

UNIVERSAL CORP /VA/  
Form S-3  
February 12, 2003  
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As filed with the Securities and Exchange Commission on February 12, 2003

Registration No. 333-\_\_\_\_\_

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form S-3

### REGISTRATION STATEMENT

*UNDER*

*THE SECURITIES ACT OF 1933*

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## Universal Corporation

(Exact Name of Registrant as Specified in Its Charter)

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**Commonwealth of Virginia**  
(State or Other Jurisdiction of Incorporation  
or Organization)

**5150**  
(Primary Standard Industrial  
Classification Code Number)

**54-0414210**  
(IRS Employer Identification Number)

**1501 N. Hamilton Street**

**Richmond, Virginia 23230**

**(804) 359-9311**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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**George C. Freeman, III**

**General Counsel and Secretary**

**Universal Corporation**

**1501 N. Hamilton Street,**

**Richmond, Virginia 23230**

**(804) 359-9311**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

*with copies to:*

**Robert H. Craft, Jr., Esq.**  
**Sullivan & Cromwell LLP**  
**1701 Pennsylvania Avenue, N.W.**  
**Washington, D.C. 20006**  
**(202) 956-7500**

**Bart Friedman, Esq.**  
**Cahill Gordon & Reindel**  
**80 Pine Street**  
**New York, New York 10005**  
**(212) 701-3000**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of the Registration Statement.

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

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

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

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

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

**CALCULATION OF REGISTRATION FEE**

<b>Title of each class of securities to be registered</b>	<b>Amount to be registered</b>	<b>Proposed maximum offering price per unit(1)</b>	<b>Proposed maximum aggregate offering price(1)</b>	<b>Amount of registration fee</b>
Debt Securities	\$ 400,000,000	100%(2)	\$ 400,000,000(2)	\$ 36,800

(1) Estimated solely for purposes of calculating the registration fee.

(2) Plus accrued interest, if any.

**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 this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**



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**The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor is it soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED FEBRUARY 12, 2003**

**PRELIMINARY PROSPECTUS**

**\$400,000,000**

**Debt Securities**

From time to time we may offer to sell debt securities either individually or in units. The total amount of the securities will have an initial aggregate offering price of up to \$400,000,000, or the equivalent amount in other currencies, currency units or composite currencies, although we may increase this amount in the future. The debt securities will be unsecured and will rank senior in right of payment to all of our subordinated debt.

We may offer and sell these securities to or through one or more underwriters, dealers and/or agents, or through any combination thereof, on a continuous or delayed basis. The names of such underwriters, dealers and/or agents and any applicable commissions or discounts will be described in a supplement to this prospectus.

This prospectus describes some of the general terms that may apply to these securities and the general manner in which they may be offered. When we offer debt securities, we will provide you with a prospectus supplement describing the specific terms of any securities to be offered, including, among other things, the offering price, and the specific manner in which those securities may be offered.

**This prospectus may not be used to sell securities unless it is accompanied by a prospectus supplement. Before making any investment, you should read this prospectus and the accompanying prospectus supplement carefully. Investing in these debt securities involves risks. See Risk Factors beginning on page 5 to read about factors you should consider before purchasing the debt securities.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

Prospectus dated \_\_\_\_\_, 2003.

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**WHERE YOU CAN FIND MORE INFORMATION**

We are required to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. You may read and copy any documents filed by us at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our filings with the SEC are also available to the public through 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. You may also obtain copies of our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q through our website at <http://www.universalcorp.com>.

We have filed a registration statement on Form S-3 with the SEC relating to the securities covered by this prospectus. This prospectus is a part of that registration statement and does not contain all of the information in the registration statement. This prospectus summarizes material provisions of the contracts and other documents to which we refer you. Since this prospectus may not contain all the information that you may find important, you should review the full text of these documents. We have included copies of these documents as exhibits to our registration statement. You may review a copy of the registration statement at the SEC's Public Reference Room in Washington, D.C., as well as through the SEC's Internet site.

The information that we file with the SEC may be incorporated by reference into this prospectus. That means:

incorporated documents are considered part of this prospectus;

we can disclose important information to you by referring you to those documents; and

information that we file with the SEC will automatically be considered to update and supersede this prospectus.

The following documents or information filed with the SEC are incorporated by reference into this prospectus:

our Annual Report on Form 10-K for the fiscal year ended June 30, 2002;

our Quarterly Reports on Form 10-Q for the quarters ended September 30, 2002 and December 31, 2002; and

our Current Reports on Form 8-K, dated August 1, 2002, September 3, 2002, September 12, 2002, September 16, 2002, September 20, 2002, September 24, 2002, September 26, 2002, October 16, 2002, October 31, 2002, November 4, 2002, November 7, 2002, November 8, 2002, December 6, 2002.

We also incorporate by reference any filings that we make after the date of filing of the initial registration statement and prior to the effectiveness of that registration statement, and any future filings made by us with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities that we have registered under the registration statement.

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You may request, orally or in writing, a copy of any filings referred to above, excluding exhibits, other than those specifically incorporated by reference into the documents you request, at no cost, by contacting us at the following address: Universal Corporation, Attn: Karen M.L. Whelan, Vice President and Treasurer, 1501 North Hamilton Street, Richmond, Virginia 23230, telephone (804) 359-9311.



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**PROSPECTUS SUMMARY**

*This summary highlights information contained elsewhere in this prospectus or incorporated by reference into this prospectus as further described above under **Where You Can Find More Information**. This summary does not contain all the information that you should consider before investing in the securities being offered by this prospectus. You should read the entire prospectus, the documents incorporated by reference into this prospectus, and the prospectus supplement relating to the securities that you propose to buy carefully, especially any description of investment risks that we may include in the prospectus supplement.*

**About This Prospectus**

This prospectus is part of a registration statement that we filed with the SEC utilizing the shelf registration process. Under this shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total amount of \$400,000,000. This prospectus provides you with a general description of the debt securities we may offer. Each time we sell securities, we will provide a prospectus supplement and may provide you with a pricing supplement that contains specific information about the terms of that offering. The prospectus supplement and any pricing supplement may also add, update, or change information in this prospectus. The prospectus supplement and any pricing supplement are referred to collectively in this prospectus as the prospectus supplement. You should read both this prospectus and any prospectus supplement together with the additional information described above under **Where You Can Find More Information**.

**Universal Corporation**

We are, through our subsidiaries, the world's largest independent leaf tobacco merchant, as well as a leading lumber and building products distributor in Holland. In addition, we are engaged in a number of value-added agri-product enterprises, dealing with a number of products, including tea, rubber, sunflower seeds, nuts, dried fruit, and canned and frozen foods. Since our founding, tobacco operations have been our principal focus. For the fiscal year ended June 30, 2002, our tobacco operations accounted for 62% of revenues and 85% of operating profits. During that period, our agri-products operations and our lumber and building products operations accounted for 17% and 21% of revenues, respectively, and 5% and 10% of operating profits, respectively.

We were incorporated under the laws of the Commonwealth of Virginia in 1918. We operate in over 40 countries and employ over 26,000 people. Our principal executive offices are located at 1501 North Hamilton Street, Richmond, Virginia 23230, telephone (804) 359-9311.

**The Securities We Are Offering**

**Debt Securities**

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Our debt securities will rank senior in right of payment to all of our subordinated debt. For any particular debt series we offer, the applicable prospectus supplement will describe:

the specific designation;

the aggregate principal or face amount and the purchase price;

the stated maturity;

the redemption terms, if any;

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the rate or manner of calculating the rate and the payment dates for interest, if any;

the amount or manner of calculating the amount payable at maturity and whether that amount may be paid by delivering cash, securities, or other property; and

any other specific terms.

We will issue the debt securities under an indenture between us and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank and as Chemical Bank), as trustee.

**Form of Debt Securities**

Unless we specify otherwise in the applicable prospectus supplement, we will issue the securities in book-entry form, through one or more depositories, such as The Depository Trust Company, Euroclear, or Clearstream, Luxembourg, as described in the applicable prospectus supplement. Each sale of a security in book-entry form will settle in immediately available funds through the depository, unless otherwise stated. Unless the applicable prospectus supplement says otherwise, we will issue the securities only in registered form, without coupons.

**Payment Currencies**

Amounts payable in respect of the securities, including the purchase price, will be payable in U.S. dollars unless the applicable prospectus supplement says otherwise.

**Listing**

If any securities are to be listed or quoted on a securities exchange or quotation system, the applicable prospectus supplement will say so.

**Manner of Offering**

When we issue the securities, we may offer them for sale to or through underwriters, dealers, and/or agents, or through any combination thereof, or directly to purchasers. The applicable prospectus supplement will include any required information about the firms we use and the discounts or commissions we may pay them for their services.

**Use of Proceeds**

Unless we indicate otherwise in the applicable prospectus supplement, we intend to use the net proceeds from the sale of debt securities for general corporate purposes, which may include the repayment of indebtedness, capital expenditures, acquisitions, and working capital. Pending such use, the net proceeds may be temporarily invested.

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**Ratio of Earnings to Fixed Charges**

	Six months ended	Year ended June 30,				
	<u>December 31, 2002</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
	4.91	4.04	3.75	4.13	4.44	4.57

Earnings represent the sum of:

Pretax income from continuing operations before adjustment for minority interests in consolidated subsidiaries or pretax income or loss from equity investees,

Fixed charges,

Amortization of capitalized interest, and

Distributed income of equity investees,

less interest capitalized.

Fixed charges include the sum of:

interest, whether expensed or capitalized and

Amortization of premiums, discounts and capitalized expenses relating to indebtedness.

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**RISK FACTORS**

Our financial results are affected by a number of risk factors that directly or indirectly affect the tobacco and non-tobacco operations of our business. Some of the factors that may affect our results of operations are set out below. For a discussion of considerations relating to specific securities, see "Description of Debt Securities We May Offer - Considerations Relating to Indexed Securities;" and "Description of Debt Securities We May Offer - Considerations Relating to Securities Linked to a Foreign Currency;" as well as the applicable prospectus supplement. For a more complete description of these factors, you should refer to our Annual Report on Form 10-K for the fiscal year ended June 30, 2002 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors That May Affect Future Results" and our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K which are listed above under "Where You Can Find More Information," all of which are incorporated by reference into this prospectus.

**Risks Relating to the Tobacco Business**

**Operating Factors**

*The leaf tobacco industry is highly competitive and heavily reliant on a few large customers.*

The leaf tobacco industry is highly competitive. Competition among leaf tobacco merchants is based on ability to meet customer specifications in the buying, processing and financing of tobacco, as well as the price charged for products and services. In addition, there is competition in all countries to buy the available tobacco.

There are three major independent global competitors in the leaf tobacco industry, and they are reliant upon a few large customers. The number of manufacturers has declined in recent years due to consolidation. The loss of, or a substantial reduction in the services we provide to, any large or significant customer would have a material adverse effect on our results of operations.

*Financial results can be significantly affected by the changes in the balance of supply and demand for leaf tobacco.*

Our financial results can be significantly affected by changes in the overall balance of worldwide supply and demand for leaf tobacco. The demand for tobacco is based upon customers' expectations of future requirements, which can change from time to time depending upon internal and external factors affecting their business. Our customers' expectations, and thus their demand for leaf tobacco, is influenced by a number of factors, including:

trends in the global consumption of cigarettes, such as the growth in popularity of American-blend cigarettes,

trends in sales of cigars and other tobacco products, and

levels of competition.

The total supply of tobacco at any given time is a function of current tobacco production and the volumes of uncommitted stocks of processed tobacco from prior years' production. Production of tobacco in a given year may be significantly affected by such factors as:

the amount of tobacco planted by farmers throughout the world,

weather fluctuations, and

crop disease.

Any significant change in these factors could cause a material imbalance in the supply and demand for tobacco, which could impact our results of operations.

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*In areas where we purchase our leaf tobacco directly from farmers, we cannot be certain the tobacco we receive will meet quality and quantity requirements.*

We purchase leaf tobacco from farmers, growers and other suppliers through public auction and privately negotiated contract purchases. In a number of countries, including Argentina, Brazil, Guatemala, Hungary, Italy, Mozambique, Mexico, Tanzania, the United States, and Zambia, where we contract directly with tobacco farmers, we bear the risk that the tobacco delivered will meet quality and quantity requirements. If the tobacco does not meet such market requirements, we may not be able to meet all of our customers' orders. In U.S. markets, the high price of U.S. tobacco magnifies the risk of purchasing tobacco that does not meet those requirements. In addition, in many foreign countries, when we purchase tobacco directly from farmers, we provide them with financing. Unless we receive marketable tobacco, we may not be able to fully recover our crop advances. Our affiliates also have dark leaf tobacco growing operations in Indonesia and Brazil, where they have similar risks. Several countries where auction markets are used today may be moving toward direct purchasing, thus increasing the areas subject to this risk.

*Weather and crop conditions can affect the marketability of the tobacco.*

Tobacco is an agricultural product that is subject to vagaries of weather and environment that can, in some cases, change the quality or size of a tobacco crop in a particular area. If a weather event is particularly widespread, such as a severe drought or a major hurricane, the affected crop could be destroyed or damaged to an extent that it would be less desirable to manufacturers. In addition, other items can affect the marketability of tobacco, including, among other things:

the presence of foreign matter,

genetically modified organisms, and

excess pesticide or fertilizer residue.

A significant event impacting the condition or quality of a large amount of tobacco could make it difficult for us to sell such tobacco or to fill our customers' orders.

*Timing of customer shipments can cause our financial results to vary significantly.*

We recognize sales and revenue from tobacco operations when title to the tobacco and risk of loss passes to the customer. Because individual shipments may be large, and the customer typically specifies shipping dates, our comparative financial results may vary significantly between reporting periods.

## **Regulatory and Governmental Factors**



*Government efforts to reduce tobacco consumption could significantly affect our results of operations.*

The U.S. federal government and certain state and local governments have taken or proposed actions that may have the effect of reducing U.S. consumption of tobacco products. These activities have included:

the U.S. Environmental Protection Agency's decision to classify environmental tobacco smoke as a Group A (known human) carcinogen,

restrictions on the use of tobacco products in public places and places of employment,

proposals to have the U.S. Food and Drug Administration, or FDA, regulate nicotine as a drug and sharply restrict cigarette advertising and promotion,

proposals to increase the federal and state excise taxes on cigarettes, and

the policy of the U.S. government to link certain federal grants to the enforcement of state laws restricting the sale of tobacco products.

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Numerous other legislative and regulatory anti-smoking measures have been proposed at the federal, state and local levels. Excluding the effect of tobacco contained in cigarettes imported to the United States, we estimate that between 12% and 15% of the flue-cured and burley tobaccos that we handle worldwide are ultimately consumed in the United States. Our tobacco sales consist primarily of the flue-cured and burley tobaccos, which, along with oriental tobaccos, are the major ingredients in American-blend cigarettes. In addition, a number of foreign governments have also taken or proposed steps to restrict or prohibit cigarette advertising and promotion, to increase taxes on cigarettes, and to discourage cigarette consumption. In some cases, such restrictions are more onerous than those proposed or in effect in the United States. We cannot predict the extent to which government efforts to reduce tobacco consumption might affect our business. A significant decrease in worldwide tobacco consumption brought about by existing or future governmental laws and regulations would reduce demand for our products and services and could have a material adverse effect on our results of operations.

*Political uncertainties in some countries could affect our results of operations.*

Our international operations are subject to uncertainties and risks relating to the political stability of certain foreign governments, principally in developing countries and emerging markets, and to the effects of changes in the trade policies and economic regulations of foreign governments. These uncertainties and risks include:

the effects of war,

insurrection,

expropriation or nationalization of assets,

undeveloped or antiquated commercial laws,

subsidies for local tobacco growers and companies,

issuance of licenses to conduct business in foreign jurisdictions,

import and export restrictions,

the imposition of excise and other taxes on tobacco,

monetary and exchange controls,

inflationary economies, and

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restrictions on repatriation of earnings or proceeds from liquidated assets of foreign subsidiaries.

For example, in the past, we have experienced significant year-to-year fluctuations in earnings due to changes in the Brazilian government's economic policies. We have substantial capital investments in South America and Africa and the performance of our operations in these regions can materially affect our earnings from tobacco operations. For example, we have significant operations and assets in Zimbabwe, which is currently experiencing political and economic unrest. If the political situation in Zimbabwe were to deteriorate significantly, our ability to recover assets located there could be impaired. Our equity in our net assets of subsidiaries in Zimbabwe was \$36 million at December 31, 2002. To the extent that we could not replace any lost volumes of tobacco with tobacco from other sources, our results of operations would suffer.

*If the U.S. governmental policies continue to have the effect of reducing the competitive position of U.S. tobacco in the world market, thus reducing exports of U.S. tobacco, those policies could have a material adverse impact on the amount of U.S. tobacco we buy and process each year.*

The U.S. tobacco price support system is an industry-funded federal program that is administered by the U.S. Department of Agriculture. The effect of this U.S. governmental policy has been to increase the cost of domestic tobacco relative to most foreign tobacco, resulting in a decline in exports of U.S. tobacco. It is not possible to predict the extent to which future trade policies or related government activities might continue to increase the cost of tobacco in the United States, thus reducing demand for U.S. tobacco. The continuation of these trends could have a material adverse effect on our results of operations.

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*Because we are subject to tax laws of many jurisdictions which have varying tax rules and rates, and the portion of our income that is earned in each jurisdiction could change significantly from time to time, our effective tax rate could be volatile.*

Our effective tax rate is affected by a number of factors, including but not limited to, the mix of domestic and foreign earnings and investments, subsidiary local tax rates, tax treaties between countries, repatriation of foreign earnings, and the ability to utilize foreign tax credits. In addition, we make assumptions regarding the future utilization of foreign tax credits, alternative minimum tax credits, and tax loss carryforwards. Due to the nature of our business and corporate structure, these assumptions could be substantially affected by changes in future taxable income and its sources and changes in U.S. or foreign tax laws and tax treaties. Any significant reduction in future taxable income and its sources or changes in U.S. or foreign tax laws could result in the expiration of foreign tax credit carryforwards.

*Significant decreases in consumption of tobacco products as a result of health concerns could have a material adverse effect on our results of operations.*

Reports and speculation with respect to the alleged harmful physical effects of cigarette smoking have been publicized for many years and, together with decreased social acceptance of smoking and increased pressure from anti-smoking groups, have had an ongoing adverse effect on sales of tobacco products, particularly in the United States. In addition, during the past few years, the major U.S. tobacco product manufacturers entered into agreements with states and various U.S. jurisdictions settling asserted and unasserted healthcare cost recovery and other claims. The settlements provide for billions of dollars in annual payments from those manufacturers and place numerous restrictions on their conduct of business, including restrictions on the advertising and marketing of cigarettes, which have reduced tobacco consumption. Health concerns, decreased social acceptance, or other factors could cause a decrease in global sales of tobacco products or a decrease in tobacco consumption. If such decreases were significant, they could have a material adverse effect on our results of operations.

## **Litigation Factors**

*The outcome of several litigation cases could have a material adverse effect on our results of operations.*

On February 26, 2001, Universal Leaf Tobacco Company, Incorporated, J.P. Taylor Company, Incorporated and Southwestern Tobacco Company, Incorporated, each of which was one of our subsidiaries at that time, or the Company Subsidiaries, were served with the Third Amended Complaint, naming them and other leaf tobacco merchants as defendants in DeLoach, et al. v. Philip Morris Inc., et al., a suit originally filed against U.S. cigarette manufacturers in the United States District Court for the District of Columbia and now pending in the United States District Court for the Middle District of North Carolina, Greensboro Division (Case No. 00-CV-1235), or the DeLoach Suit. The DeLoach Suit is an antitrust class action brought on behalf of U.S. tobacco growers and quota holders that alleges that defendants violated antitrust laws by bid-rigging at tobacco auctions and by conspiring to undermine the tobacco quota and price support program administered by the federal government. Plaintiffs seek injunctive relief, treble damages in an unspecified amount, pre- and post-judgment interest, attorneys' fees and costs of litigation. On April 3, 2002, the United States District Court for the Middle District of North Carolina issued an opinion and order certifying the class. The Company Subsidiaries petitioned the U.S. Court of Appeals for the Fourth Circuit for appeal of the class certification pursuant to Rule 23(f) of the Federal Rules of Civil Procedure, and the petition was denied. The Company Subsidiaries intend to vigorously defend the DeLoach Suit. The suit is still in its initial stages, and at this time no estimate of the impact on the Company that could result from an unfavorable outcome at trial can be made.

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The Directorate General Competition of the European Commission, or DG Comp, is investigating the buying practices of Spanish tobacco processors with the stated aim of determining to what extent the tobacco processing companies have jointly agreed on raw tobacco qualities and prices offered to Spanish tobacco growers. After conducting an investigation, we believe that Spanish tobacco processors, including our Spanish subsidiary, Tabacos Espanoles, S.A., or TAES, have jointly agreed to the terms of sale of green tobacco and

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quantities to be purchased from associations of farmers and have jointly negotiated with those associations. TAES is cooperating fully with the DG Comp in its investigation and believes that there are unusual, mitigating circumstances peculiar to the highly structured market for green tobacco in Spain. Although we are not able to make an accurate assessment of the amount or timing of the fine, if any, that the DG Comp may assess on TAES, it could have a material adverse effect on our earnings.

We are also aware that the DG Comp is investigating certain practices of the tobacco leaf merchants in Italy. We have a subsidiary, Deltafina, S.p.A., that buys and processes tobacco in Italy. We do not believe that the DG Comp investigation in Italy will result in fines being assessed against us or our subsidiaries that would be material to our earnings.

*The outcome of litigation against our customers could have a detrimental effect on the consumption of tobacco and thus could have a material adverse effect on our results of operations.*

In September 1999, the U.S. government filed a lawsuit against tobacco product manufacturers to recover healthcare costs, similar to the suits settled by the states. The trial court has dismissed the claims of the federal government under the Medical Recovery Act and the Medicare Secondary Payer provisions of the Social Security Act, but has permitted discovery to proceed on the government's claims under the Racketeer Influenced and Corrupt Organizations Act. Trial of the case is currently scheduled for September 2004. Numerous other healthcare cost recovery suits have been brought against U.S. tobacco product manufacturers in the United States and other countries. In addition, there are many smoking and health cases filed by individual plaintiffs or on behalf of putative classes pending in the United States and other countries against tobacco product manufacturers. It is not possible to predict the outcome of such litigation. However, judgments or settlements in these cases could have a detrimental effect on the consumption of tobacco products through increased prices and other consequences, and, therefore, could have a material adverse effect on our results of operations.

## **Financial Factors**

*Failure of our customers or farmers to repay extensions of credit could materially impact our results of operations.*

We extend credit to customers. A significant delay in payment or a significant bad debt provision related to amounts due to us could adversely affect our results of operations. In addition, crop advances to farmers are generally secured by the farmers' agreement to deliver green tobacco. In the event of crop failure, recovery of advances could be delayed until deliveries of future crops are made.

*Failure of foreign banks in which our subsidiaries deposit funds or the failure to transfer funds or honor withdrawals may affect our results of operations.*

Funds held by our foreign subsidiaries are often deposited in their local banks. Banks in certain foreign jurisdictions may be subject to a higher rate of failure or may not honor withdrawals of deposited funds. In addition, the countries in which these local banks operate may lack sufficient regulatory oversight or suffer from structural weaknesses in the local banking system. Due to uncertainties and risks relating to the political stability of certain foreign governments, these local banks also may be subject to exchange controls and therefore unable to perform transfers of certain currencies. An inability to gain access to these funds may have a material adverse effect on our results of operations.

*Fluctuations in foreign currency exchange rates and interest rates may affect our results of operations.*

Although the international tobacco trade generally is conducted in U.S. dollars, thereby limiting foreign exchange risk to that which is related to production costs and overhead in the source country, our purchases of tobacco are often made in local currency. As a result, changes in local currency can make a particular crop more

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or less attractive in the world market. Because there is no forward foreign exchange market in many of the major countries where we source tobacco, we manage our foreign exchange risk by matching funding for inventory purchases with the currency of sale and by minimizing our net investment in these countries.

In our tobacco business, customers usually pre-finance purchases or pay market rates of interest for inventory purchased on order. Because of changes in financial markets, we, like many others, have moved away from short-term credit markets. We are borrowing more long-term debt, and, through hedging agreements, we are swapping the interest rates on our existing fixed-rate debt to floating market interest rates to better match the interest rates that we charge our customers. To the extent we are unable to match these interest rates, a decrease in interest rates could increase our net financing costs.

### **Risks related to our Non-Tobacco Business**

Our lumber and building products operations are based in the Netherlands, and their reported earnings are affected by the translation of the euro into the U.S. dollar. This business is seasonal to the extent that winter weather may temporarily interrupt the operations of its customers in the building industry. The business is also subject to other normal market and operational risks associated with lumber operations centered in Europe, including local economic conditions, the prices of lumber products, and related trends in the building and construction industry.

The agri-products business is affected by operating and other factors that are similar to those that affect our tobacco operations, including crop risks, market balance, and governmental factors such as political uncertainties in countries of crop origin.

### **USE OF PROCEEDS**

Unless we indicate otherwise in the applicable prospectus supplement, we intend to use the net proceeds from the sale of debt securities for general corporate purposes, which may include the repayment of indebtedness, capital expenditures, acquisitions, and working capital. Pending such use, the net proceeds may be temporarily invested.



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**DESCRIPTION OF DEBT SECURITIES WE MAY OFFER**

*Please note that in this section entitled "Description of Debt Securities We May Offer", references to Universal Corporation, we, our and us refer only to Universal Corporation and not to its consolidated subsidiaries. Also, in this section, references to holders mean those who own debt securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in debt securities registered in street name or in debt securities issued in book-entry form through one or more depositories. Owners of beneficial interests in the debt securities should read the section entitled "Legal Ownership and Book-Entry Issuance".*

**Debt Securities Will Be Senior, Unsecured Obligations of Universal Corporation**

We will issue senior debt securities. The debt securities will not be secured by any of our properties or assets or those of our subsidiaries. Thus, by owning a debt security, you are one of our unsecured creditors.

The debt securities will constitute part of our senior debt, will be issued under the indenture (as defined below) and will rank equally and ratably with all of our other unsecured and senior debt.

When we use the terms debt security or debt securities in this description, we mean the senior debt securities being offered by this prospectus and the applicable prospectus supplement.

*We Are a Holding Company*

Because our assets consist principally of interests in the subsidiaries through which we conduct our businesses, our cash flow and our consequent ability to service our debt, including the debt securities, are largely dependent upon the cash flow and earnings of our subsidiaries, including dividends we receive from some of those subsidiaries. Since we also guarantee some of the obligations of our subsidiaries, any liability we may incur for our subsidiaries' obligations could reduce the assets that are available to satisfy claims of our direct creditors, including investors in the debt securities. Additionally, our right to participate as an equity holder in any distribution of assets of any of our subsidiaries upon the subsidiary's liquidation or otherwise, and thus the ability of our security holders to benefit from the distribution, is junior to creditors of the subsidiary, except to the extent that any claims we may have as a creditor of the subsidiary are recognized.

**This Section Is Only a Summary**

The indenture and its associated documents, including your debt security, contain the full legal text of the matters described in this section and your prospectus supplement. We have filed a copy of the indenture with the SEC as an exhibit to our registration statement. See "Where You Can Find More Information" above for information on how to obtain a copy.

This section and the applicable prospectus supplement summarize material terms of the indenture and your debt security. They do not, however, describe every aspect of the indenture and your debt security. The applicable prospectus supplement will describe the specific terms of your debt security. See **Information in the Prospectus Supplement** below for such terms. For example, in this section and the applicable prospectus supplement, we use terms that have been given special meaning in the indenture, but we describe the meaning for only the more important of those terms.

**Information in the Prospectus Supplement**

The applicable prospectus supplement will describe the specific terms of your debt security, which will include some or all of the following:

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any limit on the total principal amount of the debt securities of the same series;

the stated maturity;

the price at which we originally issue your debt security, expressed as a percentage of the principal amount, and the original issue date;

any provisions for reopening the offering at a later time to offer debt securities having the same terms as your debt security;

the authorized denominations, if other than \$1,000 and integral multiples of \$1,000;

the specified currency or currencies for principal and interest, if other than U.S. dollars;

whether your debt security is a fixed rate debt security, a floating rate debt security or an indexed debt security and also whether it is an original issue discount debt security;

if your debt security is an original issue discount debt security, the yield to maturity;

if applicable, the circumstances under which your debt security may be redeemed at our option or repaid at your option before the stated maturity and other relevant terms, such as the redemption commencement date, repayment date(s), redemption price(s), and redemption period(s);

the depository for your debt security, if other than DTC, and any circumstances under which you may request debt securities in non-global form, if we choose not to issue your debt security in book-entry form only;

if applicable, the circumstances under which we will pay additional amounts on any debt securities held by a person who is not a United States person for tax purposes and whether we can redeem the debt securities if we have to pay additional amounts;

whether your debt securities will be listed on the Luxembourg Stock Exchange or any other securities exchange or whether the debt will be unlisted;

if your debt security will be issued in bearer form, any special provisions relating to bearer debt securities;

the names and duties of any co-trustees, depositories, authenticating agents, paying agents, transfer agents, or registrars for the series of debt securities;

any specific U.S. federal income tax consideration relating to the debt securities not addressed in this prospectus; and

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any other terms of your debt security that are consistent with the provisions of the indenture, which other terms could be different from those described in this prospectus.

If your debt security is a fixed rate debt security, the prospectus supplement will also describe:

the annual rate at which your debt security will bear interest, if any; and

the interest payment dates.

If your debt security is a floating rate debt security, the prospectus supplement will also describe:

the interest rate basis;

any applicable index currency or maturity, spread or spread multiplier or initial, maximum or minimum rate;

the interest reset, determination, calculation, and payment dates;

the day count used to calculate interest payments for any period; and

the calculation agent.

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If your debt security is an indexed debt security, the prospectus supplement will also describe:

the principal amount, if any, we will pay you at maturity;

the amount of interest, if any, we will pay you on an interest payment date or the formula we will use to calculate these amounts, if any;

and the terms on which your debt security will be exchangeable for or payable in cash, securities or other property.

While this prospectus describes terms that apply generally to all the debt securities, the prospectus supplement applicable to your debt security will summarize specific financial and other terms of your debt security. Consequently, the terms described in the prospectus supplement applicable to your debt security will supplement those described in this prospectus and, if the terms described in that supplement are inconsistent with those described here, the terms described in the prospectus supplement will be controlling. The terms used in the prospectus supplement applicable to your debt security have the meanings described in this prospectus, unless the prospectus supplement specifies different terms.

## **The Indenture**

The debt securities are governed by a document called an indenture. The indenture is a contract between us and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank and as Chemical Bank), which will initially act as trustee.

The trustee has two main roles:

First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee can act on your behalf, which we describe later under [Default, Remedies and Waiver of Default](#).

Second, the trustee performs administrative duties for us, such as sending you interest payments and notices.

See [Our Relationship With the Trustee](#) below for more information about the trustee.

### *Our Relationship With the Trustee*

JPMorgan Chase Bank has provided commercial banking and other services for us and our affiliates in the past and may do so in the future. Among other things, JPMorgan Chase Bank serves as trustee or agent with regard to other debt obligations that we have.

*Governing Law*

The indenture and the debt securities will be governed by New York law.

**We May Issue Many Series of Debt Securities**

We may issue as many distinct series of debt securities under the indenture as we wish. This section summarizes terms of the securities that apply generally to all series. In addition to issuing debt securities with terms different from those of debt securities previously issued under the indenture, we may also reopen a previous issue of a series of debt securities and issue additional debt securities of that series. Most of the financial and other specific terms of your series will be described in the prospectus supplement to be attached to the front of this prospectus. Those terms may vary from the terms described here. See Information in the Prospectus Supplement above.

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*As you read this section, please remember that the specific terms of your debt security as described in your prospectus supplement will supplement and, if applicable, may modify or replace the general terms described in this section. If there are any differences between the prospectus supplement applicable to your debt security and this prospectus, your prospectus supplement will control. Thus, the statements we make in this section may not apply to your debt security.*

When we refer to a series of debt securities, we mean a series issued under the indenture. When we refer to the applicable prospectus supplement, we mean the prospectus supplement describing the specific terms of the debt security you purchase. The terms used in the prospectus supplement applicable to your debt security will have the meanings described in this prospectus, unless otherwise specified.

### **Amounts That We May Issue**

The indenture does not limit the aggregate amount of debt securities that we may issue or the number of series or the aggregate amount of any particular series. We may issue debt securities and other securities in amounts that exceed the total amount specified on the cover of this prospectus, at any time without your consent and without notifying you.

The indenture and the debt securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the debt securities, except as described under **Restriction on Liens** and **Restrictions on Sale and Leaseback Transactions** below.

### **Principal Amount, Stated Maturity, and Maturity**

The principal amount of a debt security means the principal amount payable at its stated maturity, unless that amount is not determinable, in which case the principal amount of a debt security is its face amount. Any debt securities owned by us or any of our affiliates are not deemed to be outstanding.

The term **stated maturity** with respect to your debt security means the day on which the principal amount of your debt security is scheduled to become due. The principal may become due sooner, by reason of redemption or acceleration after a default or otherwise in accordance with the terms of the debt security. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the maturity date.

We also use the terms **stated maturity** and **maturity** to refer to the days when other payments become due. For example, we may refer to a regular interest payment date when a payment of interest is scheduled to be made as the **stated maturity** of that interest.

**Currency of Debt Securities**

Amounts that become due and payable on your debt security will be payable in the currency, composite currency, basket of currencies, or currency unit or units specified in the prospectus supplement applicable to your debt security. We refer to this currency, composite currency, basket of currencies or currency unit or units as a specified currency. The specified currency for your debt security may be euros, British pounds sterling, Swiss francs, Japanese yen, U.S. dollars, or other specified currency as specified in the prospectus supplement applicable to your debt security. Some debt securities may have different specified currencies for principal and interest. You will have to pay for your debt securities by delivering the requisite amount of the specified currency for the principal to an underwriter or dealer that we name in the prospectus supplement applicable to your debt security, unless other arrangements have been made between you and us or you and that dealer. We will make payments on your debt securities in the specified currency, except as described below in Payment Mechanics for Debt Securities in Registered Form. See Considerations Relating to Securities Linked to a Foreign Currency for more information about risks of investing in debt securities of this kind.



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### **Form of Debt Securities**

We will issue each debt security in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. Debt securities in book-entry form will be represented by a global security registered in the name of a depository, which will be the holder of all the debt securities represented by the global security. Those who own beneficial interests in a global debt security will do so through participants in the depository's securities clearance system, and the rights of these indirect owners will be governed solely by the applicable procedures of the depository and its participants. We describe book-entry securities below under **Legal Ownership and Book-Entry Issuance**.

In addition, we will generally issue each debt security in registered form, without coupons, unless we specify otherwise in the prospectus supplement applicable to your debt security.

### **Types of Debt Securities**

We may issue any of the following three types of senior debt securities:

#### *Fixed Rate Debt Securities*

A debt security of this type will bear interest at a fixed rate described in the applicable prospectus supplement. This type includes zero coupon debt securities, which bear no interest and are instead issued at a price lower than the principal amount. See **Original Issue Discount Debt Securities** below for more information about zero coupon and other original issue discount debt securities.

Each fixed rate debt security, except any zero coupon debt security, will bear interest from its original issue date or from the most recent date to which interest on the debt security has been paid or made available for payment. Interest will accrue on the principal of a fixed rate debt security at the fixed yearly rate stated in the applicable prospectus supplement, until the principal is paid or made available for payment. Each payment of interest due on an interest payment date or the date of maturity will include interest accrued from and including the last date to which interest has been paid, or made available for payment, or from the issue date if none has been paid, or made available for payment, to but excluding the interest payment date or the date of maturity. Unless we tell you otherwise in the applicable prospectus supplement, we will compute interest on fixed rate debt securities on the basis of a 360-day year of twelve 30-day months. We will pay interest on each interest payment date and at maturity as described below under **Payment Mechanics for Debt Securities in Registered Form**.

#### *Floating Rate Debt Securities*

A debt security of this type will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a spread or multiplying by a spread multiplier and may be subject to a minimum rate or a maximum rate. If your debt security is a floating rate debt security, the formula and any adjustments that apply to the interest rate will be specified in the

prospectus supplement applicable to your debt security.

Each floating rate debt security will bear interest from its original issue date or from the most recent date to which interest on the debt security has been paid or made available for payment. Interest will accrue on the principal of a floating rate debt security at the yearly rate determined according to the interest rate formula stated in the applicable prospectus supplement, until the principal is paid or made available for payment. We will pay interest on each interest payment date and at maturity as described below under Payment Mechanics for Debt Securities in Registered Form.

Calculations of interest relating to floating rate debt securities will be made by the calculation agent, an institution that we appoint as our agent for this purpose. So long as any floating rate debt securities are listed on or by the Luxembourg Stock Exchange and the rules of such exchange so require, we will maintain a calculation

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agent for those floating rate debt securities. The prospectus supplement applicable to a particular floating rate debt security will name the institution that we have appointed to act as the calculation agent for that debt security as of its original issue date. We may appoint a different institution to serve as calculation agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change.

For each floating rate debt security, the calculation agent will determine, on the corresponding interest calculation or determination date, as described in the applicable prospectus supplement, the interest rate that takes effect on each interest reset date. In addition, the calculation agent will calculate the amount of interest that has accrued during each interest period, i.e., the period from and including the original issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the calculation agent will calculate the amount of accrued interest by multiplying the face amount of the floating rate debt security by an accrued interest factor for the interest period. This factor will equal the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be expressed as a decimal and will be calculated by dividing the interest rate, also expressed as a decimal, applicable to that day by 360 or by the actual number of days in the year, as specified in the applicable prospectus supplement.

Upon the request of the holder of any floating rate debt security, the calculation agent will provide for that debt security the interest rate then in effect and, if determined, the interest rate that will become effective on the next interest reset date. The calculation agent's determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any calculation relating to a debt security will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point, e.g., 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655). All amounts used in or resulting from any calculation relating to a floating rate debt security will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

In determining the interest rate that applies to a floating rate debt security during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market, as described in the applicable prospectus supplement. Those reference banks and dealers may include the calculation agent itself and its affiliates, as well as any underwriter, dealer, or agent participating in the distribution of the relevant floating rate debt securities and its affiliates.

### *Indexed Debt Securities*

A debt security of this type provides that the principal amount payable at its maturity, and/or the amount of interest payable on an interest payment date, will be determined by reference to:

securities of one or more issuers;

one or more currencies;

one or more commodities;

any other financial, economic, or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance; and/or

one or more indices or baskets of the items described above.

If you are a holder of an indexed debt security, you may receive a principal amount at maturity that is greater than or less than the face amount of your debt security depending upon the value of the applicable index at maturity. The value of the applicable index will fluctuate over time.

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An indexed debt security may provide either for cash settlement or for physical settlement by delivery of the underlying property or another property of the type listed above. An indexed debt security may also provide that the form of settlement may be determined at our option or at the holder's option. Some indexed debt securities may be exchangeable, at our option or the holder's option, for securities of an issuer other than Universal Corporation.

If you purchase an indexed debt security, the prospectus supplement applicable to your debt security will include information about the relevant index, about how amounts that are to become payable will be determined by reference to the price or value of that index and the terms on which the security may be settled physically or in cash. The prospectus supplement will also identify the calculation agent who will calculate the amounts payable with respect to the indexed debt security and how much discretion they will have in doing so. See "Considerations Relating to Indexed Securities" for more information about risks of investing in debt securities of this type.

## **Original Issue Discount Debt Securities**

A fixed rate debt security, a floating rate debt security or an indexed debt security may be an original issue discount debt security. A debt security of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable.

## **Redemption and Repayment**

Unless otherwise indicated in the prospectus supplement applicable to your debt security, your debt security will not be entitled to the benefit of any sinking fund. This means, we will not deposit money on a regular basis into any separate custodial account to repay your debt securities. In addition, we will not be entitled to redeem your debt security before its stated maturity unless the prospectus supplement applicable to your debt security specifies a redemption commencement date. You will not be entitled to require us to buy your debt security from you before its stated maturity unless the prospectus supplement applicable to your debt security specifies one or more repayment dates.

If the prospectus supplement applicable to your debt security specifies a redemption commencement date or a repayment date, it will also specify one or more redemption prices or repayment prices, which may be expressed as a percentage of the principal amount of your debt security. It may also specify one or more redemption periods during which the redemption prices relating to a redemption of debt securities during those periods will apply.

If the prospectus supplement applicable to your debt security specifies a redemption commencement date, your debt security will be redeemable at our option at any time on or after that date. If we redeem your debt security, we will do so at the specified redemption price, together with interest accrued to the redemption date. If different prices are specified for different redemption periods, the price we pay will be the price that applies to the redemption period during which your debt security is redeemed.

If the prospectus supplement applicable to your debt security specifies a repayment date, your debt security will be repayable at your option on the specified repayment date at the specified repayment price, together with interest accrued to the repayment date.

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If we exercise an option to redeem any debt security, we will give to you and to the trustee written notice of the redemption date and the principal amount of the debt security to be redeemed, not less than 30 days nor more than 60 days before the scheduled redemption date. We will give the notice in the manner described below in Notices.

If a debt security represented by a global debt security is subject to repayment at your option, the depositary or its nominee, as the holder, will be the only person that can exercise the right to repayment. Any indirect

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owners who own beneficial interests in the global debt security and wish to exercise a repayment right must give proper and timely instructions to the banks or brokers through which they hold their interests, requesting that they notify the depository to exercise the repayment right on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depository before the applicable deadline for exercise.

*Street name and other indirect owners should contact their banks or brokers for information about how to exercise a repayment right in a timely manner.*

We or our affiliates may purchase debt securities from investors who are willing to sell from time to time, either in the open market at prevailing prices or in private transactions at negotiated prices. Debt securities that we or they purchase may, at our discretion, be held, resold, or canceled.

## **Mergers and Similar Transactions**

We are generally permitted to merge or consolidate with another corporation. We are also permitted to sell substantially all of our assets to another corporation or other entity. With regard to any series of debt securities, however, we may not take any of these actions unless all the following conditions are met:

If we are not the successor entity in the transaction, the successor entity must be organized as a corporation, organized and existing under the laws of the United States and must expressly assume our obligations under the debt securities of that series and the indenture.

Immediately after the transaction, no default under the debt securities of that series has occurred and is continuing. For purposes of this no-default test, a default would include an event of default that has occurred and has not been cured. A default for this purpose also includes any event that would be an event of default if the requirements for giving us default notice for our default having to exist for a specific period of time were disregarded. We describe these matters below under **Default, Remedies, and Waiver of Default**.

If, as a result of such transaction, our assets or property would become encumbered in a manner not permitted under the indenture, then the successor entity must take steps to secure the debt securities at least equally or ratably with all other indebtedness secured thereby.

After the transaction, we must deliver to the trustee a legal opinion and an officer's certificate certifying compliance with the provisions of the indenture.

If the conditions described above are satisfied with respect to the debt securities of any series, we will not need to obtain the approval of the holders of those debt securities in order to merge or consolidate or to sell all or substantially all our assets. Also, these conditions will apply only if we wish to merge or consolidate with another entity or sell all or substantially all our assets. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another entity, any transaction that involves a change of control of Universal Corporation but in which we do not merge or consolidate, and any transaction in which we sell less than substantially all of our assets.

**Restriction on Liens**

In the indenture, we promise, with respect to each series of debt securities, that we will not (nor will we permit our most important operating subsidiaries, including Universal Leaf Tobacco Company, Incorporated, to) create or allow any mortgage, lien, or encumbrance of any kind upon any of the capital stock or certain important property of these subsidiaries, unless we have concurrently secured all outstanding debt securities issued under the indenture equally and ratably with the obligations that we have secured by those mortgages, liens, or encumbrances. There are, however, some exceptions to this restriction that are fully set forth in the indenture and



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that apply, among other things, to some pre-existing liens; liens between our subsidiaries; liens incurred to enable certain acquisitions; construction, improvement, or repairs on property; some liens on assets in favor of federal, state, or foreign governmental entities; some statutory or court ordered liens; some tax liens; some liens securing obligations incurred in the ordinary course of business for sums not yet due; and liens created to refinance or extend obligations secured by any of the liens described above.

## **Restrictions on Sale and Leaseback Transactions**

In the indenture, we also promise, with respect to each series of debt securities, that we will not (nor will we permit our most important operating subsidiaries, including Universal Leaf Tobacco Company, Incorporated to) sell or transfer certain important property more than 120 days after such property is put into full operation, and to thereafter lease back that property for a term of more than three years to use for substantially the same purpose as the property being sold or transferred. There are, however, some exceptions to this restriction that are fully set forth in the indenture and that apply, among other things, to (i) some inter-company sale and leaseback transaction, (ii) situations where a lien would be permitted under the provisions of **Restrictions on Liens** above in an amount equal to the value of such sale and leaseback transaction, and (iii) sale and leaseback transactions, where within 180 days, we or the subsidiary applies an amount equal to the greater of the fair value of the property or the actual proceeds from the sale of such property towards the purchase or acquisition of additional assets by one of the important subsidiaries or to the voluntary retirement of certain company or subsidiary debt.

## **Full Defeasance and Covenant Defeasance**

Unless we say otherwise in the applicable prospectus supplement, we may at any time elect to apply the provisions for full defeasance and covenant defeasance described below to each debt security as indicated in the applicable prospectus supplement. In general, we expect these provisions to apply to each debt security that has a specified currency of U.S. dollars and is not a floating rate or indexed debt security.

*Full Defeasance.* We can legally release ourselves from all payment and other obligations on any debt securities. This is called full defeasance. For us to do so, we must not already be in default under the indenture, nor can such default be imminent, and each of the following must occur:

We must deposit in trust for the benefit of all holders of those debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal, and any other payments on those debt securities on their various due dates;

There must be a change in U.S. federal tax law or an Internal Revenue Service ruling that lets us make the above deposit without causing the holders to be taxed on those debt securities any differently than if we did not make the deposit and just repaid those debt securities ourselves. Under current federal tax law, the deposit and our legal release from your debt security would be treated as though we took back your debt security and gave you your share of the cash and notes or bonds deposited in trust. In that event, you could recognize gain or loss on your debt security; and

We must deliver to the trustee a legal opinion of our counsel confirming the tax law change described above.

If we ever fully defease your debt security, you will have to rely solely on the trust deposit for payments on your debt security. You could not look to us for payment in the event of any shortfall.

*Covenant Defeasance.* Under current U.S. federal tax law, we can make the same type of deposit described above and be released from the restriction on liens described under *Restriction on Liens* above and any other restrictive covenants relating to your debt security that may be described in the prospectus supplement applicable to your debt security. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants. In order to achieve covenant defeasance for any debt securities, we must not already be in default under the indenture, nor can such default be imminent, and we must do both of the following:

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We must deposit in trust for the benefit of the holders of those debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on those debt securities on their various due dates; and

We must deliver to the trustee a legal opinion of our counsel and an officer's certificate confirming that under the current U.S. federal income tax law we may make the above deposit without causing the holders to be taxed on those debt securities any differently than if we did not make the deposit and just repaid those debt securities ourselves.

If we accomplish covenant defeasance with regard to your debt security, the following provisions of the applicable indenture and your debt security would no longer apply:

Any covenants that the prospectus supplement applicable to your debt security may state are applicable to your debt security; and

The events of default resulting from a breach of covenants, described below in the fourth bullet point under **Default, Remedies and Waiver of Default** **Events of Default**.

If we accomplish covenant defeasance on your debt security, you can still look to us for repayment of your debt security in the event of any shortfall in the trust deposit. You should note, however, that if one of the remaining events of default occurred, such as our bankruptcy, and your debt security became immediately due and payable, there may be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

**Default, Remedies, and Waiver of Default**

You will have special rights if an event of default with respect to your debt security occurs and is not cured, as described in this subsection.

*Events of Default*

When we refer to an event of default with respect to any series of debt securities, we mean any of the following:

We fail to pay the principal or any premium on any debt security of that series on the due date;

We do not pay any interest on any debt security of that series when due or within 30 days after the due date;

We do not deposit a sinking fund payment with regard to any debt security of that series on the due date, but only if the payment is required under provisions described in the applicable prospectus supplement;

We remain in breach of any other covenant we make in the indenture for the benefit of the relevant series, for 60 days after we receive a notice of default stating that we are in breach. The notice must be sent by the trustee or the holders of not less than 10% in principal amount of the relevant series of debt securities;

We file for bankruptcy, or other events of bankruptcy, insolvency, or reorganization relating to us occur under U.S. federal or state law; or

If the prospectus supplement applicable to your debt security states that any additional event of default applies to the series, that event of default occurs.

*Remedies If an Event of Default Occurs*

If an event of default has occurred with respect to any series of debt securities and has not been cured or waived, the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding securities

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of that series, or, if any such debt securities are original issue discount securities, such lesser amount as may be described in an applicable prospectus supplement or prospectus supplements, may declare the entire principal amount of the debt securities of that series to be due immediately. If the event of default occurs because of events in bankruptcy, insolvency, or reorganization relating to us, the entire principal amount of the debt securities of that series will be accelerated after the trustee or any holder provides us with written notice.

Each of the situations described above is called an acceleration of the maturity of the affected series of debt securities. If the maturity of any series is accelerated and a judgment for payment has not yet been obtained, the holders of a majority in principal amount of the debt securities of that series may cancel the acceleration for the entire series.

If an event of default occurs, the trustee will have special duties. In that situation, the trustee will be obligated to use those of its rights and powers under the indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Except as described in the prior paragraph, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an indemnity. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of all debt securities of the relevant series may direct the time, method, and place of conducting any lawsuit or other formal legal action seeking any remedy available to that trustee. These majority holders may also direct the trustee in performing any other action under the indenture with respect to the debt securities of that series.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to any debt security, the following must occur:

The holder of your debt security must give the trustee written notice that an event of default has occurred, and the event of default must not have been cured or waived.

The holders of not less than 25% in principal amount of all debt securities of your series must make a written request that the trustee take action because of the default, and they or other holders must offer to the trustee indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.

The trustee must not have taken action for 60 days after the above steps have been taken.

During those 60 days, the holders of a majority in principal amount of the debt securities of your series must not have given the trustee directions that are inconsistent with the written request of the holders of not less than 25% in principal amount of the debt securities of your series.

You are entitled at any time, however, to bring a lawsuit for the payment of money due on your debt security on or after its due date.

### *Waiver of Default*

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The holders of not less than a majority in principal amount of the debt securities of any series may waive a default for all debt securities of that series. If this happens, the default will be treated as if it has not occurred. However, no one can waive a payment default on your debt security without your approval.

*Book-entry and other indirect owners should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of the maturity. Book-entry and other indirect owners are described under Legal Ownership and Book-Entry Issuance.*

### **Modification of the Indenture and Waiver of Covenants**

We are permitted to make certain changes to the indenture and the debt securities of any series issued under the indenture. The following are the types of changes we can make to the indenture.

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*Changes Requiring Each Holder's Approval*

First, there are changes that we or the trustee cannot make without the approval of each holder of a debt security affected by the change under the indenture. We cannot:

change the stated maturity for any principal or interest payment on a debt security;

reduce the principal amount, the amount payable on acceleration of the maturity after a default, the interest rate, or the redemption price for a debt security;

change any of our obligations to pay additional amounts;

impair any right a holder may have to require repayment of its debt security;

change the currency of any payment on a debt security other than as permitted by the debt security;

change any of our obligations to maintain an office or agency in the places and for the purposes required by the indenture;

impair a holder's right to sue for payment of any amount due on its debt security;

reduce the percentage in principal amount of the debt securities of any one or more affected series, taken together, the approval of whose holders is needed to change the indenture or those debt securities;

reduce the requirements contained in the indenture for quorum or voting;

reduce the percentage in principal amount of the debt securities of any one or more affected series, taken separately or together, as the case may be, the consent of whose holders is needed to waive our compliance with the indenture or to waive defaults; and

change the provisions of the indenture dealing with modification and waiver in any other respect, except to increase any required percentage referred to above or to add to the provisions that cannot be changed or waived without approval.

*Changes Not Requiring Approval*

The second type of change does not require any approval by holders of the debt securities affected by the change under the indenture. These changes are limited to clarifications and changes that would not adversely affect the debt securities of that series in any material respect. Nor do we need any approval to make changes that benefit holders of the debt securities, or affect only debt securities to be issued under the indenture

after the changes take effect.

We may also make changes or obtain waivers that do not adversely affect a particular debt security, even if they affect other debt securities. In those cases, we do not need to obtain the approval of the holder of that debt security; we need only obtain any required approvals from the holders of the affected debt securities.

*Changes Requiring Majority Approval*

Third, any other change to the indenture and the debt securities issued under the indenture would require the following approval:

if the change affects only the debt securities of a particular series, it must be approved by the holders of a majority in principal amount of the debt securities of that series, or

if the change affects the debt securities of more than one series of debt securities issued under the indenture, it must be approved by the holders of a majority in principal amount of all series affected by the change, with the debt securities of all the affected series voting together as one class for this purpose.



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In each case, the required approval must be given by written consent.

The same majority approval would be required for us to obtain a waiver of any of our covenants in the indenture. Our covenants include the promises we make about merging and putting liens on our interests in our subsidiaries, which we describe above under Mergers and Similar Transactions and Restrictions on Liens. If the holders approve a waiver of a covenant, we will not have to comply with it. The holders, however, cannot approve a waiver of any provision in a particular debt security, or in the indenture as it affects that debt security, that we cannot change without the approval of the holder of that debt security as described above in Changes Requiring Each Holder's Approval, unless that holder approves the waiver.

*Book-entry and other indirect owners should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or any debt securities or request a waiver.*

## **Special Rules for Action by Holders**

When holders take any action under the indenture, such as giving a notice of default, declaring an acceleration, approving any change or waiver, or giving the trustee an instruction, we will apply the following rules.

### *Only Outstanding Debt Securities Are Eligible*

Only holders of outstanding debt securities of the applicable series will be eligible to participate in any action by holders of debt securities of that series. Also, we will count only outstanding debt securities in determining whether the various percentage requirements for taking action have been met. For these purposes, a debt security will not be outstanding in the following circumstances:

if it has been surrendered for cancellation;

if we have deposited or set aside, in trust for its holder, money for its payment or redemption;

if we have fully defeased it as described above under Full Defeasance and Covenant Defeasance Full Defeasance; or

if we or one of our affiliates is the beneficial owner.

### *Eligible Principal Amount of Some Debt Securities*

In some situations, we may follow special rules in calculating the principal amount of a debt security that is to be treated as outstanding for the purposes described above. This may happen, for example, if the principal amount is payable in a foreign currency, increases over time, or is not to be fixed until maturity.

For any debt security of the kind described below, we will decide how much principal amount to attribute to the debt security as follows:

For an original issue discount debt security, we will use the principal amount that would be due and payable on the action date if the maturity of the debt security were accelerated to that date because of a default;

For a debt security whose principal amount is not known, we will use any amount that we indicate in the applicable prospectus supplement for that debt security. The principal amount of a debt security may not be known, for example, because it is based on an index that changes from time to time and the principal amount is not to be determined until a later date; or

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For debt securities with a principal amount denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent, which we will determine as of the date of the original issuance of the debt security.

### *Determining Record Dates for Action by Holders*

We will generally be entitled to set any day as a record date for the purpose of determining the holders that are entitled to take action under the indenture. In certain limited circumstances, only the trustee will be entitled to set a record date for action by holders. If we or the trustee set a record date for an approval or other action to be taken by holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that we specify for this purpose, or that the trustee specifies if it sets the record date. We or the trustee, as applicable, may shorten or lengthen this period from time to time.

### **Form, Exchange, and Transfer of Debt Securities in Registered Form**

If any debt securities cease to be issued in registered global form, they will be issued:

only in fully registered form;

without interest coupons; and

unless we indicate otherwise in the prospectus supplement applicable to your debt security, in denominations of \$1,000 and integral multiples of \$1,000.

Holders may exchange their debt securities for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed.

Holders may exchange or transfer their debt securities at the office of the trustee. They may also replace lost, stolen, destroyed, or mutilated debt securities at that office. We have appointed the trustee to act as our agent for registering debt securities in the names of holders and transferring and replacing debt securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their debt securities, but they may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange, and any replacement, will be made only if our transfer agent is satisfied with the holder's proof of legal ownership. The transfer agent may require an indemnity before replacing any debt securities.

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If we have designated additional transfer agents for your debt security, they will be named in the prospectus supplement applicable to your debt security. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If the debt securities of any series are redeemable and we redeem less than all those debt securities, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers of or exchange any debt security selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security being partially redeemed.

If a debt security is issued as a registered global debt security, only the depositary, Euroclear, and Clearstream, Luxembourg, as applicable, will be entitled to transfer and exchange the debt security as described in this subsection, since it or they will be the sole holder of the debt security.

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The rules for exchange described above apply to exchange of debt securities for other debt securities of the same series and kind. If a debt security is exchangeable for a different kind of security, such as one that we have not issued, the rules governing that type of exchange will be described in the applicable prospectus supplement.

### **Payment Mechanics for Debt Securities in Registered Form**

#### *Who Receives Payment?*

If interest is due on a debt security on an interest payment date, we will pay the interest to the person in whose name the debt security is registered at the close of business on the regular record date relating to the interest payment date as described under **Payment and Record Dates for Interest** below. If interest is due at maturity but on a day that is not an interest payment date, we will pay the interest to the person entitled to receive the principal of the debt security. If principal or another amount besides interest is due on a debt security at maturity, we will pay the amount to the holder of the debt security against surrender of the debt security at a proper place of payment or, in the case of a global debt security, in accordance with the applicable policies of the depository, Euroclear, and Clearstream, Luxembourg, as applicable.

#### *Payment and Record Dates for Interest*

Unless we specify otherwise in the applicable prospectus supplement, interest on any fixed rate debt security will be payable semi-annually on dates to be specified in the applicable prospectus supplement, and at maturity, and the regular record date relating to an interest payment date for any fixed rate debt security will also be specified in the applicable prospectus supplement. The regular record date relating to an interest payment date for any floating rate debt security will be the 15th calendar day before that interest payment date. These record dates will apply regardless of whether a particular record date is a **business day**, as defined below. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

**Business Day.** Unless otherwise specified in the applicable prospectus supplement, the term **business day** means, for any debt security, a day that is a Monday, Tuesday, Wednesday, Thursday, or Friday that is not a day on which banking institutions in the place or places where the principal and interest on your debt security are payable (or any other location named in the indenture or your debt security) are authorized or obligated by law, regulation or executive order to close.

#### *How We Will Make Payments Due in U.S. Dollars*

We will follow the practice described in this subsection when paying amounts due in U.S. dollars. Payments of amounts due in other currencies will be made as described in the next subsection.

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*Payments on Global Debt Securities.* We will make payments on a global debt security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect owners who own beneficial interests in the global debt security. An indirect owner's right to receive those payments will be governed by the rules and practices of the depositary and its participants, as described in the section entitled "Legal Ownership and Book-Entry Issuance - What Is a Global Security?"

*Payments on Non-Global Debt Securities.* We will make payments on a debt security in non-global, registered form as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee's records as of the close of business on the regular record date. We will make all other payments by check to the paying agent described below, against surrender of the debt security. All payments by check will be made in next-day funds. Next-day funds mean funds that become available on the day after the check is cashed.

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Alternatively, if a non-global debt security has a face amount of at least \$1,000,000 and the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request wire payment, the holder must give the paying agent appropriate wire transfer instructions at least five business days before the requested wire payment is due. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above. In the case of any interest payment due on an interest payment date, the instructions must be given by the person or entity who is the holder on the relevant regular record date. In the case of any other payment, payment will be made only after the debt security is surrendered to the paying agent.

*Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their debt securities.*

*How We Will Make Payments Due in Other Currencies*

We will follow the practice described in this subsection when paying amounts that are due in a specified currency other than U.S. dollars.

*Payments on Global Debt Securities.* We will make payments on a global debt security in accordance with the applicable policies of the depository, Euroclear, and Clearstream, Luxembourg, as applicable, as in effect from time to time. Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depository for all debt securities in global form. We understand that these policies, as currently in effect at DTC, are as follows.

Unless otherwise indicated in the prospectus supplement applicable to your debt security, if you are an indirect owner of global debt securities denominated in a specified currency other than U.S. dollars and if you elect to receive payments in that other currency, you must notify the participant through which your interest in the global debt security is held of your election:

on or before the applicable regular record date, in the case of a payment of interest; or

before the 16th day before the stated maturity, or any redemption or repayment date, in the case of payment of principal or any premium.

Your participant must, in turn, notify DTC of your election on or before the third DTC business day after that regular record date, in the case of a payment of interest, and on or before the 12th DTC business day prior to the stated maturity, or on the redemption or repayment date if your debt security is redeemed or repaid earlier, in the case of a payment of principal or any premium.

DTC, in turn, will notify the paying agent of your election in accordance with DTC's procedures.

If complete instructions are received by the participant and forwarded by the participant to DTC, and by DTC to the paying agent, on or before the dates noted above, the paying agent, in accordance with DTC's instructions, will make the payments to you or your participant by wire transfer of immediately available funds to an account maintained by the payee with a bank located in the country issuing the specified currency or in another jurisdiction acceptable to us and the paying agent.

If the foregoing steps are not properly completed, we expect DTC to inform the paying agent that payment is to be made in U.S. dollars. In that case, we or our agent will convert the payment to U.S. dollars in the manner described below under Conversion to U.S. Dollars. We expect that we or our agent will then make the payment in U.S. dollars to DTC, and that DTC in turn will pass it along to its participants.



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*Indirect owners of a global debt security denominated in a currency other than U.S. dollars should consult their banks or brokers for information on how to request payment in the specified currency.*

*Payments on Non-Global Debt Securities.* Except as described in the last paragraph under this heading, we will make payments on debt securities in non-global form in the applicable specified currency. We will make these payments by wire transfer of immediately available funds to any account that is maintained in the applicable specified currency at a bank designated by the holder and that is acceptable to us and the trustee. To designate an account for wire payment, the holder must give the paying agent appropriate wire instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person or entity who is the holder on the regular record date. In the case of any other payment, the payment will be made only after the debt security is surrendered to the paying agent. Any instructions, once properly given, will remain in effect unless and until new instructions are properly given in the manner described above.

If a holder fails to give instructions as described above, we will notify the holder at the address in the trustee's records and will make the payment within five business days after the holder provides appropriate instructions. Any late payment made in these circumstances will be treated under the indenture as if made on the due date, and no interest will accrue on the late payment from the due date to the date paid.

Although a payment on a debt security in non-global form may be due in a specified currency other than U.S. dollars, we will make the payment in U.S. dollars if the holder asks us to do so. To request U.S. dollar payment, the holder must provide appropriate written notice to the trustee at least five business days before the next due date for which payment in U.S. dollars is requested. In the case of any interest payment due on an interest payment date, the request must be made by the person or entity who is the holder on the regular record date. Any request, once properly made, will remain in effect unless and until revoked by notice properly given in the manner described above.

*Book-entry and other indirect owners of a debt security with a specified currency other than U.S. dollars should contact their banks or brokers for information about how to receive payments in the specified currency or in U.S. dollars.*

*Conversion to U.S. Dollars.* When we are asked by a holder to make payments in U.S. dollars of an amount due in another currency, either on a global debt security or a non-global debt security as described above, the exchange rate agent described below will calculate the U.S. dollar amount the holder receives in the exchange rate agent's discretion.

A holder that requests payment in U.S. dollars will bear all associated currency exchange costs, which will be deducted from the payment.

*When the Specified Currency Is Not Available.* If we are obligated to make any payment in a specified currency other than U.S. dollars, and the specified currency or any successor currency is not available to us due to circumstances beyond our control, such as the imposition of exchange controls or a disruption in the currency markets, we will be entitled to satisfy our obligation to make the payment in that specified currency by making the payment in U.S. dollars, on the basis of the exchange rate determined by the exchange rate agent described below, in its discretion.

The foregoing will apply to any debt security, whether in global or non-global form, and to any payment, including a payment at maturity. Any payment made under the circumstances and in a manner described above will not result in a default under any debt security or the applicable indenture.

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*Exchange Rate Agent.* If we issue a debt security in a specified currency other than U.S. dollars, we will appoint a financial institution to act as the exchange rate agent and will name the institution initially appointed when the debt security is originally issued in the applicable prospectus supplement. We may change the exchange rate agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change.

All determinations made by the exchange rate agent will be in its sole discretion unless we state in the applicable prospectus supplement that any determination requires our approval. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on you and us, without any liability on the part of the exchange rate agent.

### *Payment When Offices Are Closed*

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments postponed to the next business day in this situation will be treated under the indenture as if they were made on the original due date. Postponement of this kind will not result in a default under any debt security or the indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a business day. The term business day has a special meaning, which we describe above under *Payment and Record Dates for Interest*.

### *Paying Agent*

We may appoint one or more financial institutions to act as our paying agents, at whose designated offices debt securities in non-global entry form may be surrendered for payment at their maturity. We call each of those offices a paying agent. We may add, replace or terminate paying agents from time to time. We may also choose to act as our own paying agent. Initially, we have appointed the trustee, at its corporate trust office in New York City, as the paying agent. We must notify you of changes in the paying agents.

For so long as the debt securities of a series are listed on the Luxembourg Stock Exchange or any other stock exchange located outside the United States and that stock exchange so requires, we will at all times maintain a paying agent in Luxembourg or any other required city located outside the United States, as the case may be, for the debt securities of that series.

### *Unclaimed Payments*

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to us. After that two-year period, the holder may look only to us for payment (less any amount we may be obligated to pay to the state of Virginia under Virginia state law) and not to the trustee, any other paying agent, or anyone else.

## **Notices**

Notices to be given to holders of a global debt security will be given only to the depositary, in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of debt securities not in global form will be sent by mail to the respective addresses of the holders as they appear in the trustee's records, and will be deemed given when mailed. For so long as any debt security of a series is listed on the Luxembourg Stock Exchange, all notices regarding those debt securities shall be published in a daily newspaper of general circulation in Luxembourg, which is expected to be the Luxembourg Wort. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

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*Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive notices.*

### **Considerations Relating to Our Debt Securities**

#### **Considerations Relating to Indexed Securities**

We use the term *indexed securities* to mean debt securities, whose value is linked to an underlying asset or index. Indexed securities may present a high level of risk, and investors in certain indexed securities may lose their entire investment. In addition, the treatment of indexed securities for U.S. federal income tax purposes is often unclear due to the absence of any authority specifically addressing the issues presented by any particular indexed security. Thus, if you propose to invest in indexed securities, you should independently evaluate the federal income tax consequences of purchasing an indexed security that apply in your particular circumstances. You should also read *United States Taxation* for a discussion of U.S. tax matters.

#### *Investors in Indexed Securities Could Lose Principal or Interest*

The principal amount of an indexed debt security payable at maturity, and/or the amount of interest payable on an indexed debt security on an interest payment date, will be determined by reference to the price or value of one or more securities of one or more issuers; currencies; commodities; or any other financial, economic, or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, and/or one or more indices or baskets of any of these items. We refer to each of these as an *index*. The direction and magnitude of the change in the value of the relevant index will determine the principal amount of an indexed debt security payable at maturity and/or the amount of interest payable on an indexed debt security on an interest payment date. The terms of a particular indexed debt security may or may not include a guaranteed return of a percentage of the face amount at maturity or a minimum interest rate. Thus, if you purchase an indexed security, you may lose all or a portion of the principal you invest and may receive no interest on your investment.

#### *The Issuer of a Security or Currency that Serves as an Index Could Take Actions that May Adversely Affect an Indexed Security*

The issuer of a security that serves as an index or part of an index for an indexed debt security will have no involvement in the offer and sale of the indexed security and no obligations to the holder of the indexed security. The issuer may take actions, such as a merger or sale of assets, without regard to the interests of the holder. Any of these actions could adversely affect the value of a debt security indexed to that security or to an index of which that security is a component.

If the index for an indexed security includes a non-U.S. dollar currency or other asset denominated in a non-U.S. dollar currency, the government that issues that currency will also have no involvement in the offer and sale of the indexed security and no obligations to the holder

of the indexed security. That government may take actions that could adversely affect the value of the security. See Considerations Relating to Securities Linked to a Foreign Currency Government Policy Can Adversely Affect Currency Exchange Rates and an Investment in a Non-U.S. Dollar Security for more information about these kinds of government actions.

*An Indexed Security May Be Linked to a Volatile Index, Which Could Hurt Your Investment*

Some indices are highly volatile, which means that their value may change significantly, up or down, over a short period of time. The amount of principal or interest that can be expected to become payable on an indexed security may vary substantially from time to time. Because the amounts payable with respect to an indexed security are generally calculated based on the value of the relevant index on a specified date or over a limited

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period of time, volatility in the index increases the risk that the return on the indexed security may be adversely affected by a fluctuation in the level of the relevant index.

The volatility of an index may be affected by political or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of an indexed security.

### *An Index to Which a Security Is Linked Could Be Changed or Become Unavailable*

Some indices compiled by us or our affiliates or third parties may consist of or refer to several or many different securities, commodities, currencies, or other instruments or measures. The compiler of such an index typically reserves the right to alter the composition of the index and the manner in which the value of the index is calculated. An alteration may result in a decrease in the value of or return on an indexed security that is linked to the index. The indices for our indexed securities may include published indices of this kind or customized indices developed by us or our affiliates in connection with particular issues of indexed securities.

A published index may become unavailable, or a customized index may become impossible to calculate in the normal manner, due to events such as war, natural disasters, cessation of publication of the index; or a suspension or disruption of trading in one or more securities, commodities, or currencies or other instruments or measures on which the index is based. If an index becomes unavailable or impossible to calculate in the normal manner, the terms of a particular indexed security may allow us to delay determining the amount payable as principal or interest on an indexed debt security, or we may use an alternative method to determine the value of the unavailable index. Alternative methods of valuation are generally intended to produce a value similar to the value resulting from reference to the relevant index. However, it is unlikely that any alternative method of valuation we use will produce a value identical to the value that the actual index would produce. If we use an alternative method of valuation for a debt security linked to an index of this kind, the value of the security, or the rate of return on it, may be lower than it otherwise would be.

Some indexed securities are linked to indices that are not commonly used or that have been developed only recently. The lack of a trading history may make it difficult to anticipate the volatility or other risks associated with an indexed security of this kind. In addition, trading in these indices or their underlying stocks, commodities, or currencies or other instruments or measures, or options or futures contracts on these stocks, commodities, or currencies or other instruments or measures, may be limited, which could increase their volatility and decrease the value of the related indexed securities or the rates of return on them.

### *Information About Indices May Not Be Indicative of Future Performance*

If we issue an indexed security, we may include historical information about the relevant index in the applicable prospectus supplement. Any information about indices that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in the relevant index that may occur in the future.

### **Considerations Relating to Securities Linked to a Foreign Currency**

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If you intend to invest in a debt security whose principal and/or interest is payable in a currency other than U.S. dollars, you should consult your own financial and legal advisors as to the currency risks entailed by your investment. Securities of this kind are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions.

The information in this prospectus is directed primarily to investors who are U.S. residents. Investors who are not U.S. residents should consult their own financial and legal advisors about currency-related risks particular to their investment.



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### *An Investment in a Non-U.S. Dollar Security Involves Currency-Related Risks*

An investment in a debt security with a specified currency other than U.S. dollars entails significant risks that are not associated with a similar investment in a security payable solely in U.S. dollars. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the various non-U.S. dollar currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls or other conditions by either the U.S. or non-U.S. governments. These risks generally depend on factors over which we have no control, such as economic and political events and the supply of and demand for the relevant currencies in the global markets.

### *Changes in Currency Exchange Rates Can Be Volatile and Unpredictable*

Rates of exchange between the U.S. dollar and many other currencies have been highly volatile, and this volatility may continue and perhaps spread to other currencies in the future. Fluctuations in currency exchange rates could adversely affect an investment in a security denominated in a specified currency other than U.S. dollars. Depreciation of the specified currency against the U.S. dollar could result in a decrease in the U.S. dollar-equivalent value of payments on the security, including the principal payable at maturity or settlement value payable upon exercise. That in turn could cause the market value of the security to fall. Depreciation of the specified currency against the U.S. dollar could result in a loss to the investor on a U.S. dollar basis.

### *Government Policy Can Adversely Affect Currency Exchange Rates and an Investment in a Non-U.S. Dollar Security*

Currency exchange rates can either float or be fixed by sovereign governments. From time to time, governments use a variety of techniques, such as intervention by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-U.S. dollar-denominated securities is that their U.S. dollar-equivalent yields or payouts could be significantly and unpredictably affected by governmental actions. Even in the absence of governmental action directly affecting currency exchange rates, political or economic developments in the country issuing the specified currency for a non-U.S. dollar security or elsewhere could lead to significant and sudden changes in the exchange rate between the U.S. dollar and the specified currency. These changes could affect the U.S. dollar-equivalent value of the security as participants in the global currency markets move to buy or sell the specified currency or U.S. dollars in reaction to these developments.

Governments have imposed from time to time and may in the future impose exchange controls or other conditions with respect to the exchange or transfer of a specified currency that could affect exchange rates as well as the availability of a specified currency for a security at its maturity or on any other payment date. In addition, the ability of a holder to move currency freely out of the country in which payment in the currency is received or to convert the currency at a freely determined market rate could be limited by governmental actions.

### *Non-U.S. Dollar Securities Will Permit Us to Make Payments in U.S. Dollars or Delay Payment If We Are Unable to Obtain the Specified Currency*

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Securities payable in a currency other than U.S. dollars will provide that, if the other currency is subject to convertibility, transferability, market disruption or other conditions affecting its availability at or about the time when a payment on the securities comes due because of circumstances beyond our control, we will be entitled to make the payment in U.S. dollars or delay making the payment. These circumstances could include the imposition of exchange controls or our inability to obtain the other currency because of a disruption in the currency markets. If we made payment in U.S. dollars, the exchange rate we would use would be determined in the manner described under [Description of Debt Securities We May Offer](#) [Payment Mechanics for Debt Securities in Registered Form](#) [How We Will Make Payments Due in Other Currencies](#) [When the Specified Currency Is Not Available](#). A determination of this kind may be based on limited information and would

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involve significant discretion on the part of our foreign exchange rate agent. As a result, the value of the payment in U.S. dollars an investor would receive on the payment date may be less than the value of the payment the investor would have received in the other currency if it had been available and may be zero. In addition, a government may impose extraordinary taxes on transfers of a currency. If that happens, we will be entitled to deduct these taxes from any payment on securities payable in that currency.

### *We Will Not Adjust Non-U.S. Dollar Securities to Compensate for Changes in Currency Exchange Rates*

Except as described above, we will not make any adjustment or change in the terms of a debt security payable in a currency other than U.S. dollars in the event of any change in exchange rates for that currency, whether in the event of any devaluation, revaluation, or imposition of exchange or other regulatory controls or taxes or in the event of other developments affecting that currency, the U.S. dollar, or any other currency. Consequently, investors in non-U.S. dollar debt securities will bear the risk that their investment may be adversely affected by these types of events.

### *In a Lawsuit for Payment on a Non-U.S. Dollar Security, an Investor May Bear Currency Exchange Risk*

Our debt securities will be governed by New York law. Under Section 27 of the New York Judiciary Law, a state court in New York rendering a judgment on a security denominated in a currency other than U.S. dollars would be required to render the judgment in the specified currency; however, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on a security denominated in a currency other than U.S. dollars, investors would bear currency exchange risk until judgment is entered, which could be a long time.

In courts outside of New York, investors may not be able to obtain judgment in a specified currency other than U.S. dollars. For example, a judgment for money in an action based on a non-U.S. dollar security in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of the currency in which any particular security is denominated into U.S. dollars will depend upon various factors, including which court renders the judgment.

### *Information About Exchange Rates May Not Be Indicative of Future Performance*

If we issue a debt security denominated in a specified currency other than U.S. dollars, we may include in the applicable prospectus supplement a currency supplement that provides information about historical exchange rates for the specified currency. Any information about exchange rates that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future. That rate will likely differ from the exchange rate used under the terms that apply to a particular debt security.

## **LEGAL OWNERSHIP AND BOOK-ENTRY ISSUANCE**

In this section, we describe special considerations that will apply to registered debt securities issued in book-entry form. First we describe the difference between legal ownership and indirect ownership of registered securities. Then we describe special provisions that apply to global securities.

**Who is the Legal Owner of a Registered Security?**

Each debt security in registered form will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of securities. We refer to those who have debt securities registered in their own names on the books that we or the trustee maintain for this purpose as the holders of those securities. These persons are the legal holders of the debt securities. We refer to

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those who indirectly through others own beneficial interests in debt securities that are not registered in their own names as indirect owners of those securities. As we discuss below, indirect owners are not legal holders, and investors in securities issued in book-entry form or in street name will be indirect owners.

### *Book-Entry Owners*

We will issue each debt security in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. This means debt securities will be represented by one or more global securities registered in the name of a financial institution that holds them as depositary on behalf of other financial institutions that participate in the depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the debt securities on behalf of themselves or their customers.

Under the indenture, only the person in whose name a debt security is registered is recognized as the holder of that security. Consequently, for debt securities issued in global form, we will recognize only the depositary as the holder of the securities and we will make all payments on the debt securities, including deliveries of any property other than cash, to the depositary. The depositary passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the debt securities.

As a result, investors will not own debt securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker, or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the debt securities are issued in global form, investors will be indirect owners, and not holders, of the securities.

### *Street Name Owners*

In the future we may terminate a global security or issue debt securities initially in non-global form. In these cases, investors may choose to hold their debt securities in their own names or in street name. Securities held by an investor in street name would be registered in the name of a bank, broker, or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For debt securities held in street name, we will recognize only the intermediary banks, brokers, and other financial institutions in whose names the debt securities are registered as the holders of those securities and we will make all payments on those securities, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold debt securities in street name will be indirect owners, not holders, of those securities.

### *Legal Holders*

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Our payment and notice obligations, as well as the obligations of the trustee and any other third parties employed by us or the trustee, run only to the holders of the debt securities. We do not have payment and notice obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a debt security or has no choice because we are issuing the securities only in global form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depository participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose, we would seek the approval only from the holders, and not the indirect owners, of the relevant debt securities. Examples of purposes for seeking approval of holders of debt securities are: amending the indenture for a series of debt securities or relieving us of the consequences of a default, or relieving

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us of our obligation to comply with a particular provision of the indenture. Whether and how the holders contact the indirect owners is up to the holders.

When we refer to *you* in this prospectus, we mean those who invest in the debt securities being offered by this prospectus, whether they are the holders or only indirect owners of those securities. When we refer to *your securities* in this prospectus, we mean the debt securities in which you will hold a direct or indirect interest.

### *Special Considerations for Indirect Owners*

If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

how it handles securities payments and notices;

whether it imposes fees or charges;

how it would handle a request for the holders' consent, if ever required;

whether and how you can instruct it to send you debt securities registered in your own name so you can be a holder, if that is permitted in the future;

how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests; and

if the debt securities are in book-entry form, how the depository's rules and procedures will affect these matters.

### **What Is a Global Security?**

We will issue each debt security in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. Each debt security issued in book-entry form will be represented by a global security that we deposit with and register in the name of one or more financial institutions or their nominees, which we select. A financial institution that we select for any security for this purpose is called the *depository* for that security. A security will usually have only one depository but it may have more.

Each series of debt securities will have one or more of the following as the depositories:

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The Depository Trust Company, New York, New York, which is known as DTC;

a financial institution holding the debt securities on behalf of Morgan Guaranty Trust Company of New York, acting out of its Brussels, Belgium, office, as operator of the Euroclear system, which is known as Euroclear;

a financial institution holding the securities on behalf of Clearstream Banking, societe anonyme, Luxembourg, which is known as Clearstream, Luxembourg; and

any other clearing system or financial institution named in the applicable prospectus supplement.

The depositories named above may also be participants in one another's systems. Thus, for example, if DTC is the depository for a global security, investors may hold beneficial interests in that security through Euroclear or Clearstream, Luxembourg, as DTC participants. The depository or depositories for your securities will be named in the applicable prospectus supplement; if none is named, the depository will be DTC.

A global security may represent one or any other number of individual securities. Generally, all securities represented by the same global security will have the same terms. We may, however, issue a global security that represents multiple securities of the same kind, such as debt securities, that have different terms and are issued at different times. We call this kind of global security a master global security. The prospectus supplement applicable to your debt security will not indicate whether your debt securities are represented by a master global security.



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A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under *Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated*. As a result of these arrangements, the depositary or its nominee will be the sole registered owner and holder of all securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank, or other financial institution that in turn has an account with the depositary or with another institution that does. Thus, an investor whose debt security is represented by a global security will not be a holder of the debt security, but only an indirect owner of a beneficial interest in the global security.

If the prospectus supplement for a particular debt security indicates that the security will be issued in global form only, then the security will be represented by a global security at all times unless and until the global security is terminated. We describe the situations in which this can occur below under *Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated*. If termination occurs, we may issue the debt securities through another book-entry clearing system or decide that the debt securities may no longer be held through any book-entry clearing system.

### *Special Considerations for Global Securities*

As an indirect owner, an investor's rights relating to a global security will be governed by the account rules of the depositary (e.g., Euroclear and Clearstream, Luxembourg, if applicable), those of the investor's financial institution, and general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of debt securities and instead deal only with the depositary that holds the global security.

If debt securities are issued only in the form of a global security, an investor should be aware of the following:

An investor cannot cause the debt securities to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the debt securities, except in the special situations we describe below;

An investor will be an indirect holder and must look to his or her own bank or broker for payments on the debt securities and protection of his or her legal rights relating to the debt securities, as we describe under *Legal Ownership and Book-Entry Issuance* above;

An investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form;

An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;

The depositary's policies and those of any participant in the depositary's system or other intermediary (e.g., Euroclear or Clearstream, Luxembourg if DTC is the depositary) through which that institution holds security interests, which may change from time to time, will govern payments, transfers, exchanges, and other matters relating to an investor's interest in a global security. Neither we, nor the trustee, will have any responsibility for any aspect of the depositary's policies or actions or records of ownership interests in a global

security. Neither we, nor the trustee, supervise the depositary in any way;

The depositary will require that those who purchase and sell interests in a global security within its book-entry system use immediately available funds and your broker or bank may require you to do so as well; and

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Financial institutions that participate in the depositary's book-entry system and through which an investor holds its interest in the global securities (including Euroclear and Clearstream, Luxembourg, if you hold through them when the depositary is DTC) may also have their own policies affecting payments, notices, and other matters relating to the debt securities. For example, if you hold an interest in a global security through Euroclear or Clearstream, Luxembourg, when DTC is the depositary, Euroclear or Clearstream, Luxembourg, as applicable, will require those who purchase and sell interests in that security through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions of any of those intermediaries.

### *Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated*

If we issue any series of debt securities in book-entry form but we choose to give the beneficial owners of that series the right to obtain non-global securities, any beneficial owner entitled to obtain non-global securities may do so by following the applicable procedures of the depositary, any transfer agent, or registrar for that series and that owner's bank, broker, or other financial institution through which that owner holds its beneficial interest in the debt securities.

In addition, in a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-global form representing the debt securities it represented. After that exchange, the choice of whether to hold the debt securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of holders and street name investors above under [Who is the Legal Owner of a Registered Security?](#)

The special situations for termination of a global security are as follows:

if the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary for that global security and we do not appoint another institution to act as depositary within 60 days;

if we notify the trustee that we wish to terminate that global security; or

if an event of default has occurred with regard to the debt securities and has not been cured or waived.

If a global security is terminated, only the depositary, and neither we nor the trustee, is responsible for deciding the names of the institutions in whose names the debt securities represented by the global security will be registered and, therefore, who will be the holders of those securities.

### *Considerations Relating to Euroclear and Clearstream, Luxembourg*

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Euroclear and Clearstream, Luxembourg are securities clearance systems in Europe. Both systems clear and settle securities transactions between their participants through electronic, book-entry delivery of securities against payment.

Euroclear and Clearstream, Luxembourg may be depositaries for a global security. In addition, if DTC is the depositary for a global security, Euroclear and Clearstream, Luxembourg may hold interests in the global security as participants in DTC.

As long as any global security is held by Euroclear or Clearstream, Luxembourg, you may hold an interest in the global security only through an organization that participates, directly or indirectly, in Euroclear or

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Clearstream, Luxembourg. If Euroclear or Clearstream, Luxembourg is the depositary for a global security and there is no depositary in the United States, you will not be able to hold interests in that global security through any securities clearance system in the United States.

Payments, notices, and other communications or deliveries relating to the securities made through Euroclear or Clearstream, Luxembourg must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, Luxembourg, on one hand, and participants in DTC, on the other hand, when DTC is the depositary, would also be subject to DTC's rules and procedures.

*Special Timing Considerations for Transactions in Euroclear and Clearstream, Luxembourg*

Investors will be able to make and receive through Euroclear and Clearstream, Luxembourg payments, notices, and other communications and deliveries involving any debt securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers, and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the debt securities through these systems, and wish to transfer their interests, or to receive or make a payment or delivery with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Investors who hold their interests through both DTC and Euroclear or Clearstream, Luxembourg may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

**CONSIDERATIONS RELATING TO DEBT SECURITIES ISSUED IN BEARER FORM**

Our indenture contemplates that we may issue debt securities in bearer form. If we issue debt securities in bearer, rather than registered form, those debt securities will be subject to special provisions described in the prospectus supplement applicable to those debt securities.

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**UNITED STATES TAXATION**

This section describes the material United States federal income tax consequences of owning the debt securities we are offering. It is the opinion of Sullivan & Cromwell LLP, special tax counsel to Universal Corporation. It applies to you only if you acquire debt securities in the offering or offerings contemplated by this prospectus and you hold your debt securities as capital assets for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

a partnership or other pass-through entity,

a dealer in securities or currencies,

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,

a bank,

a life insurance company,

a tax-exempt organization,

a person that owns debt securities that are a hedge or that are hedged against interest rate or currency risks,

a person that owns debt securities as part of a straddle or conversion transaction for tax purposes, or

a person whose functional currency for tax purposes is not the U.S. dollar.

This section deals only with debt securities that are due to mature 30 years or less from the date on which they are issued. The United States federal income tax consequences of owning debt securities that are due to mature more than 30 years from their date of issue will be discussed in an applicable prospectus supplement. This section deals only with debt securities other than bearer debt securities. The United States federal income tax consequences of owning bearer debt will be discussed in an applicable prospectus supplement. This section is based on the Internal Revenue Code of 1986, as amended, (the Code), its legislative history, existing and proposed regulations under the Code, published rulings, and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

*Please consult your own tax advisor concerning the consequences of owning these debt securities in your particular circumstances under the Code and the laws of any other taxing jurisdiction.*

**United States Holders**

This subsection describes the tax consequences to a United States holder. You are a United States holder if you are a beneficial owner of a debt security and you are:

a citizen or resident of the United States,

a domestic corporation,

an estate whose income is subject to United States federal income tax regardless of its source, or

a trust if (1) a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust or (2) it has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If you are not a United States holder, this section does not apply to you and you should refer to **United States Alien Holders** below.

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Except as described below in the case of interest on a discount debt security that is not qualified stated interest, you will be taxed on any interest on your debt security, whether payable in U.S. dollars or a foreign currency, including a composite currency or basket of currencies other than U.S. dollars, as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes. The terms discount debt security and qualified stated interest are defined below under *Original Issue Discount* *General*.

*Cash Basis Taxpayers.* If you are a taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and you receive an interest payment that is denominated in, or determined by reference to, a foreign currency, you must recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

*Accrual Basis Taxpayers.* If you are a taxpayer that uses an accrual method of accounting for tax purposes, you may determine the amount of income that you recognize with respect to an interest payment denominated in, or determined by reference to, a foreign currency by using one of two methods. Under the first method, you will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

If you elect the second method, you would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if you receive a payment of interest within five business days of the last day of your accrual period or taxable year, you may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that you actually receive the interest payment. If you elect the second method it will apply to all debt instruments that you hold at the beginning of the first taxable year to which the election applies and to all debt instruments that you subsequently acquire. You may not revoke this election without the consent of the Internal Revenue Service.

When you actually receive an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of your debt security, denominated in, or determined by reference to, a foreign currency for which you accrued an amount of income, you will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that you used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

*Original Issue Discount*

*General.* If you own a debt security, other than a short-term debt security with a term of one year or less, it will be treated as a discount debt security issued at an original issue discount if the amount by which the debt security's stated redemption price at maturity exceeds its issue price is more than a de minimis amount. Generally, a debt security's issue price will be the first price at which a substantial amount of debt securities included in the issue of which the debt security is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A debt security's stated redemption price at maturity is the total of all payments provided by the debt security that are not payments of qualified stated interest. Generally, an interest payment on a debt security is qualified stated interest if it is one of a series of stated interest payments on a debt security that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the debt



security. There are special rules for variable rate debt securities that are discussed under Variable Rate Debt Securities.

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In general, your debt security is not a discount debt security if the amount by which its stated redemption price at maturity exceeds its issue price is less than the de minimis amount of 1/4 of 1 percent of its stated redemption price at maturity multiplied by the number of complete years to its maturity. Your debt security will have de minimis original issue discount if the amount of the excess is less than the de minimis amount. If your debt security has de minimis original issue discount, you must include the de minimis amount in income as stated principal payments are made on the debt security, unless you make the election described below under Election to Treat All Interest as Original Issue Discount. You can determine the includible amount with respect to each such payment by multiplying the total amount of your debt security's de minimis original issue discount by a fraction equal to:

the amount of the principal payment made divided by:

the stated principal amount of the debt security.

Generally, if your discount debt security matures more than one year from its date of issue, you must include original issue discount in income before you receive cash attributable to that income. The amount of OID that you must include in income is calculated using a constant-yield method, and generally you will include increasingly greater amounts of OID in income over the life of your debt security. More specifically, you can calculate the amount of OID that you must include in income by adding the daily portions of OID with respect to your discount debt security for each day during the taxable year or portion of the taxable year that you hold your discount debt security. You can determine the daily portion by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. You may select an accrual period of any length with respect to your discount debt security and you may vary the length of each accrual period over the term of your discount debt security. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount debt security must occur on either the first or final day of an accrual period.

You can determine the amount of OID allocable to an accrual period by:

multiplying your discount debt security's adjusted issue price at the beginning of the accrual period by your debt security's yield to maturity, and then

subtracting from this figure the sum of the payments of qualified stated interest on your debt security allocable to the accrual period.

You must determine the discount debt security's yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, you determine your discount debt security's adjusted issue price at the beginning of any accrual period by:

adding your discount debt security's issue price and any accrued OID for each prior accrual period, and then

subtracting any payments previously made on your discount debt security that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on your discount debt security contains more than one accrual period, then, when you determine the amount of OID allocable to an accrual period, you must allocate the amount of qualified stated interest payable at the end of the

interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, you must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. You may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

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The amount of OID allocable to the final accrual period is equal to the difference between:

the amount payable at the maturity of your debt security, other than any payment of qualified stated interest, and

your debt security's adjusted issue price as of the beginning of the final accrual period.

*Acquisition Premium.* If you purchase your debt security for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on your debt security after the purchase date but is greater than the amount of your debt security's adjusted issue price, as determined above under *General*, the excess is acquisition premium. If you do not make the election described below under *Election to Treat All Interest as Original Issue Discount*, then you must reduce the daily portions of OID by an amount equal to:

the excess of your adjusted basis in the debt security immediately after purchase over the adjusted issue price of the debt security divided by:

the excess of the sum of all amounts payable, other than qualified stated interest, on the debt security after the purchase date over the debt security's adjusted issue price.

*Pre-Issuance Accrued Interest.* An election may be made to decrease the issue price of your debt security by the amount of pre-issuance accrued interest if:

a portion of the initial purchase price of your debt security is attributable to pre-issuance accrued interest,

the first stated interest payment on your debt security is to be made within one year of your debt security's issue date, and

the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on your debt security.

*Debt Securities Subject to Contingencies Including Optional Redemption.* Your debt security is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, you must determine the yield and maturity of your debt security by assuming that the payments will be made according to the payment schedule most likely to occur if:

the timing and amounts of the payments that comprise each payment schedule are known as of the issue date and

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one of such schedules is significantly more likely than not to occur. If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, you must include income on your debt security in accordance with the general rules that govern contingent payment obligations. These rules will be discussed in the applicable prospectus supplement.

Notwithstanding the general rules for determining yield and maturity, if your debt security is subject to contingencies, and either you or we have an unconditional option or options that, if exercised, would require payments to be made on the debt security under an alternative payment schedule or schedules, then:

in the case of an option or options that we may exercise, we will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on your debt security and

in the case of an option or options that you may exercise, you will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on your debt security.

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If both you and we hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. You may determine the yield on your debt security for the purposes of those calculations by using any date on which your debt security may be redeemed or repurchased as the maturity date and the amount payable on the date that you chose in accordance with the terms of your debt security as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of your debt security is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, you must redetermine the yield and maturity of your debt security by treating your debt security as having been retired and reissued on the date of the change in circumstances for an amount equal to your debt security's adjusted issue price on that date.

*Election to Treat All Interest as Original Issue Discount.* You may elect to include in gross income all interest that accrues on your debt security using the constant-yield method described above under *General*, with the modifications described below. For purposes of this election, interest will include stated interest, OID, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium, described below under *Debt Securities Purchased at a Premium*, or acquisition premium.

If you make this election for your debt security, then, when you apply the constant-yield method:

the issue price of your debt security will equal your cost,

the issue date of your debt security will be the date you acquired it, and

no payments on your debt security will be treated as payments of qualified stated interest.

Generally, this election will apply only to the debt security for which you make it; however, if the debt security has amortizable bond premium, you will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that you hold as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if you make this election for a market discount debt security, you will be treated as having made the election discussed below under *Market Discount* to include market discount in income currently over the life of all debt instruments that you currently own or later acquire. You may not revoke any election to apply the constant-yield method to all interest on a debt security or the deemed elections with respect to amortizable bond premium or market discount debt securities without the consent of the Internal Revenue Service.

### *Variable Rate Debt Securities*

Your debt security will be a variable rate debt security if:

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your debt security's issue price does not exceed the total noncontingent principal payments by more than the lesser of:

1. .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date, or
2. 15 percent of the total noncontingent principal payments; and

your debt security provides for stated interest, compounded or paid at least annually, only at:

1. one or more qualified floating rates,
2. a single fixed rate and one or more qualified floating rates,

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3. a single objective rate, or
4. a single fixed rate and a single objective rate that is a qualified inverse floating rate.

Your debt security will have a variable rate that is a qualified floating rate if:

variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which your debt security is denominated; or

the rate is equal to such a rate multiplied by either:

1. a fixed multiple that is greater than 0.65 but not more than 1.35 or
2. a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and

the value of the rate on any date during the term of your debt security is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If your debt security provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the debt security, the qualified floating rates together constitute a single qualified floating rate.

Your debt security will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the debt security or are not reasonably expected to significantly affect the yield on the debt security.

Your debt security will have a variable rate that is a single objective rate if:

the rate is not a qualified floating rate,

the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party, and

the value of the rate on any date during the term of your debt security is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.



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Your debt security will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of your debt security's term will be either significantly less than or significantly greater than the average value of the rate during the final half of your debt security's term.

An objective rate as described above is a qualified inverse floating rate if:

the rate is equal to a fixed rate minus a qualified floating rate and

the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

Your debt security will also have a single qualified floating rate or an objective rate if interest on your debt security is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

the fixed rate and the qualified floating rate or objective rate have values on the issue date of the debt security that do not differ by more than 0.25 percentage points or

the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

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In general, if your variable rate debt security provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on your debt security is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for your debt security.

If your variable rate debt security does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, you generally must determine the interest and OID accruals on your debt security by:

determining a fixed rate substitute for each variable rate provided under your variable rate debt security,

constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,

determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and

adjusting for actual variable rates during the applicable accrual period.

When you determine the fixed rate substitute for each variable rate provided under the variable rate debt security, you generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on your debt security.

If your variable rate debt security provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, you generally must determine interest and OID accruals by using the method described in the previous paragraph. However, your variable rate debt security will be treated, for purposes of the first three steps of the determination, as if your debt security had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of your variable rate debt security as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

### *Short-Term Debt Securities*

In general, if you are an individual or other cash basis United States holder of a short-term debt security, you are not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless you elect to do so. However, you may be required to include any stated interest in income as you receive it. If you are an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, you will be required to accrue OID on short-term debt securities on either a straight-line basis or under the constant-yield method, based on daily compounding. If you are not required and do not elect to include OID in income currently, any gain you realize on the sale or retirement of your short-term debt security will be ordinary income to the extent of the accrued OID, which will be determined on a

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straight-line basis unless you make an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if you are not required and do not elect to accrue OID on your short-term debt securities, you will be required to defer deductions for interest on borrowings allocable to your short-term debt securities in an amount not exceeding the deferred income until the deferred income is realized.

When you determine the amount of OID subject to these rules, you must include all interest payments on your short-term debt security, including stated interest, in your short-term debt security's stated redemption price at maturity.

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*Foreign Currency Discount Debt Securities*

If your discount debt security is denominated in, or determined by reference to, a foreign currency, you must determine OID for any accrual period on your discount debt security in the foreign currency and then translate the amount of OID into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States holder, as described under **United States Holders** **Payments of Interest**. You may recognize ordinary income or loss when you receive an amount attributable to OID in connection with a payment of interest or the sale or retirement of your debt security.

*Market Discount.* You will be treated as if you purchased your debt security, other than a short-term debt security, at a market discount, and your debt security will be a market discount debt security if:

you purchase your debt security for less than its issue price as determined above under **General** and

the difference between the debt security's stated redemption price at maturity or, in the case of a discount debt security, the debt security's revised issue price, and the price you paid for your debt security is equal to or greater than  $\frac{1}{4}$  of 1 percent of your debt security's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the debt security's maturity. To determine the revised issue price of your debt security for these purposes, you generally add any OID that has accrued on your debt security to its issue price.

If your debt security's stated redemption price at maturity or, in the case of a discount debt security, its revised issue price, does not exceed the price you paid for the debt security by  $\frac{1}{4}$  of 1 percent multiplied by the number of complete years to the debt security's maturity, the excess constitutes de minimis market discount, and the rules discussed below are not applicable to you.

You must treat any gain you recognize on the maturity or disposition of your market discount debt security as ordinary income to the extent of the accrued market discount on your debt security. Alternatively, you may elect to include market discount in income currently over the life of your debt security. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke this election without the consent of the Internal Revenue Service. If you own a market discount debt security and do not make this election, you will generally be required to defer deductions for interest on borrowings allocable to your debt security in an amount not exceeding the accrued market discount on your debt security until the maturity or disposition of your debt security.

You will accrue market discount on your market discount debt security on a straight-line basis unless you elect to accrue market discount using a constant-yield method. If you make this election, it will apply only to the debt security with respect to which it is made and you may not revoke it.

*Debt Securities Purchased at a Premium*

If you purchase your debt security for an amount in excess of its principal amount, you may elect to treat the excess as amortizable bond premium. If you make this election, you will reduce the amount required to be included in your income each year with respect to interest on your debt security by the amount of amortizable bond premium allocable to that year, based on your debt security's yield to maturity. If your debt security is denominated in, or determined by reference to, a foreign currency, you will compute your amortizable bond premium in units of the foreign currency and your amortizable bond premium will reduce your interest income in units of the foreign currency. Gain or loss recognized that is attributable to changes in exchange rates between the time your amortized bond premium offsets interest income and the time of the acquisition of your debt security is generally taxable as ordinary income or loss. If you make an election to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that you hold at the beginning of the first taxable year to which the election applies or that you thereafter acquire, and you may not revoke it without the consent of the Internal Revenue Service. See also Original Issue Discount Election to Treat All Interest as Original Issue Discount.

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*Purchase, Sale and Retirement of the Debt Securities*

Your tax basis in your debt security will generally be the U.S. dollar cost, as defined below, of your debt security, adjusted by:

adding any OID or market discount, de minimis original issue discount, and de minimis market discount previously included in income with respect to your debt security, and then

subtracting any payments on your debt security that are not qualified stated interest payments and any amortizable bond premium applied to reduce interest on your debt security.

If you purchase your debt security with foreign currency, the U.S. dollar cost of your debt security will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer, or an accrual basis taxpayer if you so elect, and your debt security is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of your debt security will be the U.S. dollar value of the purchase price on the settlement date of your purchase.

You will generally recognize gain or loss on the sale or retirement of your debt security equal to the difference between the amount you realize on the sale or retirement and your tax basis in your debt security. If your debt security is sold or retired for an amount in foreign currency, the amount you realize will be the U.S. dollar value of such amount on:

the date payment is received, if you are a cash basis taxpayer and the debt securities are not traded on an established securities market, as defined in the applicable Treasury regulations,

the date of disposition, if you are an accrual basis taxpayer, or

the settlement date for the sale, if you are a cash basis taxpayer, or an accrual basis taxpayer that so elects, and the debt securities are traded on an established securities market, as defined in the applicable Treasury regulations.

You will recognize capital gain or loss when you sell or retire your debt security, except to the extent:

described above under Original Issue Discount Short-Term Debt Securities or Market Discount,

attributable to accrued but unpaid interest,

the rules governing contingent payment obligations apply, or

attributable to changes in exchange rates as described below.

Capital gain of a noncorporate United States holder is generally taxed at a maximum rate of 20% where the property is held more than one year and 18% where the property is held for more than five years.

You must treat any portion of the gain or loss that you recognize on the sale or retirement of a debt security as ordinary income or loss to the extent attributable to changes in exchange rates. However, you take exchange gain or loss into account only to the extent of the total gain or loss you realize on the transaction.

*Exchange of Amounts in Other Than U.S. Dollars*

If you receive foreign currency as interest on your debt security or on the sale or retirement of your debt security, your tax basis in the foreign currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If you purchase foreign currency, you generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of your purchase. If you sell or dispose of a foreign currency, including if you use it to purchase debt securities or exchange it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

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### *Indexed and Other Debt Securities*

The applicable prospectus supplement will discuss any special United States federal income tax rules with respect to debt securities the payments on which are determined by reference to any index and other debt securities that are subject to the rules governing contingent payment obligations which are not subject to the rules governing variable rate debt securities.

### **United States Alien Holders**

This subsection describes the tax consequences to a United States alien holder. You are a United States alien holder if you are the beneficial owner of a debt security and are, for United States federal income tax purposes:

a nonresident alien individual,

a foreign corporation, or

an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a debt security.

If you are a United States holder, this section does not apply to you.

This discussion assumes that the debt security is not subject to the rules of Section 871(h)(4)(A) of the Internal Revenue Code, relating to interest payments that are determined by reference to the income, profits, changes in the value of property, or other attributes of the debtor or a related party.

Under present United States federal income and estate tax law, and subject to the discussion of backup withholding below, if you are a United States alien holder of a debt security:

we and other payors will not be required to deduct United States withholding tax from payments of principal, premium, if any, and interest, including OID, to you if, in the case of interest:

1. you do not actually or constructively own 10% or more of the total combined voting power of all classes of stock of Universal Corporation entitled to vote,
2. you are not a controlled foreign corporation that is related to Universal Corporation through stock ownership,



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3. the U.S. payor does not have actual knowledge or reason to know that you are a United States person and:
  - a. you have furnished to the U.S. payor an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person,
  - b. in the case of payments made outside the United States to you at an offshore account (generally, an account maintained by you at a bank or other financial institution at any location outside the United States), you have furnished to the U.S. payor documentation that establishes your identity and your status as a non-United States person,
  - c. the U.S. payor has received a withholding certificate (furnished on an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form) from a person claiming to be:
    - i. a withholding foreign partnership (generally a foreign partnership that has entered into an agreement with the Internal Revenue Service to assume primary withholding responsibility with respect to distributions and guaranteed payments it makes to its partners),

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- ii. a qualified intermediary (generally a non-United States financial institution or clearing organization or a non-United States branch or office of a United States financial institution or clearing organization that is a party to a withholding agreement with the Internal Revenue Service), or
- iii. a U.S. branch of a non-United States bank or of a non-United States insurance company,

and the withholding foreign partnership, qualified intermediary or U.S. branch has received documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations (or, in the case of a qualified intermediary, in accordance with its agreement with the Internal Revenue Service),

- d. the U.S. payor receives a statement from a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business,
  - i. certifying to the U.S. payor under penalties of perjury that an Internal Revenue Service Form W-8BEN or an acceptable substitute form has been received from you by it or by a similar financial institution between it and you, and
  - ii. to which is attached a copy of the Internal Revenue Service Form W-8BEN or acceptable substitute form, or
- e. the U.S. payor otherwise possesses documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations,

no deduction for any United States federal withholding tax will be made from any gain that you realize on the sale or exchange of your debt security.

Further, a debt security held by an individual who at death is not a citizen or resident of the United States will not be includible in the individual's gross estate for United States federal estate tax purposes if:

the decedent did not actually or constructively own 10% or more of the total combined voting power of all classes of stock of Universal Corporation entitled to vote at the time of death and

the income on the debt security would not have been effectively connected with a United States trade or business of the decedent at the same time.

**Backup Withholding and Information Reporting**

*United States Holders*

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In general, if you are a noncorporate United States holder, we and other payors are required to report to the Internal Revenue Service all payments of principal, any premium, and interest on your debt security, and the accrual of OID on a discount debt security. In addition, the proceeds of the sale of your debt security before maturity within the United States will be reported to the Internal Revenue Service. Additionally, backup withholding will apply to any payments, including payments of OID, if you fail to provide an accurate taxpayer identification number, or you are notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

### *United States Alien Holders*

In general, if you are a United States alien holder, payments of principal, premium, or interest, including OID, made by us and other payors to you will not be subject to backup withholding and information reporting, provided that the certification requirements described above under **United States Alien Holders** are satisfied or you otherwise establish an exemption. However, we and other payors are required to report payments of interest on your notes on Internal Revenue Service Form 1042-S even if the payments are not otherwise subject

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to information reporting requirements. In addition, payment of the proceeds from the sale of notes effected at a United States office of a broker will not be subject to backup withholding and information reporting provided that:

the broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the broker:

1. an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form upon which you certify, under penalties of perjury, that you are not a United States person, or
2. other documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations, or

you otherwise establish an exemption.

If you fail to establish an exemption and the broker does not possess adequate documentation of your status as a non-United States person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made to an offshore account maintained by you unless the broker has actual knowledge that you are a United States person.

In general, payment of the proceeds from the sale of notes effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

the proceeds are transferred to an account maintained by you in the United States,

the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or

the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of notes effected at a United States office of a broker) are met or you otherwise establish an exemption.

In addition, payment of the proceeds from the sale of notes effected at a foreign office of a broker will be subject to information reporting if the broker is:

a United States person,

a controlled foreign corporation for United States tax purposes,

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a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or

a foreign partnership, if at any time during its tax year:

1. one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or
2. such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of debt securities effected at a United States office of a broker) are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

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**PLAN OF DISTRIBUTION**

**Initial Offering and Sale of Debt Securities**

We may sell the debt securities from time to time in their initial offering as follows:

through agents,

to dealers or underwriters,

directly to purchasers, or

through a combination of any of the above methods of sale.

The debt securities we distribute by any of these methods may be sold to the public, in one or more transactions, either:

at a fixed price or prices, which may be changed,

at market prices prevailing at the time of sale,

at prices related to prevailing market prices, or

at negotiated prices.

We may solicit offers to purchase debt securities directly from the public from time to time. We may also designate agents from time to time to solicit offers to purchase securities from the public on our behalf. The prospectus supplement relating to any particular offering of debt securities will name any agents designated to solicit offers, and will include information about any commissions we may pay the agents, in that offering. Agents may be deemed to be underwriters as that term is defined in the Securities Act of 1933.

From time to time, we may sell debt securities to one or more dealers as principals. The dealers, who may be deemed to be underwriters as that term is defined in the Securities Act, may then resell those securities to the public.

We may sell debt securities from time to time to one or more underwriters, who would purchase the securities as principals for resale to the public, either on a firm-commitment or best-efforts basis. If we sell debt securities to underwriters, we will execute an underwriting agreement

with them at the time of sale and will name them in the applicable prospectus supplement. In connection with those sales, underwriters may be deemed to have received compensation from us in the form of underwriting discounts or commissions and may also receive commissions from purchasers of the securities for whom they may act as agents. Underwriters may resell the securities to or through dealers, and those dealers may receive compensation in the form of discounts, concessions, or commissions from the underwriters and/or commissions from purchasers for whom they may act as agents. The applicable prospectus supplement will include information about any underwriting compensation we pay to underwriters, and any discounts, concessions, or commissions underwriters allow to participating dealers, in connection with an offering of debt securities.

We may authorize underwriters, dealers, and agents to solicit from third parties offers to purchase debt securities under contracts providing for payment and delivery on future dates. The third parties with whom we may enter into contracts of this kind may include banks, insurance companies, pension funds, investment companies, educational and charitable institutions, and others. The applicable prospectus supplement will describe the material terms of these contracts, including any conditions to the purchasers' obligations and will include information about any commissions we may pay for soliciting these contracts.

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Underwriters, dealers, agents, and other persons may be entitled, under agreements that they may enter into with us, to indemnification by us against civil liabilities, including liabilities under the Securities Act.

In connection with an offering, the underwriters may purchase and sell securities in the open market. These transactions may include short sales, stabilizing transactions, and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of securities than they are required to purchase in an offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the securities while an offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it. This repayment would be made if the underwriters have repurchased securities sold by or for the account of that underwriter in stabilizing or short-covering transactions.

The underwriters, dealers, and agents, as well as their associates, may be customers of or lenders to, and may engage in transactions with and perform services for us.

From time to time, we may list the debt securities on the Luxembourg Stock Exchange or any other securities exchange. The applicable prospectus supplement will describe any specific term of your debt security.



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**VALIDITY OF THE SECURITIES**

The validity of the securities offered by this prospectus will be passed upon for us by Sullivan & Cromwell LLP, Washington, D.C. The opinion of Sullivan & Cromwell LLP will be based on certain assumptions about future actions required to be taken by us and the trustee in connection with the issuance and sale of each security, about the specific terms of each security and about other matters that may affect the validity of the securities but which could not be ascertained on the date of that opinion.

In connection with particular offerings of the securities in the future, the validity of those securities may be passed upon for us by Sullivan & Cromwell LLP or other counsel named in the applicable prospectus supplement. Certain legal matters will be passed upon for the underwriters by Cahill Gordon & Reindel, New York, New York or other counsel named in the applicable prospectus supplement. Sullivan & Cromwell LLP and Cahill Gordon & Reindel will, and such other counsel may, rely as to matters governed by Virginia law on the opinion of George C. Freeman, III, Esq., our General Counsel and Secretary or other Virginia counsel to us.

**EXPERTS**

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements included in our Annual Report on Form 10-K for the year ended June 30, 2002, as set forth in their report, which is incorporated by reference in this prospectus and elsewhere in the registration statement. Our financial statements are incorporated by reference in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

**CAUTIONARY STATEMENT PURSUANT TO**

**THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

We have included or incorporated by reference in this prospectus statements that may constitute forward-looking statements within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside of our control. It is possible that our actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements.

Information regarding important factors that could cause actual results to differ, perhaps materially, from those in our forward-looking statements is contained under the caption "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors That May Affect Future Results" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2002, which is incorporated in this prospectus by reference. See "Where You Can Find More Information" above for information about how to obtain a copy of this annual report.

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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**\$400,000,000**

**Universal Corporation**

**Debt Securities**

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**Table of Contents****PART II****INFORMATION NOT REQUIRED IN A PROSPECTUS****Item 14. *Other Expenses of Issuance and Distribution.***

The following is a statement of the expenses (all of which are estimated, other than the SEC registration fee) to be incurred by the Registrant in connection with the distribution of the securities registered under this registration statement:

	<b>Amount To Be Paid</b>
SEC registration fee	\$ 36,800
Legal fees and expenses	\$ 200,000
Fees and expenses of qualification under state securities laws (including legal fees)	\$ 5,000
Accounting fees and expenses	\$ 50,000
Printing fees	\$ 10,000
Rating agency fees	\$ 284,000
Trustee's fees and expenses	\$ 25,000
Miscellaneous	\$ 6,400
<b>Total</b>	<b>\$ 617,200</b>

**Item 15. *Indemnification of Directors and Officers.***

Article 10 of the Virginia Stock Corporation Act allows, in general, for indemnification, in certain circumstances, by a corporation of any person threatened with or made a party to any action, suit, or proceeding by reason of the fact that he or she is, or was, a director, officer, employee, or agent of such corporation. Indemnification is also authorized with respect to a criminal action or proceeding where the person had no reasonable cause to believe that his conduct was unlawful. Article 9 of the Virginia Stock Corporation Act provides limitations on damages payable by officers and directors, except in cases of willful misconduct or knowing violation of criminal law or any federal or state securities law.

Article VIII of the Company's Restated Articles of Incorporation provides for mandatory indemnification of any director or officer of the Company who is or was a party to any proceeding by reason of the fact that he is or was a director or officer of the Company against all liabilities and expenses incurred in the proceeding, except such liabilities and expenses as are incurred because of such director's or officer's willful misconduct or knowing violation of the criminal law.

The Company's Restated Articles of Incorporation also provide that in every instance permitted under Virginia corporate law in effect from time to time, the liability of a director or officer of the Company to the Company or its shareholders shall not exceed one dollar.

The Company maintains a standard policy of officers and directors liability insurance.

In the Underwriting Agreement, a form of which is filed as Exhibit 1 hereto, the Underwriters and Agents will agree to indemnify, under certain conditions, the Company, its directors, certain of its officers, and persons who control the Company within the meaning of the Securities Act of 1933 against certain liabilities.

**Item 16. Exhibits and Financial Statement Schedules.**

(a) *Exhibits:*

A list of the exhibits included as part of this Registration Statement is set forth in the Exhibit Index that immediately precedes such exhibits and is incorporated herein by reference.

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(b) *Financial Statement Schedules:*

All schedules have been omitted because they are not applicable or not required or the required information is included in the financial statements or notes thereto that are incorporated by reference into this Registration Statement.

**Item 17. *Undertakings.***

The undersigned Registrant hereby undertakes:

(a)(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any fact or events arising after the effective date of this 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 this registration statement; notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 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 (a)(1)(i) and (a)(1)(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 with or furnished to the Securities and Exchange Commission by the Registrant 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 Securities Act of 1933, 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.

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

(4) That, for purposes of determining any liability under the Securities Act of 1933, each 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.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the foregoing provisions, 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 Securities Act of 1933 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

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successful defense of any action, suit, or proceeding) is asserted against the Registrant 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 Securities Act of 1933 and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes to file an application for the purpose of determining the eligibility of any trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Act, if necessary.





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**James A. Huffman**

/s/ HENRY H. HARRELL

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Chairman and Director

February 12, 2003

**Henry H. Harrell**

/s/ JOSEPH C. FARRELL

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Director

February 12, 2003

**Joseph C. Farrell**

/s/ CHARLES H. FOSTER, JR.

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Director

February 12, 2003

**Charles H. Foster, Jr.**

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<u>Signature</u>	<u>Title</u>	<u>Date</u>
<hr/> <i>/s/</i> THOMAS H. JOHNSON	Director	February 12, 2003
<b>Thomas H. Johnson</b>		
<hr/> <i>/s/</i> EDDIE N. MOORE, JR.	Director	February 12, 2003
<b>Eddie N. Moore, Jr.</b>		
<hr/> <i>/s/</i> JEREMIAH J. SHEEHAN	Director	February 12, 2003
<b>Jeremiah J. Sheehan</b>		
<hr/> <i>/s/</i> HUBERT R. STALLARD	Director	February 12, 2003
<b>Hubert R. Stallard</b>		
<hr/> <i>/s/</i> WALTER A. STOSCH	Director	February 12, 2003
<b>Walter A. Stosch</b>		
<hr/> <i>/s/</i> EUGENE P. TRANI	Director	February 12, 2003
<b>Eugene P. Trani</b>		

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<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
1*	Form of Underwriting Agreement (including Form of Terms Agreement and Schedules thereto)
4*	Indenture dated as of February 1, 1991, between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank and as Chemical Bank), as Trustee (including forms of Debt Securities)
5.1*	Opinion and consent of Sullivan & Cromwell LLP, as to the validity of the Debt Securities
5.2*	Opinion and consent of George C. Freeman, III, Esq., as to the validity of the Debt Securities
8*	Opinion and consent of Sullivan & Cromwell LLP, as to certain tax matters
12*	Statement regarding computation of ratios
23.1*	Consent of Ernst & Young LLP
23.2*	Consents of Sullivan & Cromwell LLP (included as part of Exhibits 5.1 and 8)
23.3*	Consent of George C. Freeman, III, Esq. (included as part of Exhibit 5.2)
24*	Powers of Attorney (contained in signature pages)
25*	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939, as amended, of JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank and as Chemical Bank)

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\* Filed herewith