, accessories and children s products. Home consists of gift and decorative products, housewares, entertainment and leisure products, children s products and nutritional products. Sales are made to the ultimate consumer principally through direct selling by more than 6 million active independent Representatives, who are independent contractors and not our employees. The success of our business is highly dependent on recruiting, retaining and servicing our Representatives. During 2012, approximately 85% of our consolidated revenue was derived from operations outside the U.S.

Our principal executive office is located at 777 Third Avenue, New York, New York 10017, and our telephone number is: (212) 282-5000.

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The Offering

Issuer	Avon Products, Inc.
Securities Offered	$ aggregate principal amount of % Notes due 20 and $ aggregate principal amount of % Notes due 20 .
Maturity Dates	The 20 Notes will mature on , 20 , and the 20 Notes will mature on , 20 .
Interest Rates	The 20 Notes will bear interest at % per year, and the 20 Notes will bear interest at % per year.
Interest Rate Adjustment	The interest rate payable on each series of the Notes will be subject to adjustment from time to time if Moody s or S&P downgrades (or downgrades and subsequently upgrades) the credit rating assigned to such series of Notes as described under the heading Description of Notes Interest Rate Adjustment.
Interest Payment Dates	Each and , commencing on , 2013. Interest on the Notes will accrue from the most recent date on which interest has been paid or, if no interest has been paid, from and including the date of issuance.
Ranking	The Notes will be our unsecured senior obligations and will rank equally with our other existing and future unsecured senior indebtedness.
Optional Redemption	We may redeem some or all of the Notes at any time and from time to time at the prices described under the heading Description of Notes Optional Redemption.
Offer to Repurchase Upon Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event (as defined herein), we will be required to make an offer to repurchase the Notes at a price equal to 101% of their aggregate principal amount plus accrued and unpaid interest to the date of repurchase. See Description of Notes Offer to Repurchase Upon Change of Control Triggering Event.
Certain Covenants	The Indenture (as defined herein) governing the Notes contains covenants that will limit our ability to, among other things:
	incur certain liens securing debt;
	engage in certain sale-leaseback transactions; and

	consolidate, merge, convey, transfer or lease all or substantially all of our assets.
Further Issuances	We may, from time to time, without the consent of the existing holders of any series of Notes, issue additional notes under the

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	Indenture of a series having the same terms as either series of the Notes in all respects, except for the issue date, the issue price and the initial interest payment date. Any such additional notes will be consolidated with and form a single series with the applicable series of Notes being offered by this prospectus supplement.
Use of Proceeds	We intend to use the net proceeds from this offering, together with cash on hand, to repay indebtedness and for general corporate purposes. See Use of Proceeds.
Trustee, Registrar and Paying Agent	Deutsche Bank Trust Company Americas.
Governing Law	The Indenture and the Notes will be governed by and construed in accordance with the laws of the State of New York.

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RISK FACTORS

We believe that the following factors may affect our ability to fulfill our obligations under the Notes. All of these factors are contingencies which may or may not occur and we are not in a position to express a view on the likelihood of any such contingency occurring. Factors which we believe may be material for the purpose of assessing the market risks associated with our notes are also described below.

We believe that the factors described below, together with the risk factors included in the accompanying prospectus and our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2012, which is incorporated by reference herein, represent the principal risks inherent in investing in the Notes, but we do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set forth elsewhere in this prospectus supplement and the accompanying prospectus (including any documents incorporated or deemed to be incorporated by reference herein and therein) and reach their own views prior to making any investment decision.

The Indenture governing the Notes does not restrict our ability or our subsidiaries ability to incur additional indebtedness or issue preferred stock. The Notes will be structurally subordinated to the existing and future indebtedness of our subsidiaries.

The Indenture governing the Notes does not limit our ability or the ability of our subsidiaries to incur additional indebtedness or issue preferred stock. Accordingly, we or our subsidiaries could enter into acquisitions, refinancings, recapitalizations or other highly leveraged transactions that could significantly increase our or our subsidiaries total amount of outstanding debt. The interest payments needed to service this increased level of indebtedness could have a material adverse effect on our or our subsidiaries operating results. A highly leveraged capital structure could also impair our or our subsidiaries overall credit quality, making it more difficult for us to finance our operations or issue future indebtedness on favorable terms, and could result in a downgrade in the ratings of our indebtedness, including the Notes, by rating agencies. Further, if any of our or our subsidiaries indebtedness is accelerated due to an event of default under such indebtedness and such acceleration results in an event of default under some or all of our other indebtedness, including the Notes, we may not have sufficient funds to repay all of the accelerated indebtedness and the Notes simultaneously.

Claims of creditors of our subsidiaries will have priority over the claims of holders of the Notes with respect to the assets and earnings of our subsidiaries. Our subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due on the Notes or to provide us with funds for our payment obligations. Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the Notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary s creditors.

We may not have the ability to raise the funds necessary to finance the change of control offer required by the Indenture.

Upon the occurrence of a Change of Control Triggering Event (as defined herein), we will be required to offer to repurchase all outstanding Notes at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase. However, it is possible that we will not have sufficient funds at the time of the Change of Control (as defined herein) to make the required repurchase of Notes or that restrictions in our then-existing debt instruments will not allow such repurchases. In addition, certain important corporate events, such as acquisitions, refinancings, recapitalizations or other highly leveraged transactions that would increase the level of our indebtedness, would not constitute a Change of Control under the Indenture. See Description of Notes Offer to Repurchase Upon Change of Control Triggering Event.

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If an active trading market does not develop for the Notes you may not be able to resell them.

Prior to this offering, there was no public market for the Notes. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all. Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. We have been informed by the underwriters that they currently intend to make a market in the Notes after this offering is completed. However, the underwriters may cease their market-making at any time.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering will be approximately $, after deducting underwriting discounts and estimated expenses of the offering payable by us. We intend to use the net proceeds from this offering, together with cash on hand, to repay indebtedness and for general corporate purposes.

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CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratio of earnings to fixed charges for the periods indicated:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Consolidated Ratio of Earnings to Fixed Charges[(1)]	2.4x	6.1x	7.8x	7.0x	9.2x

(1) We currently do not have any preference securities outstanding and we did not pay or accrue any preference dividends during the years presented above.

For purposes of computing the ratio of earnings to fixed charges, earnings consists of income before income taxes, noncontrolling interests and cumulative effect of accounting changes, plus fixed charges and the amortization of capitalized interest. Fixed charges consists of interest incurred on indebtedness, amortization of debt discount, fees and expenses plus one-third of the rental expense from operating leases, which management believes is a reasonable approximation of the interest component of rental expense. The computation of ratio of earnings to fixed charges does not include the interest component of our income tax liabilities related to uncertain tax positions connected with ongoing tax audits in various jurisdictions. The ratios of earnings to fixed charges are calculated as follows:

$$\frac{\text{(Income before income taxes, noncontrolling interests and cumulative effect of accounting changes)} + \text{(Fixed charges)} + \text{(Amortization of capitalized interest)}}{\text{(Fixed charges)}}$$

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DESCRIPTION OF NOTES

All references to Avon, the Company, we, us and our in this section and in the accompanying prospectus under the heading Description of Securities We May Offer Debt Securities are to Avon Products, Inc., and do not include its subsidiaries.

General

We will issue the Notes under a base indenture between us and Deutsche Bank Trust Company Americas, as trustee, dated as of February 27, 2008, as supplemented by a fifth supplemental indenture and a sixth supplemental indenture between us and the trustee. For convenience, the base indenture, as supplemented by the fifth supplemental indenture and the sixth supplemental indenture, is referred to herein as the Indenture . Although for convenience the 20 Notes and the 20 Notes are referred to together as the Notes , each will be issued as a separate series. Accordingly, for purposes of this Description of Notes, references to the Notes shall be deemed to refer to each series of Notes separately, and not to the 20 Notes and the 20 Notes on a combined basis. The following is a summary of the material provisions of the Indenture. It does not include all of the provisions of the Indenture. The following description of the particular terms of the Notes supplements the description in the accompanying prospectus of the general terms and provisions of our debt securities. We urge you to read the Indenture because it defines the rights of holders of the Notes. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended.

We will issue the Notes in fully registered form in denominations of $2,000 and integral multiples of $1,000 in excess of $2,000. The trustee will initially act as Paying Agent and Registrar for the Notes. The Notes may be presented for registration or transfer and exchange at the offices of the Registrar. We may change any Paying Agent and Registrar without notice to holders of the Notes. We will pay principal (and premium, if any) on the Notes at the trustee s corporate office in New York, New York. At our option, interest may be paid at the trustee s corporate trust office or by check mailed to the registered address of holders.

Principal, Maturity and Interest

The 20 Notes will initially be issued in an aggregate principal amount of $ and will mature on , 20 . The 20 Notes will initially be issued in an aggregate principal amount of $ and will mature on , 20 . Subject to the adjustments described under the heading Interest Rate Adjustment (if any), interest on the 20 Notes will accrue at a rate of % per annum, and interest on the 20 Notes will accrue at a rate of % per annum, and in each case will be payable semi-annually in arrears in cash on each and , commencing on , 2013, to the persons who are registered holders on the fifteenth calendar day immediately preceding the applicable interest payment date. Interest on the Notes will be computed on the basis of a 360-day year comprising twelve 30-day months. Interest on the Notes will accrue from the most recent date on which interest has been paid or, if no interest has been paid, from and including the date of issuance.

The Notes will not be entitled to the benefit of any mandatory sinking fund.

Interest Rate Adjustment

The interest rate payable on the Notes will be subject to adjustments from time to time if either Moody s or S&P or, if either Moody s or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of our control, a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act, selected by us as a replacement agency for Moody s or S&P (a substitute rating agency), downgrades (or subsequently upgrades) the credit rating assigned to the Notes, in the manner described below.

If the rating from Moody s (or any substitute rating agency therefor) of the Notes is decreased to a rating set forth in the immediately following table, the interest rate on the Notes will increase such that it will equal the interest rate payable on the Notes on the date of their issuance plus the percentage set forth opposite the ratings from the table below:

Moody s Rating*	Percentage
Ba1	0.25%
Ba2	0.50%
Ba3	0.75%
B1 or below	1.00%

* Including the equivalent ratings of any substitute rating agency.

If the rating from S&P (or any substitute rating agency therefor) of the Notes is decreased to a rating set forth in the immediately following table, the interest rate on the Notes will increase such that it will equal the interest rate payable on the Notes on the date of their issuance plus the percentage set forth opposite the ratings from the table below:

S&P Rating*	Percentage
BB+	0.25%
BB	0.50%
BB-	0.75%
B+ or below	1.00%

* Including the equivalent ratings of any substitute rating agency.

If at any time the interest rate on the Notes has been adjusted upward and either Moody s or S&P (or, in either case, a substitute rating agency therefor), as the case may be, subsequently increases its rating of the Notes to any of the threshold ratings set forth above, the interest rate on the Notes will be decreased such that the interest rate for the Notes equals the interest rate payable on the Notes on the date of their issuance plus the percentages set forth opposite the ratings from the tables above in effect immediately following the increase in rating. If Moody s (or any substitute rating agency therefor) subsequently increases its rating of the Notes to Baa3 (or its equivalent, in the case of a substitute rating agency) or higher, and S&P (or any substitute rating agency therefor) increases its rating to BBB- (or its equivalent, in the case of a substitute rating agency) or higher, the interest rate on the Notes will be decreased to the interest rate payable on the Notes on the date of their issuance. In addition, the interest rates on the Notes will permanently cease to be subject to any adjustment described above (notwithstanding any subsequent decrease in the ratings by either or both rating agencies) if the Notes become rated Baa1 (stable outlook) and BBB+ (stable outlook) (or the equivalent of either such rating, in the case of a substitute rating agency) or higher by Moody s and S&P (or, in either case, a substitute rating agency therefor), respectively (or one of these ratings if the Notes are only rated by one rating agency).

Each adjustment required by any decrease or increase in a rating set forth above, whether occasioned by the action of Moody s or S&P (or, in either case, a substitute rating agency therefor), shall be made independent of any and all other adjustments. In no event shall (1) the interest rate for the Notes be reduced to below the interest rate payable on the Notes on the date of their issuance or (2) the total increase in the interest rate on the Notes exceed 2.00% above the interest rate payable on the Notes on the date of their issuance.

No adjustments in the interest rate of the Notes shall be made solely as a result of a rating agency ceasing to provide a rating of such Notes. If at any time fewer than two rating agencies provide a rating of the Notes for a reason beyond our control, we will use our commercially reasonable efforts to obtain a rating of such Notes from a substitute rating agency, to the extent one exists, and if a substitute rating agency exists, for purposes of determining any increase or decrease in the interest rate on the Notes pursuant to the tables above, (a) such substitute rating agency will

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be substituted for the last rating agency to provide a rating of such Notes but which has since ceased to provide such rating, (b) the relative rating scale used by such substitute rating agency to assign ratings to senior unsecured debt will be determined in good faith by us and, for purposes of determining the applicable ratings included in the applicable table above with respect to such substitute rating agency, such ratings will be deemed to be the equivalent ratings used by Moody s or S&P, as applicable, in such table and (c) the interest rate on the Notes will increase or decrease, as the case may be, such that the interest rate equals the interest rate payable on the Notes on the date of their issuance plus the appropriate percentage, if any, set forth opposite the rating from such substitute rating agency in the applicable table above (taking into account the provisions of clause (b) above) (plus any applicable percentage resulting from a decreased rating by the other rating agency). For so long as only one rating agency provides a rating of the Notes and no substitute rating agency is offered to replace the other rating agency, any subsequent increase or decrease in the interest rate of such Notes necessitated by a reduction or increase in the rating by the agency providing the rating shall be twice the percentage set forth in the applicable table above. For so long as none of Moody s, S&P or a substitute rating agency provides a rating of the Notes, the interest rate on the Notes will increase to, or remain at, as the case may be, 2.00% above the interest rate payable on the Notes on the date of their issuance.

Any interest rate increase or decrease described above will take effect from the first day of the interest period commencing after the date on which a rating change occurs that requires an adjustment in the interest rate. If Moody s or S&P (or, in either case, a substitute rating agency therefor) changes its rating of the Notes more than once during any particular interest period, the last change by such agency will control for purposes of any interest rate increase or decrease with respect to the Notes described above relating to such rating agency s action.

If the interest rate payable on the Notes is increased as described above, the term interest, as used with respect to the Notes, will be deemed to include any such additional interest unless the context otherwise requires.

Ranking

The Notes will be our unsecured senior obligations and will rank equally in right of payment with our other existing and future senior indebtedness.

Optional Redemption

Each series of Notes will be redeemable, as a whole or in part, at our option, at any time or from time to time, by mailing notice to the registered address of each holder of that series of Notes at least 30 days but not more than 60 days prior to the redemption at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) on the Notes to be redeemed discounted, on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), at a rate equal to the sum of the applicable Treasury Rate (as defined below) plus basis points with respect to any 20 Notes being redeemed and at a rate equal to the sum of the applicable Treasury Rate plus basis points with respect to any 20 Notes being redeemed. In either case, accrued and unpaid interest, if any, will be paid to, but excluding, the date of redemption.

Definitions

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term (as measured from the date of redemption) of the Notes being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes being redeemed.

Comparable Treasury Price means, with respect to any Redemption Date, as determined by us, (i) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

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Independent Investment Banker means one of the Reference Treasury Dealers appointed by us.

Redemption Date, when used with respect to any Note to be redeemed, means the date which is a business day fixed for such redemption by us pursuant to the Indenture.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer, at 5:00 p.m., New York City time, on the third business day preceding such Redemption Date.

Reference Treasury Dealers means each of Citigroup Global Markets Inc., Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (or their respective affiliates that are primary U.S. Government securities dealers), provided, however, that if any Reference Treasury Dealer shall cease to be a primary U.S. Government securities dealer, we will substitute another nationally recognized investment banking firm that is a primary U.S. Government securities dealer.

Remaining Scheduled Payments means, with respect to the Notes to be redeemed, the remaining scheduled payments of principal of and interest on those Notes that would be due after the related Redemption Date but for that redemption; *provided*, *however*, that if such Redemption Date is not an interest payment date with respect to the Notes to be redeemed, the amount of the next succeeding scheduled interest payment on those Notes will be reduced by the amount of interest accrued on such Notes to such Redemption Date.

Treasury Rate means, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the third business day immediately preceding that Redemption Date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date.

On or after the Redemption Date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption (unless we default in the payment of the redemption price and accrued interest). On or before the Redemption Date, we will deposit with a paying agent (or the trustee) money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date. If less than all of any series of Notes are to be redeemed, the Notes of that series to be redeemed shall be selected by the trustee, pro rata, by lot or by a method the trustee deems to be fair and appropriate.

Offer to Repurchase Upon Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event, unless the Company has exercised its right to repurchase the Notes as described under Optional Redemption, the Indenture provides that each holder of Notes will have the right to require the Company to repurchase all or a portion of such holder s Notes pursuant to the offer described below (the Change of Control Offer), at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase, subject to the rights of holders of