

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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### FILER

#### WASHINGTON POST CO

CIK: **104889** | IRS No.: **530182885** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **10-K405** | Act: **34** | File No.: **001-06714** | Film No.: **99573863**  
SIC: **2711** Newspapers: publishing or publishing & printing

Business Address  
1150 15TH ST NW  
WASHINGTON DC 20071  
2023346000

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JANUARY 3, 1999

Commission file number 1-6714

THE WASHINGTON POST COMPANY  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

53-0182885  
(I.R.S. EMPLOYER  
IDENTIFICATION NO)

1150 15TH ST., N.W., WASHINGTON, D.C.  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

20071  
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (202) 334-6000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
----- Class B Common Stock, par value \$1.00 per share	----- New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Aggregate market value of the Company's voting stock held by non-affiliates on February 26, 1999, based on the closing price for the Company's Class B Common Stock on the New York Stock Exchange on such date: approximately \$2,859,000,000.

Shares of common stock outstanding at February 26, 1999:

Class A Common Stock - 1,739,250 shares  
Class B Common Stock - 8,359,977 shares

Documents partially incorporated by reference:

Definitive Proxy Statement for the Company's 1999 Annual Meeting of Stockholders (incorporated in Part III to the extent provided in Items 10, 11, 12 and 13 hereof).

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PART I

ITEM 1. BUSINESS.

The principal business activities of The Washington Post Company (the "Company") consist of newspaper publishing (principally The Washington Post), television broadcasting (through the ownership and operation of six network-affiliated stations), the ownership and operation of cable television systems, and magazine publishing (principally Newsweek magazine). The Company also produces news and other products for electronic distribution and provides test preparation and related services.

Information concerning the consolidated operating revenues, consolidated income from operations and identifiable assets attributable to the principal segments of the Company's business for the last three fiscal years is contained in Note M to the Company's Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K. (Revenues for each segment are shown in such Note M net of intersegment sales, which did not exceed 0.4% of consolidated operating revenues.)

During each of the last three years the Company's operations in geographic areas outside the United States (consisting primarily of the publication of the international editions of Newsweek) accounted for less than 6% of the Company's consolidated revenues and less than 2% of its consolidated income from operations, and the identifiable assets attributable to such operations represented less than 2% of the Company's consolidated assets.

NEWSPAPER PUBLISHING

THE WASHINGTON POST

The Washington Post is a morning and Sunday newspaper primarily distributed by home delivery in the Washington, D.C. metropolitan area, including large portions of Virginia and Maryland.

The following table shows the average paid daily (including Saturday) and Sunday circulation of The Post for the twelve-month periods ended September 30 in each of the last five years, as reported by the Audit Bureau of Circulations ("ABC") for the years 1994-1997 and as estimated by The Post for the twelve-month period ended September 30, 1998 (for which period ABC had not completed its audit as of the date of this report) from the semiannual publisher's statements submitted to ABC for the six-month periods ended March 31, 1998, and September 30, 1998:

<TABLE>  
<CAPTION>

	AVERAGE PAID CIRCULATION	
	DAILY	SUNDAY
	-----	-----
<S>	<C>	<C>
1994.....	821,956	1,152,441
1995.....	807,818	1,140,498
1996.....	800,295	1,129,519
1997.....	784,199	1,109,344
1998.....	775,510	1,095,393

</TABLE>

A price increase for home-delivered copies of the daily and Sunday newspaper went into effect on February 3, 1997, raising the rate per four-week period from \$10.20 to \$10.60. On January 8, 1996 that rate had been raised to \$10.20 from \$9.80. The rate charged to subscribers for Sunday-only home-delivered copies of the newspaper for each four-week period has been \$6.00 since 1991. On April 6, 1992, the newsstand price for the Sunday newspaper was increased from \$1.25 (which price had been in effect since 1986) to \$1.50. The newsstand price for the daily newspaper has been \$0.25 since 1981.

General advertising rates were increased by approximately 4.6% on January 1, 1998, and approximately another 4.6% on January 1, 1999. Rates for most categories of classified and retail

advertising were increased by approximately 4.2% on February 1, 1998, and approximately an additional 3.5% on February 1, 1999.

The following table sets forth The Post's advertising inches (excluding preprints) and number of preprints for the past five years:

<TABLE>  
<CAPTION>

	1994	1995	1996	1997	1998
	----	----	----	----	----
<S>	<C>	<C>	<C>	<C>	<C>
Total Inches (in thousands).....	3,391	3,212	3,070	3,192	3,199
Full-Run Inches.....	3,133	2,950	2,814	2,897	2,806
Part-Run Inches.....	258	262	256	294	393
Preprints (in millions).....	1,325	1,416	1,445	1,549	1,650

</TABLE>

The Post also publishes The Washington Post National Weekly Edition, a tabloid which contains selected articles and features from The Washington Post edited for a national audience. The National Weekly Edition has a basic

subscription price of \$48.00 per year and is delivered by second class mail to approximately 81,000 subscribers.

The Post has about 600 full-time editors, correspondents, reporters and photographers on its staff, draws upon the news reporting facilities of the major wire services and maintains correspondents in 20 news centers abroad and in New York City, Los Angeles, Chicago, Miami, Richmond, Baltimore, Annapolis and Austin, Texas.

THE HERALD

The Company owns The Daily Herald Company, publisher of The Herald in Everett, Washington, about 30 miles north of Seattle. The Herald is published mornings seven days a week and is primarily distributed by home delivery in Snohomish County. The Daily Herald Company also provides commercial printing services and publishes six controlled-circulation weekly community newspapers (collectively known as The Enterprise Newspapers) that are distributed in south Snohomish and north King Counties.

The Herald's average paid circulation as reported to ABC for the twelve months ended September 30, 1998, was 54,213 daily (including Saturday) and 63,903 Sunday. The aggregate average weekly circulation of The Enterprise Newspapers during the twelve-month period ended December 31, 1998, was approximately 75,000 copies.

The Herald and The Enterprise Newspapers together employ approximately 70 editors, reporters and photographers.

THE GAZETTE NEWSPAPERS

The Gazette Newspapers, Inc., another subsidiary of the Company, publishes one paid-circulation and 30 controlled-circulation weekly community newspapers (collectively known as The Gazette Newspapers) in Montgomery and Frederick Counties and parts of Prince George's and Carroll Counties, Maryland. During 1998 The Gazette Newspapers had an aggregate average weekly circulation of approximately 433,000 copies. This subsidiary also produces 10 military newspapers (most of which are weekly) under agreements where editorial material is supplied by local military bases; these newspapers had a combined 1998 circulation of over 110,000 copies.

The Gazette Newspapers have approximately 90 editors, reporters and photographers on their combined staffs.

The Gazette Newspapers, Inc. also operates a commercial printing business which it acquired in 1996.

TELEVISION BROADCASTING

Through subsidiaries the Company owns six VHF television stations located in Detroit, Michigan; Houston, Texas; Miami, Florida; Orlando, Florida; San Antonio, Texas; and Jacksonville, Florida; which are respectively the 9th, 11th, 16th, 22nd, 37th and 52nd largest broadcasting markets in the United States. Each of the Company's stations is affiliated with a national network. Although network affiliation agreements generally have limited terms, each of the Company's television stations has maintained a network affiliation continuously for at least 20 years.

The Company's 1998 net operating revenues from national and local television advertising and network compensation were as follows:

<TABLE>	
<S>	<C>
National.....	\$ 133,891,000
Local.....	186,921,000
Network.....	30,560,000
	-----
Total.....	\$ 351,372,000
</TABLE>	

The following table sets forth certain information with respect to each of the Company's television stations:

<TABLE>		<CAPTION>			
STATION LOCATION AND YEAR COMMERCIAL OPERATION COMMENCED	NATIONAL MARKET RANKING (a)	EXPIRATION DATE OF FCC LICENSE	EXPIRATION DATE OF NETWORK AGREEMENT	TOTAL COMMERCIAL STATIONS IN DMA (b) ----- ALLOCATED	OPERATING -----
-----	-----	-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>	<C>	<C>
WDIV Detroit, Mich. 1947	9th	NBC	Oct. 1, 2005	June 30, 2004	VHF-4 UHF-6	VHF-4 UHF-5
KPRC Houston, Tx. 1949	11th	NBC	Aug. 1, 2006	June 30, 2004	VHF-3 UHF-11	VHF-3 UHF-10
WPLG Miami, Fla. 1961	16th	ABC	Feb. 1, 2005	Dec. 31, 2004	VHF-5 UHF-8	VHF-5 UHF-8
WKMG Orlando, Fla. 1954	22nd	CBS	Feb. 1, 2005	Apr. 6, 2005	VHF-3 UHF-11	VHF-3 UHF-9
KSAT San Antonio, Tx. 1957	37th	ABC	Aug. 1, 2006	Dec. 31, 2004	VHF-4 UHF-6	VHF-4 UHF-5
WJXT Jacksonville, Fla. 1947	52nd	CBS	Feb. 1, 2005	July 10, 2001	VHF-2 UHF-6	VHF-2 UHF-4

</TABLE>

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(a) Source: 1998/99 DMA Market Rankings, Nielsen Media Research, Fall 1998, based on television homes in DMA (see note (b) below).

(b) Designated Market Area ("DMA") is a market designation of A.C. Nielsen which defines each television market exclusive of another, based on measured viewing patterns.

The Company acquired the assets of WKMG on September 4, 1997, in exchange for the assets of VHF television station WFSB, a CBS affiliate in Hartford, Connecticut which had been owned by the Company for many years, plus a cash payment.

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#### REGULATION OF BROADCASTING AND RELATED MATTERS

The Company's television broadcasting operations are subject to the jurisdiction of the Federal Communications Commission under the Communications Act of 1934, as amended. Under authority of such Act the FCC, among other things, assigns frequency bands for broadcast and other uses; issues, revokes, modifies and renews broadcasting licenses for particular frequencies; determines the location and power of stations and establishes areas to be served; regulates equipment used by stations; and adopts and implements regulations and policies which directly or indirectly affect the ownership, operations and profitability of broadcasting stations.

Each of the Company's television stations holds an FCC license which is renewable upon application for an eight-year period.

After proceedings that extended over many years, in December 1996 the FCC formally approved technical standards for digital advanced television ("DTV"). DTV is a flexible system that will permit broadcasters to utilize a single digital channel in various ways, including providing one channel of high-definition television programming with greatly enhanced image and sound quality or several channels of lower-definition television programming ("multicasting"), and is capable of accommodating subscription video and data services. Broadcasters may offer a combination of services, so long as they transmit at least one stream of free video programming on the DTV channel. The FCC has assigned to each existing full power television station (including each station owned by the Company) a second channel to implement DTV while present television operations are continued on that station's existing channel. Although in some cases a station's DTV channel may only permit operation over a smaller geographic service area than that available using its existing channel, the FCC's stated goal in assigning channels was to provide stations with DTV service areas that will be generally consistent with their existing service areas. The FCC's DTV rules also permit stations to request modifications to their assigned DTV facilities, allowing them to expand their DTV service areas if certain interference criteria are met. Under FCC rules and the Balanced Budget Act of 1997, station owners will be required to surrender one channel in 2006 and thereafter provide service solely in the DTV format. The deadlines that have been established for each of the Company's stations to construct DTV facilities range from May 1999 to May 2002, depending upon the size of the market in which the station is licensed.

Through two rounds of reconsideration ending on December 18, 1998, the FCC refined its DTV rules and DTV channel assignments. The FCC's DTV decisions now are subject to judicial review in a consolidated appeal before the U.S. Court of Appeals for the District of Columbia Circuit. In November 1998 the FCC issued a decision to implement the requirement of the Telecommunications Act of 1996 that it charge broadcasters a fee for offering subscription services on the DTV channel. The FCC's decision to impose a fee of 5% of the gross revenues generated by such services currently is subject to petitions for reconsideration before the FCC. The FCC also is considering whether and how to extend cable systems' obligations for mandatory carriage of certain broadcast television signals to the DTV channel. Deliberations on this issue include the question of whether cable systems should be required to transmit DTV signals in the same definition in which originally broadcast. Finally, the Clinton Administration's advisory committee considering whether to recommend the imposition of additional public interest obligations on broadcasters' digital operations issued its report in December 1998. That report recommended mandatory minimum public interest requirements in a number of areas, including closed-captioning, public service announcements and public affairs programming, but primarily endorsed voluntary efforts by the broadcasting industry to meet the public interest needs of its viewers, including the voluntary provision of free time for political candidates. The report currently is under review by the FCC, which has announced its intention to commence a rulemaking proceeding concerning the public interest obligations of broadcasters.

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The Company anticipates that the conversion to DTV broadcasting will require significant capital expenditures but cannot otherwise predict what effects the DTV conversion eventually will have upon its television broadcast operations.

The FCC also is conducting proceedings dealing with such matters as multiple ownership restrictions, regulations pertaining to cable television (discussed below under "Cable Television Division - Regulation of Cable Television and Related Matters"), and various proposals to further the development of alternative video delivery systems that would compete in varying degrees with both cable television and television broadcasting operations. The multiple ownership rules were relaxed by amendments to the Communications Act enacted in 1996 and broadcast companies are now permitted to own an unlimited number of television stations as long as the combined service areas of such stations do not include more than 35% of the U.S. population. The Company is unable to determine what impact the various proceedings and other matters described in this paragraph may ultimately have on the Company's television broadcast operations.

#### CABLE TELEVISION DIVISION

As of the end of 1998 the Company (through subsidiaries) provided basic cable service to approximately 733,000 subscribers (representing about 73% of the 1,000,800 homes passed by the systems) and had in force more than 417,000 subscriptions to premium program services.

During 1998 the Company both acquired and disposed of cable television systems. These transactions included the purchase in March of a system serving 7,500 subscribers in Grenada and Bruce, Mississippi, the purchase in June of a system serving 36,000 subscribers in Anniston, Alabama, and the purchase in July of systems serving an aggregate of 72,000 subscribers in Mississippi, Oklahoma and Texas. Also in July the Company sold 14 of its smallest systems which together served about 29,000 subscribers.

The Company's cable systems are located in 18 Midwestern, Southern and Western states and typically serve smaller communities: thus 21 of the Company's current systems pass fewer than 10,000 dwelling units, 15 pass 10,000-25,000 dwelling units, and 17 pass more than 25,000 dwelling units, of which the two largest are in Modesto and Santa Rosa, California, each serving more than 50,000 subscribers.

#### REGULATION OF CABLE TELEVISION AND RELATED MATTERS

The Company's cable operations are subject to various requirements imposed by local, state and federal governmental authorities. The franchises granted by local governmental authorities are typically nonexclusive and limited in time and generally contain various conditions and limitations relating to payment of fees to the local authority, determined generally as a percentage of revenues. Additionally, franchises often regulate the conditions of service and technical performance, and contain various types of restrictions on transferability. Failure to comply with such conditions and limitations may give rise to rights of termination by the franchising authority.

The Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act"), requires or authorizes the imposition of a wide range of regulations on cable television operations. The three major areas of regulation

are (i) the rates charged for certain cable television services, (ii) required carriage ("must carry") of some local broadcast stations, and (iii) retransmission consent rights for commercial broadcast stations.

Among other things, the Telecommunications Act of 1996 altered the preexisting regulatory environment by expanding the definition of "effective competition" (a condition that precludes

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regulation of the rates charged by a cable system for basic and optional tiers of service), relaxing cost-of-service rules, raising the threshold for FCC investigations of rate complaints, and terminating rate regulation for some small cable systems. For cable systems that do not fall within the effective-competition or small-system exemptions (including all of the cable systems owned by the Company), monthly subscription rates for the basic tier of cable service may be regulated by municipalities, subject to procedures and criteria established by the FCC, and the FCC may regulate the rates charged for optional tiers of service. Rates charged by cable television systems for pay-per-view service, for per-channel premium program services and for advertising are all exempt from regulation. Cable television systems may also add channels to an unregulated new product tier, but the channels must be new to the system as of October 1, 1994. The FCC's authority to regulate the rates charged for optional tiers of service currently is scheduled to expire on March 31, 1999.

In April 1993 the FCC adopted a "freeze" on rate increases for regulated services (i.e., the basic and optional tiers). Later that year the FCC promulgated benchmarks for determining the reasonableness of rates for such services. The benchmarks provided for a percentage reduction in the rates that were in effect when the benchmarks were announced. Under the FCC's approach cable operators may exceed the benchmarks if they can show in a cost-of-service proceeding that higher rates are needed to earn a reasonable return on investment, which the Commission established in March 1994 to be 11.25%. Also, the FCC has adopted so-called "going forward" rules which permit cable operators to increase their benchmarked rates for regulated services when new channels are added and to offset the effects of inflation, equipment upgrades, and higher programming, franchising and regulatory fees.

Pursuant to the "must-carry" rules a commercial television broadcast station may, under certain circumstances, insist on carriage of its signal on cable systems located within the station's market area, while a noncommercial public station may insist on carriage of its signal on cable systems located within either the station's predicted Grade B contour or 50 miles of the station's transmitter. As a result of these obligations (the constitutionality of which has been upheld by the U.S. Supreme Court) certain of the Company's cable systems have had to carry broadcast stations that they might not otherwise have elected to carry, and the freedom the Company's systems would otherwise have to drop signals previously carried has been reduced.

At three-year intervals beginning in October 1993 commercial broadcasters have had the right to forego must-carry rights and insist instead that their signals not be carried without their prior consent. Before October 1993 some of the broadcast stations carried by the Company's cable television systems opted for retransmission consent and initially took the position that they would not grant consent without commitments by the Company's systems to make cash payments. As a result of case-by-case negotiations, the Company's cable systems were able to continue carrying virtually all of the stations insisting on retransmission consent without having to agree to pay any stations for the privilege of carrying their signals. However some commitments were made to carry other program services offered by a station or an affiliated company, to provide advertising availabilities on cable for sale by a station and to distribute promotional announcements with respect to a station. Many of these agreements between broadcast stations and the Company's cable systems expired at the end of 1996 and the expired agreements were replaced by new agreements having comparable terms.

The FCC will soon be considering the extent to which the must-carry and retransmission consent requirements described above will apply to broadcasters' DTV operations. Such an extension of must-carry requirements could result in the Company's cable systems being required to delete some existing programming to make room for broadcasters' DTV channels.

Various other provisions in current Federal law may significantly affect the costs or profits of cable television systems. These matters include a prohibition on exclusive franchises, restrictions on the ownership of competing video delivery services, restrictions on transfers of cable television ownership,

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consumer protection measures, and various regulations intended to facilitate the development of competing video delivery services. Other provisions benefit the owners of cable systems by restricting regulation of cable television in many significant respects, requiring that franchises be granted for reasonable periods of time, providing various remedies and safeguards to protect cable operators against arbitrary refusals to renew franchises, and limiting franchise fees to 5% of revenues.

Apart from its authority under the 1992 Cable Act and the Telecommunications Act of 1996, the FCC regulates various other aspects of cable television operations. Since 1990 cable systems have been required to black out from the distant broadcast stations they carry syndicated programs for which local stations have purchased exclusive rights and requested exclusivity. Other long-standing FCC rules require cable systems to delete under certain circumstances duplicative network programs broadcast by distant stations. The FCC also imposes certain technical standards on cable television operators, exercises the power to license various microwave and other radio facilities frequently used in cable television operations, regulates the assignment and transfer of control of such licenses, and oversees compliance with certain affirmative action and equal employment opportunity obligations applicable to cable systems. In addition, pursuant to the Pole Attachment Act, the FCC exercises authority to disapprove unreasonable rates charged to cable operators by telephone and power utilities for utilizing space on utility poles or in underground conduits.

The Copyright Act of 1976 grants to cable television systems, under certain terms and conditions, the right to retransmit the signals of television stations pursuant to a compulsory copyright license. Those terms and conditions include the payment of certain license fees set forth in the statute or established by subsequent administrative regulations. The compulsory license fees have been increased on several occasions since this Act went into effect. In 1994 the availability of the compulsory copyright license was extended to "wireless cable" and direct broadcast satellite operators, although in the latter case the license right is currently limited to independent and network-affiliated stations whose over-the-air signal (or a signal carrying the same network's programming) is not available at the subscriber's location. Some pending legislative proposals would modify or eliminate the compulsory copyright licensing scheme, and the FCC and others have urged that the compulsory license be phased out for local or distant broadcast signals or both.

The general prohibition on telephone companies operating cable systems in areas where they provide local telephone service was eliminated by the Telecommunications Act of 1996. Telephone companies now can provide video services in their telephone service areas under four different regulatory plans. First, they can provide traditional cable television service and be subject to the same regulations as the Company's cable television systems (including compliance with local franchise and any other local or state regulatory requirements). Second, they can provide "wireless cable" service, which is described below, and not be subject to either cable regulations or franchise requirements. Third, they can provide video services on a common-carrier basis, under which they would not be required to obtain local franchises but would be subject to common-carrier regulation (including a prohibition against exercising control over programming content). Finally, they can operate so-called "open video systems" without local franchises and be subject to reduced regulatory burdens. The Act contains detailed requirements governing the operation of open video systems, including the nondiscriminatory offering of capacity to third parties and limiting to one-third of total system capacity the number of channels the operator can program when demand exceeds available capacity. In addition, the rates charged by an open video system operator to a third party for the carriage of video programming must be just and reasonable as determined in accordance with standards to be established by the FCC. (Cable operators and others not affiliated with a telephone company may also become operators of open video systems.) The Act also generally prohibits telephone companies from acquiring or owning an interest in existing cable systems operating in their service areas.

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The Telecommunications Act of 1996 balances this grant of video authority to telephone companies by removing regulatory barriers to the offering of telephone services by cable companies and others. The Act preempts state and local laws that have barred local telephone competition in some states. In addition, the Act requires local telephone companies to permit cable companies and other competitors to connect with the telephone network and requires telephone companies to give competitors access to the essential features and functionalities of the local telephone network (such as switching capability, signal carriage from the subscriber's residence to the switching center and directory assistance) on an unbundled basis. As an alternative method of providing local telephone service, the Act permits cable companies and others to purchase telephone service on a wholesale basis and then resell it to their subscribers.

During the past several years, the FCC has adopted various rule changes



intended to facilitate the development of so-called "wireless cable," a video service that is capable of distributing approximately 30 television channels in a local area by over-the-air microwave transmission using analog technology and is capable of providing a greater number of channels using digital compression technologies. Moreover, in late 1998 the FCC began issuing licenses for a new digital wireless cable service which will utilize up to 1,300 megahertz of spectrum in the 28 and 31 gigahertz bands and is intended to provide large numbers of video channels as well as voice and data transmission services. Wireless cable services are not required to obtain franchises from local governmental authorities and generally operate under fewer regulatory requirements than conventional cable television systems.

Litigation is pending in various courts in which prohibitions on cable television operations without a franchise and various franchise requirements are being challenged as unlawful under the First Amendment, the antitrust laws and on other grounds. If successful, such litigation could facilitate the development of duplicative cable facilities that would compete with existing cable systems.

The regulation of certain cable television rates pursuant to the authority granted to the FCC has negatively impacted the revenues of the Company's cable systems. The Company is unable to predict what effect the other matters discussed above may ultimately have on its cable television business.

MAGAZINE PUBLISHING

NEWSWEEK

Newsweek is a weekly news magazine published both domestically and internationally by Newsweek, Inc., a subsidiary of the Company. In gathering, reporting and writing news and other material for publication, Newsweek maintains news bureaus in 9 U.S. and 13 foreign cities.

The domestic edition of Newsweek is comprised of over 100 different geographic or demographic editions which carry substantially identical news and feature material but enable advertisers to direct messages to specific market areas or demographic groups. Domestically, Newsweek ranks second in circulation among the three leading weekly news magazines (Newsweek, Time and U.S. News & World Report). For each of the last five years Newsweek's average weekly domestic circulation rate base has been 3,100,000 copies and its percentage of the total weekly domestic circulation rate base of the three leading weekly news magazines has been 33.5%.

Newsweek is sold on newsstands and through subscription mail order sales derived from a number of sources, principally direct mail promotion. The basic one-year subscription price is \$41.08. Most subscriptions are sold at a discount from the basic price. Since January 1992 Newsweek's newsstand price has been \$2.95 per copy.

The total number of Newsweek's domestic advertising pages and gross domestic advertising revenues as reported by Publishers' Information Bureau, Inc., together with Newsweek's percentages of

the total number of advertising pages and total advertising revenues of the three leading weekly news magazines, for the past five years have been as follows:

<TABLE>  
<CAPTION>

	NEWSWEEK ADVERTISING PAGES*	PERCENTAGE OF THREE LEADING NEWS MAGAZINES	NEWSWEEK GROSS ADVERTISING REVENUES*	PERCENTAGE OF THREE LEADING NEWS MAGAZINES
<C>	<C>	<C>	<C>	<C>
1994.....	2,057	32.1%	\$ 276,074,000	32.4%
1995.....	2,279	34.1%	328,886,000	34.9%
1996.....	2,520	36.6%	381,621,000	37.0%
1997.....	2,633	35.4%	406,324,000	35.1%
1998.....	2,472	34.4%	393,168,000	33.8%

</TABLE>

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\* Advertising pages and gross advertising revenues are those reported by Publishers' Information Bureau, Inc. PIB computes gross advertising revenues from basic one-time rates and the number of advertising pages carried. PIB figures therefore materially exceed actual gross advertising revenues, which reflect lower rates for multiple insertions. Net revenues as reported in the Company's Consolidated Statements of Income also exclude

agency fees and cash discounts, which are included in the gross advertising revenues shown above. Page and revenue figures exclude affiliated advertising.

Newsweek's advertising rates are based on its average weekly circulation rate base and are competitive with the other weekly news magazines. Effective with the January 12, 1998 issue, national advertising rates were increased by an average of 4.0%. Beginning with the issue dated January 11, 1999, national advertising rates were increased again, also by an average of 4.0%.

Newsweek Business Plus, which is published 39 times a year, is a demographic edition of Newsweek distributed to high-income professional and managerial subscribers and subscribers in zip-code-defined areas. Advertising rates for this edition were increased an average of 4.0% in January 1998 and by an additional 8.0% in January 1999. The circulation rate base for this edition was increased from 1,000,000 to 1,200,000 copies at the beginning of 1999.

Newsweek's other demographic edition, Newsweek Woman, which was published 13 times during 1998, is distributed to selected female subscribers. At the beginning of 1998 advertising rates for this edition were increased by an average of 4.0%. Early in 1999 advertising rates were increased by an additional 14.3% and the circulation rate base was increased from 700,000 to 800,000 copies.

Internationally, Newsweek is published in an Atlantic edition covering the British Isles, Europe, the Middle East and Africa, an Asian edition covering Japan, Korea and Southeast Asia, and a Latin America edition, all of which are in the English language. Editorial copy solely of domestic interest is eliminated in the international editions and is replaced by other international, business or national coverage primarily of interest abroad.

Since 1984 a section of Newsweek articles has been included in The Bulletin, an Australian weekly news magazine which also circulates in New Zealand. In 1986 a Japanese-language edition of Newsweek, Newsweek Nihon Ban, began publication in Tokyo pursuant to an arrangement with a Japanese publishing company which translates editorial copy, sells advertising in Japan and prints and distributes the edition. Newsweek Hankuk Pan, a Korean-language edition of Newsweek, began publication in 1991 pursuant to a similar arrangement with a Korean publishing company. Since 1996 Newsweek en Espanol, a Spanish-language edition of Newsweek distributed in Latin America, has been published under an agreement with a Miami-based publishing company which translates editorial copy, prints and distributes the edition and jointly sells advertising with Newsweek. Also, a Russian-language newsweekly modeled after Newsweek began publication in 1996 pursuant to licensing and advisory

agreements entered into by Newsweek with a Russian publishing and broadcasting company. This magazine includes selected stories translated from Newsweek's various U.S. and foreign editions and is called Itogi (which means "summing-up" in Russian).

The average weekly circulation rate base, advertising pages and gross advertising revenues of Newsweek's international editions (not including The Bulletin insertions or the foreign-language editions of Newsweek) for the past five years have been as follows:

<TABLE>  
<CAPTION>

	AVERAGE WEEKLY CIRCULATION RATE BASE	ADVERTISING PAGES*	GROSS ADVERTISING REVENUES*
<C>	<C>	<C>	<C>
1994.....	638,000	2,351	\$ 79,900,000
1995.....	640,000	2,502	90,968,000
1996.....	642,000	2,446	92,638,000
1997.....	657,000	2,287	89,330,000
1998.....	660,000	2,120	83,051,000

</TABLE>

\* Advertising pages and gross advertising revenues are those reported by LNA International. LNA computes gross advertising revenues from basic one-time rates and the number of advertising pages carried. LNA figures therefore materially exceed actual gross advertising revenues, which reflect lower rates for multiple insertions. Net revenues as reported in the Company's Consolidated Statements of Income also exclude agency fees and cash discounts, which are included in the gross advertising revenues shown above. Page and revenue figures exclude affiliated advertising.

For 1999 the average weekly circulation rate base for Newsweek's

English-language international editions (not including The Bulletin insertions) will be 660,000 copies. Newsweek's rate card estimates the average weekly circulation in 1999 for The Bulletin insertions will be 85,000 copies and for the Japanese-, Korean-, Russian- and Spanish-language editions will be 130,000, 90,000, 85,000 and 50,000 copies, respectively.

Since 1994 Newsweek has produced a weekly news magazine for online distribution which most recently had been available on the America Online service. In October 1998 Newsweek.com, an Internet version of Newsweek, made its debut on the World Wide Web at [www.newsweek.com](http://www.newsweek.com). This magazine supplements Newsweek's print edition with daily news updates and other features, and is being produced by Washingtonpost.Newsweek Interactive Company, another subsidiary of the Company.

In August 1996 the United States Food and Drug Administration issued final rules designed to restrict the marketing of tobacco products to minors. These rules, which among other things would have limited advertising for tobacco products in print publications whose youth readership exceeds certain levels to black and white, text-only "tombstone" ads, were scheduled to go into effect on August 28, 1997. Shortly before the effective date a U.S. District Court in North Carolina held that the FDA's proposed advertising rules exceeded its authority and stayed the application of those rules. In August 1998 the U.S. Court of Appeals for the Fourth Circuit ruled more broadly that the FDA has no jurisdiction over tobacco product advertising and subsequently denied the FDA's request for a rehearing. The FDA has filed a petition for certiorari with the United States Supreme Court. Also during 1998 Congress considered a range of legislative proposals related to the marketing of tobacco products which included voluntary advertising restrictions on tobacco advertising and the possible loss by the tobacco industry of tax deductibility for advertising expenditures. The Company cannot now predict whether the FDA rules described above will ultimately go into effect or what other actions may eventually be taken to restrict tobacco advertising. However such advertising accounts for only about 1% of Newsweek's operating revenues and negligible revenues at The Washington Post and the Company's other

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publications. Moreover, Federal law has prohibited the carrying of advertisements for cigarettes and smokeless tobacco by commercial radio and television stations for many years. Thus the Company believes that any restrictions on tobacco advertising which may eventually be put into effect would not have a material adverse effect on Newsweek or on any of the Company's other business operations.

#### POST-NEWSWEEK BUSINESS INFORMATION

The Company's Post-Newsweek Business Information, Inc. subsidiary publishes controlled-circulation trade periodicals and produces trade shows for the information technology industry.

For several years PNBI has published Washington Technology, a biweekly tabloid newspaper for government information technology systems integrators. During 1998 PNBI integrated Washington Technology with other publishing assets acquired from Reed Elsevier in December 1997 to form its Government Group. PNBI's Government Group also includes Government Computer News, a tabloid newspaper published 32 times per year serving government managers who buy information technology products and services, GCN State & Local, a monthly tabloid newspaper for state and local information technology buyers, GCN Shopper, a tabloid newspaper published six times per year providing information technology product reviews and other buying information for government managers, and government WINDOWS NT, a quarterly magazine covering government's use of the Windows NT platform which was launched in the fall of 1998. Washington Technology, Computer Government News, GCN State & Local, GCN Shopper and government WINDOWS NT have circulations of about 40,000, 87,000, 55,000, 120,000 and 70,000 copies, respectively. Also part of PNBI's Government Group are the FOSE and FEDimaging trade shows, held together each spring in Washington, D.C. for information technology decision makers in government and industry.

PNBI's Technology Finance Group publishes TechCapital, a magazine which reaches about 50,000 technology entrepreneurs and technology industry financiers and investors nine times per year, and the IT Almanac, an annual directory of technology industry executives. The Technology Finance Group also sponsors the annual Greater Washington High Technology Awards Banquet, which is held each May in Washington, D.C. for over 1,200 technology executives.

PNBI also operates Newsbytes News Network, a newswire service that electronically distributes about 80 news stories per day about the information technology, personal computer, telecommunications and related industries to newspapers, magazines, online services and other subscribers around the world.

During 1998 PNBI ceased publication of Reseller Management magazine, acquired together with other assets from Reed Elsevier in 1997, and also sold the assets of one of its other publications, Integration Management.

## KAPLAN EDUCATIONAL CENTERS

Kaplan Educational Centers, Inc., a subsidiary of the Company, prepares students through its Test Preparation and Admissions Division for a broad range of admissions and licensing examinations including the SAT's, LSAT's, GMAT's, MCAT's, GRE's, and nursing and medical boards. This business can be subdivided into four categories: Pre-college (serving primarily high school students preparing for the SAT's and ACT's); Graduate (serving college students and professionals, primarily with preparation for admissions tests to graduate, medical and law schools); Licensure (serving medical and accounting professionals preparing for licensing exams); and English Language Training (serving foreign students and professionals wishing to study or work in the U.S.). In 1998 this division of Kaplan enrolled over 135,000 students and provided courses at 150 permanent centers located throughout the United States,

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Canada, Puerto Rico and London. In addition, Kaplan licenses material for certain of these courses to third parties who during 1998 offered such courses at 27 centers located in 18 countries.

Through its Score Learning Division, Kaplan offers computer-based learning and individualized tutoring to students in elementary school through high school. Score's services are provided in facilities separate from Kaplan's test preparation centers due to differing configuration and equipment requirements. During 1998 Score served over 20,000 students in 68 centers in California, Massachusetts, Connecticut, New York, Maryland, Virginia, New Jersey, Illinois and Colorado, up from 13,000 students and 37 centers in 1997.

Kaplan's Learning Services Division, which commenced operations in 1996, provides customized assessment and supplemental educational programs to secondary schools and colleges. In 1998 this division served over 10,000 students in California, Florida, Pennsylvania, New York, South Carolina and Tennessee.

Kaplan's Professional Division offers recruitment and training services for corporations and individuals seeking to advance their careers. Kaplan Professional consists of Kaplan Professional Career Services, the largest provider of career fairs in North America, which served nearly 300,000 job candidates at over 300 events in 1998; Dearborn Publishing Group, a provider of pre-license training and continuing education for securities, insurance and real estate professionals; and Perfect Access, a provider of information technology training and consulting to corporations and law firms. Many of the businesses that comprise the Kaplan Professional Division were acquired in 1998.

Through its Books and Software Division, Kaplan currently co-publishes 95 book titles in the areas of test preparation, admissions, career guidance and life skills, most of which are printed and distributed through an agreement with a major publisher. This division also creates educational software and sold 10 titles in 1998 pursuant to an arrangement with a third party which is responsible for production and distribution.

In September 1998 Kaplan launched Concord University School of Law, the nation's first school offering a juris doctor degree earned wholly online. At the end of 1998 Concord enrolled its first class of students. Concord has received temporary operating approval from the California Bureau of Private Postsecondary and Vocational Education and is registered with the Committee of Bar Examiners of the State of California. Graduates will, therefore, be allowed to sit for the California bar examination.

## WASHINGTONPOST.NEWSWEEK INTERACTIVE

Washingtonpost.Newsweek Interactive Company (formerly named Digital Ink Co.) develops news and information products for electronic distribution. Since July 1996 this subsidiary of the Company has operated washingtonpost.com, a World Wide Web site that features the full editorial text of The Washington Post and most of The Post's classified advertising as well as original content created by WPNI's staff and content obtained from other sources. The washingtonpost.com site also features a comprehensive city guide focusing on the Washington, D.C. area, including an arts and entertainment section, a community section and an online yellow pages directory. This site is currently generating more than 65 million page views per month and the Company believes (based on data from Media Metrix) is among the top five national news sites on the Internet. The Company (either directly or through WPNI) also holds minority equity interests in Classified Ventures, Inc. and CareerPath.com LLC, entities formed to compete in the business of providing nationwide classified advertising databases on the Internet. Classified Ventures covers the product categories of automobiles, apartment rentals and real estate, while CareerPath covers the area of recruitment advertising. Listings for these services come from various

sources, including (in most cases) direct sales and classified listings from the newspapers of participating companies. Links to the Classified Ventures and CareerPath services are included in the washingtonpost.com site.

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WPNI also produces the newsweek.com Web site which was launched in October 1998 and contains editorial content from the print edition of Newsweek as well as daily news updates and analysis, photo galleries, Web guides and other features.

#### LEGI-SLATE

The Company's Legi-Slate, Inc. subsidiary provides its customers with access to a computerized database containing detailed information on the legislative and regulatory activities of the United States government. The Legi-Slate database contains both abstracts and the full text of every bill and resolution introduced in Congress, the entire Congressional Record and every document published in the Federal Register. Content compiled by Legi-Slate includes detailed legislative histories, complete voting records and the Daily CFR(TM) service, a daily update of the Code of Federal Regulations. The database also includes relevant editorial material which is both licensed from third parties and produced by Legi-Slate's own editorial staff. Legi-Slate also provides customers with custom legislative and regulatory monitoring services.

#### INTERNATIONAL HERALD TRIBUNE

The Company beneficially owns 50% of the outstanding common stock of the International Herald Tribune, S.A.S., a French company which publishes the International Herald Tribune in Paris, France. This English-language newspaper has an average daily paid circulation of almost 223,000 copies and is distributed in over 180 countries.

#### COWLES MEDIA COMPANY

On March 20, 1998, Cowles Media Company ("Cowles") and McClatchy Newspapers, Inc. ("McClatchy") completed a series of transactions resulting in the merger of Cowles and McClatchy. In the merger each share of Cowles common stock was converted (based upon elections of Cowles stockholders) into shares of McClatchy stock or a combination of cash and McClatchy stock. At the date of this merger a wholly-owned subsidiary of the Company owned approximately 28% of the outstanding common stock of Cowles, most of which was acquired in 1985. As a result of this transaction the Company's subsidiary received \$330.5 million in cash and shares of McClatchy Class A common stock with a fair market value of approximately \$21.6 million.

#### MOFFET, LARSON & JOHNSON

In July 1998 the Company disposed of its 80% interest in Moffet, Larson & Johnson, Inc., a telecommunications engineering firm.

#### PRODUCTION AND RAW MATERIALS

Early in 1999 the Company completed a \$230 million capital investment program consisting of the expansion of The Washington Post's printing plant in Fairfax County, Virginia, the construction of a new printing plant in Prince George's County, Maryland, and the replacement of all the newspaper's printing presses. The eight new presses which have been installed permit a significantly greater use of color and enhance The Post's ability to zone editorial content and advertising. Production operations at the newspaper's two printing facilities in Washington, D.C. have been discontinued.

All editions of The Herald and The Enterprise Newspapers are produced at The Daily Herald Company's plant in Everett, Washington. The Gazette Newspapers are printed at the commercial printing facility owned by The Gazette Newspapers, Inc.

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Newsweek's domestic edition is produced by three independent contract printers at five separate plants in the United States; advertising inserts and photo-offset films for the domestic edition are also produced by independent contractors. The international editions of Newsweek are printed in England, Hong Kong, Singapore, Switzerland, the Netherlands, South Africa and Hollywood, Florida; insertions for The Bulletin are printed in Australia. In September 1997 Newsweek and a subsidiary of Time Warner Inc. formed a jointly owned company which is based in England and provides production and distribution services for the Atlantic editions of both Newsweek and Time.

All Post-Newsweek Business Information publications are produced by independent contract printers.

In 1998 The Washington Post consumed about 250,000\* tons of newsprint purchased from a number of suppliers, including Bowater Incorporated, which supplied approximately 30% of The Post's 1998 newsprint requirements. About 27% of the newsprint The Post purchases from Bowater Incorporated is provided by Bowater Mersey Paper Company Limited, 49% of the common stock of which is owned by the Company (the majority interest being held by a subsidiary of Bowater Incorporated). Bowater Mersey owns and operates a newsprint mill near Halifax, Nova Scotia, and owns extensive woodlands that provide part of the mill's wood requirements. In 1998 Bowater Mersey produced about 260,000 tons of newsprint.

The announced price of newsprint (excluding discounts) was approximately \$750 per ton throughout 1998. Discounts from the announced price of newsprint can be substantial and prevailing discounts decreased during the year. The Post believes it has adequate newsprint available through contracts with its various suppliers. Over 90% of the newsprint used by The Post includes some recycled content. The Company owns 80% of the stock of Capitol Fiber Inc., which handles and sells to recycling industries old newspapers and other paper collected in Washington, D.C., Maryland and northern Virginia.

In 1998 the operations of The Daily Herald Company and The Gazette Newspapers, Inc. consumed approximately 9,200 and 13,800 tons of newsprint, respectively, which was obtained in each case from various suppliers. Approximately 70% of the newsprint used by The Daily Herald Company and 25% of the newsprint used by The Gazette Newspapers, Inc. includes some recycled content.

The domestic edition of Newsweek consumed about 34,300 tons of paper in 1998, the bulk of which was purchased from eight major suppliers. The current cost of body paper (the principal paper component of the magazine) is approximately \$990 per ton.

Over 90% of the aggregate domestic circulation of Newsweek is delivered by second-class mail, most Newsweek subscriptions are solicited by either first- or third-class mail, and all Post-Newsweek Business Information publications are delivered by second-class mail. Thus substantial increases in postal rates for these classes of mail could have a significant negative impact on the operating income of these business units. Effective January 10, 1999, rate increases of 3% for first-class mail and approximately 4% for second- and third-class mail went into effect. These changes in postal rates will increase the annual postage costs of Newsweek, Inc. and PNBI by an aggregate of about \$1.5 million.

#### COMPETITION

The Washington Post competes in the Washington, D.C. metropolitan area with The Washington Times, a newspaper which has published weekday editions since 1982 and Saturday and Sunday editions

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\* All references in this report to newsprint tonnage and prices refer to short tons (2,000) and not to metric tons (2,204.6 pounds) which are often used in newsprint price quotations.

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since 1991. The Post also encounters competition in varying degrees from newspapers published in suburban and outlying areas, other nationally circulated newspapers, and from television, radio, magazines and other advertising media, including direct mail advertising. In February 1997 The New York Times launched a Washington Edition which is printed locally and includes television channel listings and weather for the Washington, D.C. area. The New York Times has been available in retail outlets and by home delivery in the Washington, D.C. area for many years, during which time the papers were printed at The Time's New York-area plant and trucked to local distributors.

The Herald circulates principally in Snohomish County, Washington; its chief competitors are the Seattle Times and the Seattle Post-Intelligencer, which are daily and Sunday newspapers published in Seattle and whose Snohomish County circulation is principally in the southwest portion of the county. Since 1983 the two Seattle newspapers have consolidated their business and production operations and combined their Sunday editions pursuant to a joint operating agreement, although they continue to publish separate daily newspapers. The Enterprise Newspapers are distributed in south Snohomish and north King Counties where their principal competitors are the Seattle Times and The Journal Newspapers, a group of weekly controlled-circulation newspapers. Numerous other weekly and semi-weekly newspapers and shoppers are distributed in The Herald's and The Enterprise Newspapers' principal circulation areas.

The circulation of The Gazette Newspapers is limited to Montgomery and Frederick Counties and parts of Prince George's and Carroll Counties, Maryland (areas where The Washington Post also circulates). The Gazette Newspapers compete in varying degrees with many advertising vehicles available in their service areas, including The Potomac and Bethesda/Chevy Chase Almanacs and The Western Montgomery Bulletin, weekly controlled-circulation community newspapers,

The Montgomery Sentinel, a weekly paid-circulation community newspaper, The Prince George's Sentinel, a weekly controlled-circulation community newspaper (which also has a weekly paid-circulation edition), The Montgomery and Prince George's Journals, daily paid-circulation community newspapers, and The Frederick News-Post, a daily paid-circulation community newspaper.

The Company's television stations compete for audiences and advertising revenues with television and radio stations and cable television systems serving the same or nearby areas, with direct broadcast satellite services and to a lesser degree with other media such as newspapers and magazines. Both independent stations and stations affiliated with the Fox Network, the United Paramount Network and the Warner Brothers Network are becoming increasingly competitive, and Paxson Communications Corp. launched a new broadcast network in August 1998 which reaches more than 80% of U.S. television households. Cable television systems operate in substantial portions of the Company's broadcast markets where they compete for television viewing by importing out-of-market television signals and by distributing pay-cable, advertiser-supported and other programming that is originated for cable systems. In addition, direct broadcast satellite or "DBS" services provide nationwide distribution of television programming (including in some cases pay-per-view programming and programming packages unique to DBS) using small receiving dishes and digital transmission technologies. Because they lack a compulsory copyright license that would permit such distributions, DBS operators are effectively prohibited from distributing the signals of any network affiliated television station except in areas where the over-the-air signal of the same network's local affiliate is not available. Several lawsuits were filed in late 1996 which allege that certain DBS operators have not been complying with this restriction; plaintiffs in one or more of these lawsuits include the CBS and Fox television networks and various network affiliated television stations (including one of the Company's Florida stations). In the Florida litigation, a district court entered injunctions that were projected to result in the termination of distant CBS and Fox network service to more than 2 million satellite subscribers who can receive over-the-air signals from network affiliates. In March 1999, DirecTV, the DBS carrier serving the majority of these subscribers, entered into a settlement with ABC, CBS, NBC and Fox and their

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respective affiliate associations. Under this settlement (which has not yet been approved by the court), the terminations will be delayed several months, but will be extended to ABC and NBC distant network signals as well as those of the CBS and Fox networks. In November 1998 broadcasters also filed a similar suit against DBS carrier Echostar, which also carries distant network signals. Legislation to change the standards for reception of distant network signals is currently pending before Congress. Also, since January 1998 Echostar has been offering a service that at the present time delivers the signals of local network affiliated stations to unserved households in approximately 20 U.S. markets. Echostar is seeking changes in existing laws to permit it to offer this service to all subscribers in these markets. A new venture by Capitol Broadcasting also is seeking legislation to permit transmission of local television signals by satellite but intends to carry the signals of all full power television stations in approximately 70 markets. The transmission of local television signals by DBS services may be advantageous for the local stations included in such offerings but could increase the competition faced by local stations that are not included. The Company's television stations may also become subject to increased competition from low power television stations, wireless cable services, satellite master antenna systems (which can carry pay-cable and similar program material) and prerecorded video programming. Further, the deployment of high definition and other improved television technologies may enhance the ability of some of these other video providers to compete more effectively for viewers with the local television broadcasting stations owned by the Company.

Cable television systems operate in a highly competitive environment. In addition to competing with the direct reception of television broadcast signals by the viewer's own antenna, such systems (like existing television stations) are subject to competition from various other forms of television program delivery. In particular, DBS services (which are discussed in more detail in the preceding paragraph) have been growing rapidly and are now a significant competitive factor. The Company's cable television systems also compete with wireless cable services in a number of their markets and may face additional competition from such services in the future. Moreover, the Telecommunications Act of 1996 permits telephone companies to own and operate cable television systems in the same areas where they provide telephone services and thus may lead to the provision of competing program delivery services by local telephone companies.

According to figures compiled by Publishers' Information Bureau, Inc., of the 232 magazines reported on by the Bureau, Newsweek ranked sixth in total advertising revenues in 1998, when it received approximately 2.9% of all advertising revenues of the magazines included in the report. The magazine industry is highly competitive both within itself and with other advertising

media which compete for audience and advertising revenue.

The publications and trade shows of Post-Newsweek Business Information compete with many other advertising vehicles and sources of similar information. In particular, Government Computer News faces competition from Federal Computer Week, a publication of IDG Communications.

Kaplan Educational Centers competes in each of its test preparation product lines with a variety of regional and national test preparation businesses, as well as with individual tutors and in-school preparation for standardized tests. Kaplan's Score Learning Division competes with other regional and national learning centers, individual tutors and other after-school learning activities, while its Learning Services Division competes with other contract education providers. Kaplan's Professional Division competes with other companies which provide alternative or similar services in the areas of recruitment, technical training and publishing. Kaplan's Books and Software Division competes with other publishers of similar titles.

Washingtonpost.Newsweek Interactive faces competition from many other Internet services as well as from alternative methods of delivering news and information. In addition, Internet-based services are carrying increasing amounts of advertising and over time such services could adversely

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affect the Company's print publications and television broadcasting operations, all of which rely on advertising for the majority of their revenues. Several companies are offering online services containing information and advertising tailored for specific metropolitan areas, including the Washington, D.C. metropolitan area. Digital Cities (an 80%-owned subsidiary of America Online) produces Digital-City Washington, which can be accessed through the Internet and is part of AOL's nationwide network of local online sites. Many other popular Internet sites, such as those of Yahoo!, Netscape Netcenter and Microsoft Network, offer their own version of a local, DC-area guide. Microsoft in particular has devoted significant marketing resources in the last several months to promoting its city guide together with a yellow pages directory. In addition, since 1997 Bell Atlantic has offered a yellow pages service on the Internet which includes information of local interest as well as a nationwide residential white pages directory and Big Yellow, an electronic directory of 16 million businesses across the United States.

The Company's publications and television broadcasting and cable operations also compete for readers' and viewers' time with various other leisure-time activities.

The future of the Company's various business activities depends on a number of factors, including the general strength of the economy, population growth and the level of economic activity in the particular geographic and other markets it serves, the impact of technological innovations on entertainment, news and information dissemination systems, overall advertising revenues, the relative efficiency of publishing and broadcasting compared to other forms of advertising and, particularly in the case of television broadcasting and cable operations, the extent and nature of government regulations.

#### EXECUTIVE OFFICERS

The executive officers of the Company, each of whom is elected for a one-year term at the meeting of the Board of Directors immediately following the Annual Meeting of Stockholders held in May of each year, are as follows:

Donald E. Graham, age 53, has been Chairman of the Board of the Company since September 1993 and Chief Executive Officer of the Company since May 1991. Mr. Graham served as President of the Company from May 1991 until September 1993 and prior to that had been a Vice President of the Company for more than five years. Mr. Graham also is Publisher of The Washington Post, having occupied that position since 1979.

Alan G. Spoon, age 47, is President and Chief Operating Officer of the Company. Mr. Spoon served as Executive Vice President and Chief Operating Officer of the Company from May 1991 until September 1993 and had previously been a Vice President of the Company since July 1987. Mr. Spoon also served as the Company's Vice President-Finance from July 1987 until November 1989, and as President of Newsweek, Inc. from September 1989 until May 1991.

Katharine Graham, age 81, is Chairman of the Executive Committee of the Company's Board of Directors. Mrs. Graham previously served as Chairman of the Board of the Company from 1973 until September 1993 and as the Company's Chief Executive Officer from 1973 until May 1991.

Diana M. Daniels, age 49, has been Vice President and General Counsel of the Company since November 1988 and Secretary of the Company since September 1991. Ms. Daniels served as General Counsel of the Company from January 1988 to November 1988 and prior to that had been Vice President and General Counsel of



Beverly R. Keil, age 52, has been a Vice President of the Company since 1986; from 1982 through 1985 she was the Company's Director of Human Resources.

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ITEM 2. PROPERTIES.

The Company owns the principal offices of The Washington Post in downtown Washington, D.C., including both a seven-story building in use since 1950 and a connected nine-story office building on contiguous property completed in 1972 in which are located the Company's principal executive offices. Additionally, the Company owns land on the corner of 15th and L Streets, N.W., in Washington, D.C., adjacent to The Washington Post office building. This land is leased on a long-term basis to the owner of a multi-story office building which was constructed on the site in 1982. The Company rents a number of floors in this building. The Company also owns and occupies a small office building on L Street which is next to The Post's downtown office building.

In 1980 the Company built a printing plant on 13 acres of land owned by the Company in Fairfax County, Virginia, and in 1998 completed an expansion of that facility. Also in 1998 the Company completed construction of a new printing plant and distribution facility for The Post on a 17-acre tract of land in Prince George's County, Maryland which was purchased by the Company in 1996. In addition, the Company owns a printing plant in Southeast Washington, D.C. which was used as one of the production locations for The Post until the end of 1998, as well as undeveloped land near Dulles Airport in Fairfax County, Virginia (39 acres) and in Prince George's County, Maryland (34 acres).

The Herald owns its plant and office building in Everett, Washington; it also owns two warehouses adjacent to its plant and a small office building in Lynnwood, Washington, that is currently leased to a third party.

The Gazette Newspapers, Inc. owns a two-story brick building that serves as headquarters for The Gazette Newspapers and a separate two-story brick building that houses its commercial printing business. It also owns a one-story brick building that formerly served as its headquarters and is currently leased to a third party. All of these properties are located in Gaithersburg, Maryland. Satellite editorial and sales offices for The Gazette Newspapers are located in leased premises.

The principal offices of Newsweek are located at 251 West 57th Street in New York City, where Newsweek rents space on nine floors. The lease on this space will expire in 2009 but is renewable for a 15-year period at Newsweek's option at rentals to be negotiated or arbitrated. In May 1997, Newsweek sold its Mountain Lakes, N.J. facility to a third party and leased back a portion of this building to house its accounting, production and distribution departments. The lease on this space will expire in 2007 but is renewable for two 5-year periods at Newsweek's option.

The headquarters offices of the Company's broadcasting operations are located in Hartford, Connecticut, where they occupy premises under a lease which expires in 2002. The facilities that house the operations of each of the Company's television stations are all owned by subsidiaries of the Company, as are the related tower sites (except in Houston, Orlando and Jacksonville where the tower sites are 50% owned).

The headquarters offices of the Cable Television Division are located in a three-story office building in Phoenix, Arizona which was purchased by the Division in 1998. The majority of the offices and head-end facilities of the Division's individual cable systems are located in buildings owned by the Division. Substantially all the tower sites used by the Division are leased.

Robinson Terminal Warehouse Corporation owns two wharves and several warehouses in Alexandria, Virginia. These facilities are adjacent to the business district and occupy approximately seven acres of land. Robinson also owns two partially developed tracts of land in Fairfax County, Virginia, aggregating about 22 acres. These tracts are near The Washington Post's Virginia printing plant and include several warehouses. In 1992 Robinson purchased approximately 23 acres of

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undeveloped land on the Potomac River in Charles County, Maryland, for the possible construction of additional warehouse capacity.

Kaplan Educational Centers, Inc. owns a six-story building located at 131 West 56th Street in New York City, which serves as an educational center

primarily for foreign students, and a one-story building in Brooklyn, New York, which currently is for sale. Kaplan's principal educational center in New York City for other than international students is located at 16 Cooper Square, where Kaplan rents two floors under a lease expiring in 2013. Kaplan's distribution facilities have been consolidated in a 97,000 square foot warehouse in Aurora, Illinois which has been rented under a lease which expires in 2008. Kaplan's headquarters offices are located at 888 Seventh Avenue in New York City, where Kaplan rents space on three floors under a lease which expires in 2007. All Kaplan facilities outside of Manhattan (including administrative offices and instructional locations) occupy leased premises.

The offices of Legi-Slate are located in Washington, D.C. and the offices of Washingtonpost.Newsweek Interactive are located in Arlington, Virginia. Post-Newsweek Business Information has its headquarters office in Vienna, Virginia and also maintains office space in Silver Spring, Maryland and Waltham, Massachusetts. The office space for each of these units is leased.

ITEM 3. LEGAL PROCEEDINGS.

The Company and its subsidiaries are parties to various civil lawsuits that have arisen in the ordinary course of their businesses, including actions for libel and invasion of privacy. Management does not believe that any litigation pending against the Company will have a material adverse effect on its business or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Class B Common Stock is traded on the New York Stock Exchange under the symbol "WPO." The Company's Class A Common Stock is not publicly traded.

The high and low sales prices of the Company's Class B Common Stock during the last two years were:

<TABLE>  
<CAPTION>

Quarter -----	1998 ----		1997 ----	
	High ----	Low ---	High ----	Low ---
<S>	<C>	<C>	<C>	<C>
January - March.....	\$ 540	\$ 462	\$ 361	\$ 325
April - June.....	576	514	413	335
July - September.....	606	493	448	400
October - December.....	578	481	491	426

</TABLE>

During 1998 the Company repurchased 41,033 shares of its Class B Common Stock in unsolicited transactions at prices no higher than the last sale price on the New York Stock Exchange. All of the repurchased shares were included in trading volume reported on that year's consolidated tape and accounted for about 1.3% of such volume.

At February 19, 1999, there were 23 holders of record of the Company's Class A Common Stock and 1,234 holders of record of the Company's Class B Common Stock.

Both classes of the Company's Common Stock participate equally as to dividends. Quarterly dividends were paid at the rate of \$1.25 per share during 1998 and \$1.20 per share during 1997.

ITEM 6. SELECTED FINANCIAL DATA.

See the information for the years 1994 through 1998 contained in the table titled "Ten-Year Summary of Selected Historic Financial Data" which is included in this Annual Report on Form 10-K and listed in the index to financial information on page 25 hereof (with only the information for such years to be deemed filed as part of this Annual Report on Form 10-K).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

See the information contained under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition" which

is included in this Annual Report on Form 10-K and listed in the index to financial information on page 25 hereof.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As discussed in Note C to the Company's Consolidated Financial Statements at January 3, 1999, and for the periods then ended, the Company owns common stock in several publicly traded companies. These investments are subject to market price volatility. The Company classifies these investments as available for sale and records them on the balance sheet at fair value with unrealized gains or losses, net of tax effects, reported in separate components of shareholders' equity and comprehensive income.

At January 3, 1999, the fair value of the Company's common stock investments was \$256,116,000. The following table presents the hypothetical fair value of the Company's common stock investments at such date assuming hypothetical changes of plus or minus 10%, 20% and 30% in the market price of each stock included therein:

<TABLE>  
<CAPTION>

	Value of Common Stock Investments Assuming Indicated Decrease in Each Stock's Price			Value of Common Stock Investments Assuming Indicated Increase in Each Stock's Price		
	-30%	-20%	-10%	+10%	+20%	+30%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
\$179,281,000	\$204,893,000	\$230,504,000	\$281,728,000	\$307,339,000	\$332,951,000	

</TABLE>

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the Company's Consolidated Financial Statements at January 3, 1999, and for the periods then ended, together with the report of PricewaterhouseCoopers LLP thereon and the information contained in Note N to said Consolidated Financial Statements titled "Summary of Quarterly Operating Results and Comprehensive Income (Unaudited)," which are included in this Annual Report on Form 10-K and listed in the index to financial information on page 25 hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information contained under the heading "Executive Officers" in Item 1 hereof and the information contained under the headings "Nominees for Election by Class A Stockholders," "Nominees for Election by Class B Stockholders" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive Proxy Statement for the Company's 1999 Annual Meeting of Stockholders is incorporated herein by reference thereto.

ITEM 11. EXECUTIVE COMPENSATION.

The information contained under the headings "Compensation of Directors," "Executive Compensation," "Retirement Plans," "Compensation Committee Report on Executive Compensation," "Compensation Committee Interlocks and Insider Participation," and "Performance Graph" in the definitive Proxy Statement for the Company's 1999 Annual Meeting of Stockholders is incorporated herein by reference thereto.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information contained under the heading "Stock Holdings of Certain Beneficial Owners and Management" in the definitive Proxy Statement for the Company's 1999 Annual Meeting of Stockholders is incorporated herein by reference thereto.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information contained under the heading "Certain Transactions" in the definitive Proxy Statement for the Company's 1999 Annual Meeting of Stockholders is incorporated herein by reference thereto.

PART IV

(a) THE FOLLOWING DOCUMENTS ARE FILED AS PART OF THIS REPORT:

(i) Financial Statements and Financial Statement Schedules

As listed in the index to financial information on page 25 hereof.

(ii) Exhibits

As listed in the index to exhibits on page 54 hereof.

(b) REPORTS ON FORM 8-K.

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, ON MARCH 25, 1999.

THE WASHINGTON POST COMPANY  
(Registrant)

By John B. Morse, Jr.

-----  
John B. Morse, Jr.  
Vice President-Finance

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PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES INDICATED ON MARCH 25, 1999:

<TABLE>	
<S>	<C>
Donald E. Graham	Chairman of the Board and Chief Executive Office (Principal Executive Officer) and Director
Alan G. Spoon	President, Chief Operating Officer and Director
Katharine Graham	Chairman of the Executive Committee of the Board and Director
John B. Morse, Jr.	Vice President-Finance (Principal Financial and Accounting Officer)
Warren E. Buffett	Director
Daniel B. Burke	Director
James E. Burke	Director
Martin Cohen	Director
George J. Gillespie, III	Director
Ralph E. Gomory	Director
Donald R. Keough	Director
Barbara Scott Preiskel	Director
William J. Ruane	Director
Richard D. Simmons	Director
George W. Wilson	Director
</TABLE>	

By John B. Morse, Jr.

-----  
John B. Morse, Jr.  
Attorney-in-Fact

An original power of attorney authorizing Donald E. Graham, Alan G. Spoon, Katharine Graham and John B. Morse, Jr., and each of them, to sign all reports required to be filed by the Registrant pursuant to the Securities Exchange Act of 1934 on behalf of the above-named directors and officers has been filed with the Securities and Exchange Commission.

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INDEX TO FINANCIAL INFORMATION

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THE WASHINGTON POST COMPANY

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All other schedules have been omitted either because they are not applicable or because the required information is included in the consolidated financial statements or the notes thereto referred to above.

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## REPORT OF INDEPENDENT ACCOUNTANTS

To The Board of Directors and Shareholders of  
The Washington Post Company

In our opinion, the consolidated financial statements, including the financial statement schedule, referred to under Item 14(a)(i) on page 22 and listed in the index on page 25 present fairly, in all material respects, the financial position of The Washington Post Company and its subsidiaries at January 3, 1999 and December 28, 1997, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 3, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Washington, D.C.  
February 22, 1999

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Consolidated Statements of Income

<TABLE>  
<CAPTION>

(in thousands, except share amounts)	Fiscal year ended		
	January 3, 1999	December 28, 1997	December 29, 1996
<S>	<C>	<C>	<C>
OPERATING REVENUES			
Advertising	\$1,297,621	\$1,236,877	\$1,172,706
Circulation and subscriber	547,450	519,620	490,973
Other	265,289	199,756	189,766
	2,110,360	1,956,253	1,853,445
OPERATING COSTS AND EXPENSES			
Operating	1,139,177	1,019,869	1,007,057
Selling, general and administrative	453,149	449,996	414,280
Depreciation of property, plant and equipment	89,248	71,478	65,103
Amortization of goodwill and other intangibles	49,889	33,559	29,836
	1,731,463	1,574,902	1,516,276
INCOME FROM OPERATIONS	378,897	381,351	337,169
Equity in (losses) earnings of affiliates	(5,140)	9,955	19,702
Interest income	1,137	3,471	5,359
Interest expense	(11,538)	(1,252)	(1,514)
Other income (expense), net	304,703	69,549	(499)
INCOME BEFORE INCOME TAXES	668,059	463,074	360,217
PROVISION FOR INCOME TAXES	250,800	181,500	139,400
NET INCOME	417,259	281,574	220,817
REDEEMABLE PREFERRED STOCK DIVIDENDS	(956)	(956)	(680)
NET INCOME AVAILABLE FOR COMMON SHARES	\$ 416,303	\$ 280,618	\$ 220,137
BASIC EARNINGS PER COMMON SHARE	\$ 41.27	\$ 26.23	\$ 20.08
DILUTED EARNINGS PER COMMON SHARE	\$ 41.10	\$ 26.15	\$ 20.05

</TABLE>

Consolidated Statements of Comprehensive Income

<TABLE>  
<CAPTION>

(in thousands)	Fiscal year ended		
	January 3, 1999	December 28, 1997	December 29, 1996
<S>	<C>	<C>	<C>
NET INCOME	\$417,259	\$281,574	\$220,817
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign currency translation adjustments	(1,136)	(5,127)	(874)
Change in unrealized gain on available-for-sale securities	68,768	(5,121)	(113)
	67,632	(10,248)	(987)
Income tax (expense) benefit related to other comprehensive income (loss)	(26,819)	1,997	44
	40,813	(8,251)	(943)
COMPREHENSIVE INCOME	\$458,072	\$273,323	\$219,874

</TABLE>

The information on pages 32 through 43 is an integral part of the financial statements.

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Consolidated Balance Sheets

<TABLE>  
<CAPTION>

(in thousands, except share amounts)	January 3, 1999	December 28, 1997
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,190	\$ 21,117
Investments in marketable equity securities	71,676	3,366
Accounts receivable, net	236,514	244,203
Federal and state income taxes	35,395	--
Inventories	20,154	19,213
Other current assets	25,949	23,959
	404,878	311,858
PROPERTY, PLANT AND EQUIPMENT		
Buildings	248,764	188,836
Machinery, equipment and fixtures	977,710	800,435
Leasehold improvements	50,556	39,017
	1,277,030	1,028,288
Less accumulated depreciation	(566,616)	(577,445)
	710,414	450,843
Land	41,191	33,953
Construction in progress	89,457	168,954
	841,062	653,750
INVESTMENTS IN MARKETABLE EQUITY SECURITIES	184,440	--
INVESTMENTS IN AFFILIATES	68,530	154,791
GOODWILL AND OTHER INTANGIBLES, less accumulated amortization of \$286,135 and \$241,308	883,232	679,714
PREPAID PENSION COST	256,134	194,137

DEFERRED CHARGES AND OTHER ASSETS

91,385

83,067

-----  
\$2,729,661-----  
\$2,077,317  
=====

&lt;/TABLE&gt;

The information on pages 32 through 43 is an integral part of the financial statements.

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29

&lt;TABLE&gt;

&lt;CAPTION&gt;

(in thousands, except share amounts)

January 3,  
1999December 28,  
1997

&lt;S&gt;

&lt;C&gt;

&lt;C&gt;

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and accrued liabilities

\$ 245,068

\$ 213,824

Federal and state income taxes

--

18,352

Deferred subscription revenue

85,649

80,186

Short-term borrowings

58,362

296,394

-----  
389,079-----  
608,756

OTHER LIABILITIES

261,896

241,234

DEFERRED INCOME TAXES

83,710

31,306

LONG-TERM DEBT

395,000

--

-----  
1,129,685-----  
881,296  
-----

COMMITMENTS AND CONTINGENCIES

REDEEMABLE PREFERRED STOCK, Series A, \$1 par value, with a redemption and liquidation value of \$1,000 per share; 23,000 shares authorized; 11,873 and 11,947 shares issued and outstanding

11,873

11,947

PREFERRED STOCK, \$1 par value; 977,000 shares authorized, none issued

-----  
-------  
--  
-----

COMMON SHAREHOLDERS' EQUITY

Common stock

Class A common stock, \$1 par value; 7,000,000 shares authorized; 1,739,250 shares issued and outstanding

1,739

1,739

Class B common stock, \$1 par value; 40,000,000 shares authorized; 18,260,750 shares issued; 8,353,994 and 8,349,962 shares outstanding

18,261

18,261

Capital in excess of par value

46,199

33,415

Retained earnings

2,597,217

2,231,341

Accumulated other comprehensive income (loss), net of taxes

Cumulative foreign currency translation adjustment

(1,600)

(464)

Unrealized gain on available-for-sale securities

41,980

31

Cost of 9,906,756 and 9,910,788 shares of Class B common stock held in treasury

(1,115,693)

(1,100,249)

-----  
1,588,103-----  
1,184,074-----  
\$2,729,661-----  
\$2,077,317  
=====

&lt;/TABLE&gt;

The information on pages 32 through 43 is an integral part of the financial statements.

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30

Consolidated Statements of Cash Flows



<TABLE>  
<CAPTION>

(in thousands)	Fiscal year ended		
	January 3, 1999	December 28, 1997	December 29, 1996
<S>	<C>	<C>	<C>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 417,259	\$ 281,574	\$ 220,817
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant and equipment	89,248	71,478	65,103
Amortization of goodwill and other intangibles	49,889	33,559	29,836
Net pension benefit	(61,997)	(30,227)	(23,269)
Gain from disposition of businesses, net	(314,400)	(44,560)	(3,112)
Equity in losses (earnings) of affiliates, net of distributions	9,145	(6,996)	(11,099)
Provision for deferred income taxes	26,987	3,089	(4,273)
Change in assets and liabilities:			
Decrease (increase) in accounts receivable, net	22,041	(8,438)	(31,444)
(Increase) decrease in inventories	(941)	5,214	2,339
Increase in accounts payable and accrued liabilities	13,949	19,638	26,923
(Decrease) increase in income taxes payable	(53,747)	(13,709)	1,887
Decrease in other assets and other liabilities, net	6,778	2,690	3,634
Other	18,902	4,985	8,073
Net cash provided by operating activities	223,113	318,297	285,415
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net proceeds from sale of businesses	376,442	120,208	3,517
Purchases of property, plant and equipment	(244,219)	(214,573)	(79,981)
Purchases of marketable equity securities	(164,955)	--	--
Sales and maturities of marketable securities	38,246	--	12,821
Investments in certain businesses	(320,597)	(178,943)	(147,471)
Other	(5,960)	(3,187)	784
Net cash used in investing activities	(321,043)	(276,495)	(210,330)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Principal payments on debt	(296,394)	--	(50,209)
Issuance of debt	453,362	296,394	--
Issuance of redeemable preferred stock	--	--	11,947
Redemption of redeemable preferred stock	(74)	--	--
Dividends paid	(51,383)	(52,592)	(51,164)
Common shares repurchased	(20,512)	(368,565)	(32,302)
Proceeds from exercise of stock options	7,004	1,800	2,020
Net cash provided by (used in) financing activities	92,003	(122,963)	(119,708)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,927)	(81,161)	(44,623)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21,117	102,278	146,901
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 15,190	\$ 21,117	\$ 102,278
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>			
Cash paid during the year for:			
Income taxes	\$ 280,000	\$ 164,000	\$ 142,000
Interest, net of amounts capitalized	\$ 8,700	\$ 350	\$ 5,115

</TABLE>

The information on pages 32 through 43 is an integral part of the financial statements.

Consolidated Statements of Changes  
in Common Shareholders' Equity

<TABLE>  
<CAPTION>

Class A Common	Class B Common	Capital in Excess of	Retained	Cumulative Foreign Currency Translation	Unrealized Gain on Available- for-Sale	Treasury
-------------------	-------------------	-------------------------	----------	--	---	----------

(in thousands, except share amounts)	Stock	Stock	Par Value	Earnings	Adjustment	Securities	Stock
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	\$1,804	\$18,196	\$24,941	\$1,832,706	\$ 5,537	\$ 3,224	\$ (702,204)
Net income for the year				220,817			
Dividends paid on common stock -- \$4.60 per share				(50,484)			
Dividends paid on redeemable preferred stock				(680)			
Repurchase of 103,642 shares of Class B common stock							(32,302)
Issuance of 8,644 shares of Class B common stock, net of restricted stock award forfeitures			1,173				677
Change in foreign currency translation adjustment (net of taxes)					(874)		
Change in unrealized gain on available-for-sale securities (net of taxes)						(69)	
Conversion of Class A common stock to Class B common stock	(25)	25					
Other			341				
Balance, December 29, 1996	1,779	18,221	26,455	2,002,359	4,663	3,155	(733,829)
Net income for the year				281,574			
Dividends paid on common stock -- \$4.80 per share				(51,636)			
Dividends paid on redeemable preferred stock				(956)			
Repurchase of 846,290 shares of Class B common stock							(368,565)
Issuance of 24,962 shares of Class B common stock, net of restricted stock award forfeitures			6,025				2,145
Change in foreign currency translation adjustment (net of taxes)					(5,127)		
Change in unrealized gain on available-for-sale securities (net of taxes)						(3,124)	
Conversion of Class A common stock to Class B common stock	(40)	40					
Other			935				
Balance, December 28, 1997	1,739	18,261	33,415	2,231,341	(464)	31	(1,100,249)
Net income for the year				417,259			
Dividends paid on common stock -- \$5.00 per share				(50,427)			
Dividends paid on redeemable preferred stock				(956)			
Repurchase of 41,033 shares of Class B common stock							(20,512)
Issuance of 45,065 shares of Class B common stock, net of restricted stock award forfeitures			9,772				5,068
Change in foreign currency translation adjustment (net of taxes)					(1,136)		
Change in unrealized gain on available-for-sale securities (net of taxes)						41,949	
Other			3,012				
Balance, January 3, 1999	\$1,739	\$18,261	\$46,199	\$2,597,217	\$ (1,600)	\$41,980	\$ (1,115,693)

</TABLE>

The information on pages 32 through 43 is an integral part of the financial statements.

Notes to Consolidated Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Washington Post Company (the "Company") is a diversified media organization whose principal operations consist of newspaper publishing (primarily The Washington Post newspaper), television broadcasting (through the ownership and operation of six network-affiliated television stations), the ownership and operation of cable television systems, and magazine publishing (primarily Newsweek magazine). The Company also produces news and other information products and services for electronic distribution and provides test preparation and related services.

FISCAL YEAR. The Company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. The fiscal year 1998, which ended on January 3, 1999, included 53 weeks, while 1997 and 1996 each included 52 weeks. With the exception of the newspaper publishing operations, subsidiaries of the Company report on a calendar-year basis.

PRINCIPLES OF CONSOLIDATION. The accompanying financial statements include the accounts of the Company and its subsidiaries; significant intercompany transactions have been eliminated.

PRESENTATION. Certain amounts in previously issued financial statements have been reclassified to conform to the 1998 presentation.

USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

CASH EQUIVALENTS. Short-term investments with original maturities of 90 days or less are considered cash equivalents.

INVESTMENTS IN MARKETABLE EQUITY SECURITIES. The Company's investments in marketable equity securities are classified as available-for-sale and therefore are recorded at fair value in the Consolidated Balance Sheets, with the change in fair value during the period excluded from earnings and recorded net of tax as a separate component of equity and comprehensive income.

INVENTORIES. Inventories are valued at the lower of cost or market. Cost of newsprint is determined by the first-in, first-out method, and cost of magazine paper is determined by the specific-cost method.

INVESTMENTS IN AFFILIATES. The Company uses the equity method of accounting for its investments in and earnings or losses of affiliates.

PROPERTY, PLANT AND EQUIPMENT. Property, plant and equipment is recorded at cost and includes interest capitalized in connection with major long-term construction projects. Replacements and major improvements are capitalized; maintenance and repairs are charged to operations as incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the property, plant and equipment: 3 to 20 years for machinery and equipment, and 20 to 50 years for buildings. The costs of leasehold improvements are amortized over the lesser of the useful lives or the terms of the respective leases.

GOODWILL AND OTHER INTANGIBLES. Goodwill and other intangibles represent the unamortized excess of the cost of acquiring subsidiary companies over the fair values of such companies' net tangible assets at the dates of acquisition. Goodwill and other intangibles are being amortized by use of the straight-line method over periods ranging from 15 to 40 years (with the majority being amortized over 15 to 20 years).

LONG-LIVED ASSETS. The recoverability of long-lived assets, including goodwill and other intangibles, is assessed annually or whenever adverse events and changes in circumstances indicate that previously anticipated undiscounted cash flows warrant assessment.

PROGRAM RIGHTS. The broadcast subsidiaries are parties to agreements that entitle them to show syndicated and other programs on television. The cost of such program rights is recorded when the programs are available for broadcasting and such costs are charged to operations as the programming is aired.

DEFERRED SUBSCRIPTION REVENUE AND MAGAZINE SUBSCRIPTION PROCUREMENT COSTS. Deferred subscription revenue, which primarily represents amounts received from customers in advance of magazine and newspaper deliveries, is included in revenues over the related subscription term.

Deferred subscription revenue to be earned after one year is included in "Other liabilities" in the Consolidated Balance Sheets. Magazine subscription procurement costs are charged to operations as incurred.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS. The Company provides certain health care and life insurance benefits for retired employees. The expected cost of providing these postretirement benefits is accrued over the years that employees render services.

INCOME TAXES. The provision for income taxes is determined using the asset and liability approach. Under this approach,

deferred income taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities.

FOREIGN CURRENCY TRANSLATION. Gains and losses on foreign currency transactions and the translation of the accounts of the Company's foreign operations where

the U.S. dollar is the functional currency are recognized currently in the Consolidated Statements of Income. Gains and losses on translation of the accounts of the Company's foreign operations where the local currency is the functional currency and the Company's equity investments in its foreign affiliates are accumulated and reported as a separate component of equity and comprehensive income.

STOCK-BASED COMPENSATION. The Company accounts for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Pro forma disclosures of net income and earnings per share as if the fair-value based method prescribed by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" had been applied in measuring compensation expense are provided in Note H.

FAIR VALUE OF FINANCIAL INSTRUMENTS. The carrying amount of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and short-term borrowings approximates fair value because of the short maturity of those instruments. The carrying amount of the Company's long-term debt approximates fair value as such borrowings represent commercial paper borrowings with short-term maturities. These borrowings have been classified as long-term at January 3, 1999 based upon the Company's ability and intent to refinance such amounts under a long-term borrowing arrangement completed in February 1999.

NEW ACCOUNTING STANDARDS. In 1998, the Company implemented SFAS No. 130, "Reporting Comprehensive Income," which requires the presentation of comprehensive income. Comprehensive income equals the change in the equity of a business enterprise during a period from transactions and other events arising from non-owner sources. The implementation of this accounting standard resulted in the addition of the "Consolidated Statement of Comprehensive Income" to the Company's consolidated financial statements.

In December 1998, the Company implemented SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires companies to report certain information about their operating segments. Upon implementing this new accounting standard, the Company changed the manner in which it reports operating segment results to reflect its corporate office expenses in the "other businesses and corporate office" segment. Previously, the Company had allocated its corporate office expenses to each of its operating segments. Prior period operating segment results have been adjusted to reflect this reporting change. The Company's operating segment disclosures, reflecting the implementation of this new accounting standard, are included in Note M.

Also in December 1998, the Company adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," which revises employers' disclosures about pension and other postretirement benefit plans. The Company's revised disclosures resulting from the implementation of this accounting standard are included in Note I.

B. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable at January 3, 1999, and December 28, 1997, consist of the following (in thousands):

<TABLE>  
<CAPTION>

	1998	1997
Accounts receivable, less estimated returns, doubtful accounts and allowances of \$55,050 and \$49,706	\$216,500	\$229,782
Other	20,014	14,421
	\$236,514	\$244,203

</TABLE>

Accounts payable and accrued liabilities at January 3, 1999, and December 28, 1997, consist of the following (in thousands):

<TABLE>  
<CAPTION>

	1998	1997
Accounts payable and accrued expenses	\$170,018	\$136,368
Accrued payroll and related benefits	55,133	48,115
Deferred tuition revenue	13,166	20,988
Due to affiliates (newsprint)	6,751	8,353

</TABLE>

=====

</TABLE>

C. INVESTMENTS IN MARKETABLE EQUITY SECURITIES

Investments in marketable equity securities at January 3, 1999 and December 28, 1997, consist of the following (in thousands):

<TABLE>

<CAPTION>

	1998	1997
<S>	<C>	<C>
Total cost	\$187,297	\$3,315
Gross unrealized gains	68,819	51
-----		
Total fair value	\$256,116	\$3,366
=====		

</TABLE>

At January 3, 1999, the Company's ownership of 747,100 shares of General Re Corporation ("General Re") common stock and 20 shares of Berkshire Hathaway, Inc. ("Berkshire") Class A common stock account for approximately 72 percent of the total fair value of the Company's investments in marketable equity securities. The investment in General Re and Berkshire common stock was acquired by the Company throughout the third and fourth quarters of 1998 from the open market for a total cost of \$164,955,000. The gross unrealized gain on the General Re and Berkshire common stock totaled \$19,485,000 at January 3, 1999.

On December 21, 1998, General Re and Berkshire announced the completion of their previously announced merger. Under the terms of the merger agreement, General Re shareholders are entitled to receive at their election either 0.0035 shares of Berkshire Class A Common Stock or 0.105 shares of Berkshire B Common Stock for each share of General Re common stock owned at December 21, 1998. On January 26, 1999, the Company converted its 747,100 shares of General Re common stock into 2,614 shares of Berkshire Class A Common Stock and 25 shares of Berkshire Class B Common Stock. The fair value of the Berkshire common stock received at the date of conversion totaled \$173,240,000.

Berkshire is a holding company owning subsidiaries engaged in a number of diverse business activities; the most significant of which consist of property and casualty insurance business conducted on both a direct and reinsurance basis. Berkshire also owns approximately 17 percent of the common stock of the Company. The chairman, chief executive officer and largest shareholder of Berkshire, Mr. Warren Buffett, is a member of the Company's Board of Directors. Neither Berkshire nor Mr. Buffett participated in the Company's evaluation, approval or execution of its decision to invest in General Re common stock. The Company's investment in Berkshire common stock (after conversion) is less than 1 percent of the consolidated equity of Berkshire. At present, the Company intends to hold the Berkshire common stock investment long-term; thus this investment has been classified as a non-current asset in the Consolidated Balance Sheets.

The remaining investments in marketable equity securities at January 3, 1999 consist of common stock investments in various publicly traded companies, most of which have concentrations in Internet business activities. In most cases, the Company obtained ownership of these common stocks as a result of merger or acquisition transactions in which these companies merged or acquired various small Internet related companies in which the Company held minor investments.

During 1998, proceeds from sales of marketable equity securities were \$38,246,000 and gross realized gains on such sales were \$2,168,000. There were no sales of marketable equity securities during 1997 or 1996. Gross realized gains or losses upon the sale of marketable equity securities are included in "Other income (expense), net" in the Consolidated Statements of Income. For purposes of computing realized gains and losses, the cost basis of securities sold is determined by specific identification.

At February 22, 1999, the fair value of the Company's investments in marketable equity securities approximated \$253,168,000, representing a \$2,948,000 decline in the fair value since January 3, 1999. There were no significant acquisitions or dispositions of marketable equity securities from January 3, 1999 through February 22, 1999.

D. INVESTMENTS IN AFFILIATES

The Company's investments in affiliates at January 3, 1999 and December 28, 1997

include the following (in thousands):

	1998	1997
Bowater Mersey Paper Company Limited	\$40,121	\$ 39,995
Cowles Media Company	--	91,904
Other	28,409	22,892
	\$68,530	\$154,791

At January 3, 1999, and December 28, 1997, the Company's investments in affiliates include a 49 percent interest in the common stock of Bowater Mersey Paper Company Limited, which owns and operates a newsprint mill in Nova Scotia, a 50 percent common stock interest in the International Herald Tribune Newspaper, published near Paris, France, and a 50 percent common stock interest in the Los Angeles Times-Washington Post News Service, Inc.

At December 28, 1997, the Company's investment in affiliates also included a 28 percent interest in the stock of Cowles Media Company (Cowles), which at that time owned and operated the Minneapolis Star Tribune and several other smaller properties. As further described in Note K, in March 1998, the Company disposed of its 28 percent interest in Cowles in connection with the merger of Cowles and McClatchy Newspaper, Inc.

Operating costs and expenses of the Company include newsprint supplied by Bowater, Inc. (parent to Bowater Mersey Paper Company Limited), the cost of which was approximately \$39,800,000 in 1998, \$40,100,000 in 1997 and \$41,500,000 in 1996. Prior to 1998, the Company owned a 35 percent interest in Bear Island Paper Company (see Note K for discussion of disposition in December 1997) which supplied the Company with newsprint at a cost of \$23,700,000 in 1997 and \$25,700,000 in 1996.

The following table summarizes the status and results of the Company's investments in affiliates (in thousands):

	1998	1997
Beginning investment	\$154,791	\$199,278
Additional investment	15,187	--
Equity in (losses) earnings	(5,140)	9,955
Dividends and distributions received	(1,587)	(2,959)
Foreign currency translation	(1,134)	(5,128)
Sale of interest in Cowles	(93,587)	--
Sale of interest in Bear Island	--	(46,355)
Ending investment	\$ 68,530	\$154,791

At January 3, 1999, the unamortized excess of the Company's investments over its equity in the underlying net assets of its affiliates at the dates of acquisition was approximately \$13,100,000. Amortization included in "Equity in (losses) earnings of affiliates" in the Consolidated Statements of Income was approximately \$777,000 for the year ended January 3, 1999, \$2,500,000 for the year ended December 28, 1997, and \$2,600,000 for the year ended December 29, 1996.

E. INCOME TAXES

The provision for income taxes consists of the following (in thousands):

	Current	Deferred
1998		
U.S. Federal	\$200,898	\$ 20,446

Foreign	1,233	255
State and local	21,682	6,286
	-----	-----
	\$223,813	\$ 26,987
	=====	=====
1997		
U.S. Federal	\$149,003	\$ 2,210
Foreign	915	(165)
State and local	28,493	1,044
	-----	-----
	\$178,411	\$ 3,089
	=====	=====
1996		
U.S. Federal	\$120,612	\$ (3,575)
Foreign	718	598
State and local	22,343	(1,296)
	-----	-----
	\$143,673	\$ (4,273)
	=====	=====

</TABLE>

The provision for income taxes exceeds the amount of income tax determined by applying the U.S. Federal statutory rate of 35 percent to income before taxes as a result of the following (in thousands):

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
U.S. Federal statutory taxes	\$233,821	\$162,076	\$126,076
State and local taxes, net of U.S. Federal income tax benefit	18,179	19,199	13,681
Amortization of goodwill not deductible for income tax purposes	5,644	2,492	2,336
IRS approved accounting change	(3,550)	--	--
Other, net	(3,294)	(2,267)	(2,693)
	-----	-----	-----
Provision for income taxes	\$250,800	\$181,500	\$139,400
	=====	=====	=====

</TABLE>

Deferred income taxes at January 3, 1999, December 28, 1997 and December 29, 1996, consist of the following (in thousands):

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Accrued postretirement benefits	\$ 52,971	\$ 51,076	\$ 49,363
Other benefit obligations	37,450	34,358	26,634
Accounts receivable	13,695	9,127	8,399
Other	9,656	8,319	12,373
	-----	-----	-----
Deferred tax asset	113,772	102,880	96,769
	-----	-----	-----
Property, plant and equipment	60,793	40,498	39,248
Prepaid pension cost	101,884	79,978	65,300
Affiliate operations	4,797	7,645	14,977
Investment tax credit	713	813	1,589
Unrealized gain on available-for-sale securities	26,839	20	2,017
Other	2,456	5,232	3,785
	-----	-----	-----
Deferred tax liability	197,482	134,186	126,916
	-----	-----	-----
Deferred income taxes	\$ 83,710	\$ 31,306	\$ 30,147
	=====	=====	=====

</TABLE>

#### F. DEBT

In March 1998, the Company replaced its existing \$300,000,000 revolving credit

facility with a five-year \$500,000,000 revolving credit facility to support the issuance of commercial paper. Under the terms of the revolving credit facility, interest on borrowings are at floating rates, and the Company is required to pay a facility fee of 0.055 percent and 0.15 percent on unused and used portions of the facility, respectively. The credit facility also contains certain covenants, including a financial covenant that

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requires the Company to maintain at least \$850,000,000 of consolidated shareholders' equity.

At January 3, 1999 and December 28, 1997, the Company had \$453,362,000 and \$296,394,000, respectively, in short-term commercial paper borrowings outstanding at average interest rates of 5.4 percent and 5.8 percent, respectively. The Company incurred interest costs of \$13,800,000 during 1998 on its short-term commercial paper borrowings of which \$5,600,000 was capitalized in connection with the construction and upgrade of qualifying assets. The Company incurred \$552,000 in interest expense on borrowings during 1997 and no interest expense in 1996.

On February 15, 1999, the Company completed the issuance of \$400,000,000, 5.5 percent unsecured Notes due February 15, 2009. The Company is required to pay interest related to these notes on February 15 and August 15, of each year. The first interest payment of approximately \$11,000,000 is due on August 15, 1999.

The Company intends to use the net proceeds (approximately \$395,000,000) resulting from the issuance of its 5.5 percent, 10-year Notes to repay an equal amount of commercial paper borrowings outstanding. Given the Company's ability and intent to refinance \$395,000,000 of its short-term commercial paper borrowings outstanding at January 3, 1999, this amount has been classified as long-term debt in the Consolidated Balance Sheets.

#### G. REDEEMABLE PREFERRED STOCK

In connection with the acquisition of a cable television system during the first quarter of 1996, the Company issued 11,947 shares of its Series A Preferred Stock and agreed to issue an additional 1,282 shares of such stock on February 23, 2000 (which additional number of shares is subject to reduction in the event of any breach of the representations and warranties made by the seller in the acquisition agreement). During 1998, the Company redeemed 74 shares of the Series A Preferred Stock at the request of a Series A Preferred Stockholder.

The Series A Preferred Stock has a par value of \$1.00 per share and a liquidation preference of \$1,000 per share; it is redeemable by the Company at any time on or after October 1, 2015 at a redemption price of \$1,000 per share. In addition, the holders of such stock have a right to require the Company to purchase their shares at the redemption price during an annual 60-day election period, with the first such period beginning on February 23, 2001. Dividends on the Series A Preferred Stock are payable four times a year at the annual rate of \$80.00 per share and in preference to any dividends on the Company's common stock. The Series A Preferred Stock is not convertible into any other security of the Company, and the holders thereof have no voting rights except with respect to any proposed changes in the preferences and special rights of such stock.

#### H. CAPITAL STOCK, STOCK AWARDS AND STOCK OPTIONS

CAPITAL STOCK. Each share of Class A common stock and Class B common stock participates equally in dividends. The Class B stock has limited voting rights and as a class has the right to elect 30 percent of the Board of Directors; the Class A stock has unlimited voting rights including the right to elect a majority of the Board of Directors.

During 1998, 1997 and 1996, the Company purchased a total of 41,033, 846,290 and 103,642 shares, respectively, of its Class B common stock at a cost of approximately \$20,512,000, \$368,565,000 and \$32,302,000.

STOCK AWARDS. In 1982, the Company adopted a long-term incentive compensation plan that, among other provisions, authorizes the awarding of Class B common stock to key employees. Stock awards made under this incentive compensation plan are subject to the general restriction that stock awarded to a participant will be forfeited and revert to Company ownership if the participant's employment terminates before the end of a specified period of service to the Company. At January 3, 1999, there were 92,245 shares reserved for issuance under the incentive compensation plan. Of this number, 30,730 shares were subject to awards outstanding, and 61,515 shares were available for future awards. Activity related to stock awards under the long-term incentive compensation plan for the years ended January 3, 1999, December 28, 1997 and December 29, 1996, was as follows:



<TABLE>  
<CAPTION>

	1998		1997		1996	
	Number of Shares	Average Award Price	Number of Shares	Average Award Price	Number of Shares	Average Award Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Awards Outstanding						
Beginning of year	32,331	\$281.19	30,490	\$237.83	31,378	\$237.85
Awarded	14,120	522.56	18,285	351.68	64	313.88
Vested	(15,075)	244.10	(13,521)	228.96	--	--
Forfeited	(646)	293.83	(2,923)	285.35	(952)	243.61
End of year	30,730	\$405.40	32,331	\$281.19	30,490	\$237.83

</TABLE>

In addition to stock awards granted under the long-term incentive compensation plan, the Company also made stock awards of 938 shares in 1998 and 2,000 shares in 1997.

For the share awards outstanding at January 3, 1999, the aforementioned restriction will lapse in January 2001 for 18,030 shares, January 2002 for 938 shares, January 2003 for 13,700 shares, and January 2004 for 1,000 shares. Stock-based compensation costs resulting from stock awards reduced net income by \$3.2 million (\$0.32 per share, basic and diluted), \$1.2 million (\$0.11 per share, basic and diluted), and \$1.1 million (\$0.10 per share, basic and diluted) in 1998, 1997 and 1996, respectively.

STOCK OPTIONS. The Company's employee stock option plan, which was adopted in 1971 and amended in 1993, reserves

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1,900,000 shares of the Company's Class B common stock for options to be granted under the plan. The purchase price of the shares covered by an option cannot be less than the fair value on the granting date. At January 3, 1999, there were 611,825 shares reserved for issuance under the stock option plan, of which 246,072 shares were subject to options outstanding and 365,753 shares were available for future grants.

Changes in options outstanding for the years ended January 3, 1999, December 28, 1997 and December 29, 1996, were as follows:

<TABLE>  
<CAPTION>

	1998		1997		1996	
	Number of Shares	Average Option Price	Number of Shares	Average Option Price	Number of Shares	Average Option Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Beginning of year	251,225	\$371.35	178,625	\$270.21	168,525	\$258.59
Granted	25,500	519.32	80,200	583.62	19,500	343.94
Exercised	(30,653)	228.53	(7,600)	234.20	(9,400)	214.89
End of year	246,072	\$404.48	251,225	\$371.35	178,625	\$270.21

</TABLE>

Of the shares covered by options outstanding at the end of 1998, 124,672 are now exercisable, 74,800 will become exercisable in 1999, 22,550 will become exercisable in 2000, 17,675 will become exercisable in 2001, and 6,375 will become exercisable in 2002.

Information related to stock options outstanding at January 3, 1999 is as follows:

<TABLE>  
<CAPTION>

Range of exercise prices	Number outstanding at 1/3/99	Weighted average remaining contractual life (yrs.)	Weighted average exercise price	Number exercisable at 1/3/99	Weighted average exercise price
-----	-----	-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>	<C>
\$173-200	6,000	3.0	\$173.00	6,000	\$173.00
205-319	115,872	3.5	276.86	63,625	243.36
343-350	20,000	8.1	344.37	9,125	344.18
472	43,700	9.0	472.00	10,925	472.00
517-570	25,500	10.0	519.32	--	--
733	35,000	9.0	733.00	35,000	733.00

</TABLE>

All options were granted at an exercise price equal to or greater than the fair market value of the Company's common stock at the date of grant. The weighted-average fair value at the date of grant for options granted during 1998, 1997 and 1996 was \$126.57, \$87.94 and \$96.53, respectively. The fair value of options at date of grant was estimated using the Black-Scholes method utilizing the following assumptions:

<TABLE>			
<CAPTION>			
	1998	1997	1996
<S>	<C>	<C>	<C>
Expected life (years)	7	7	7
Interest rate	4.68%	5.84%	6.26%
Volatility	14.6%	14.2%	14.6%
Dividend yield	1.2%	1.5%	1.5%

</TABLE>

Had the fair values of options granted in 1998, 1997 and 1996 been recognized as compensation expense, net income would have been reduced by \$2.0 million (\$.19 per share, basic and diluted), \$1.6 million (\$.15 per share, basic and diluted) and \$0.4 million (\$.04 per share, basic and diluted) in 1998, 1997 and 1996 respectively.

AVERAGE NUMBER OF SHARES OUTSTANDING. Basic earnings per share are based on the weighted average number of shares of common stock outstanding during each year. Diluted earnings per common share are based upon the weighted average number of shares of common stock outstanding each year, adjusted for the dilutive effect of shares issuable under outstanding stock options. Basic and diluted weighted average share information for 1998, 1997 and 1996 is as follows:

<TABLE>			
<CAPTION>			
	Basic Weighted Average Shares	Dilutive Effect of Stock Options	Diluted Weighted Average Shares
<S>	<C>	<C>	<C>
1998	10,086,786	42,170	10,128,956
1997	10,699,713	33,278	10,732,991
1996	10,963,761	16,036	10,979,797

</TABLE>

#### I. PENSIONS AND OTHER POSTRETIREMENT PLANS

The Company maintains various pension and incentive savings plans and contributes to several multi-employer plans on behalf of certain union represented employee groups. Substantially all of the Company's employees are covered by these plans.

The Company also provides health care and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting age and service requirements.

The following table sets forth obligation, asset and funding information for the Company's defined benefit pension and postretirement plans at January 3, 1999 and December 28, 1997 (in thousands):

<TABLE>					
<CAPTION>					
		Pension Plans		Postretirement Benefits	
		1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
CHANGE IN BENEFIT OBLIGATION					
Benefit obligation at beginning of year	\$	284,278	\$ 261,266	\$ 101,255	\$ 95,096
Service cost		11,335	10,567	3,764	3,511
Interest cost		21,344	19,433	7,417	6,973
Amendments		4,690	--	--	--
Actuarial loss		26,871	4,871	155	31
Benefits paid		(10,473)	(11,859)	(4,812)	(4,356)
Benefit obligation at end of year	\$	338,045	\$ 284,278	\$ 107,779	\$ 101,255

## CHANGE IN PLAN ASSETS

Fair value of assets at beginning of year	\$1,014,531	\$ 731,999	--	--
Actual return on plan assets	304,360	294,212	--	--
Employer contributions	--	179	\$ 4,812	4,356
Benefits paid	(10,473)	(11,859)	(4,812)	(4,356)
-----				
Fair value of assets at end of year	\$1,308,418	\$1,014,531	--	--
-----				
Funded status	\$ 970,373	\$ 730,253	\$ (107,779)	\$ (101,255)
Unrecognized transition asset	(30,606)	(38,271)	(3,366)	(3,744)
Unrecognized prior service cost	17,835	14,824	(11,433)	(12,968)
Unrecognized actuarial gain	(701,468)	(512,669)	--	--
-----				
Net prepaid (accrued) cost	\$ 256,134	\$ 194,137	\$ (122,578)	\$ (117,967)
=====				

&lt;/TABLE&gt;

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The total (income) cost arising from the Company's defined benefit pension and postretirement plans for the years ended January 3, 1999, December 28, 1997 and December 29, 1996, consists of the following components (in thousands):

&lt;TABLE&gt;

&lt;CAPTION&gt;

	Pension Plans			Postretirement Plans		
	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Service cost	\$ 11,335	\$ 10,567	\$ 10,373	\$ 3,764	\$ 3,511	\$ 2,940
Interest cost	21,344	19,433	17,741	7,417	6,973	6,546
Expected return on assets	(71,814)	(51,842)	(43,571)	--	--	--
Amortization of transition asset	(7,665)	(7,665)	(7,665)	--	--	--
Amortization of prior service cost	1,679	1,512	1,370	(378)	(378)	(290)
Recognized actuarial gain	(16,876)	(2,232)	(1,517)	(1,379)	(1,576)	(1,286)
-----						
Total (benefit) cost for the year	\$ (61,997)	\$ (30,227)	\$ (23,269)	\$ 9,424	\$ 8,530	\$ 7,910
=====						

&lt;/TABLE&gt;

The cost for the Company's defined benefit pension and postretirement plans are actuarially determined. Key assumptions utilized at January 3, 1999, December 28, 1997 and December 29, 1996 include the following:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	Pension Plans			Postretirement Plans		
	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Discount rate	7.0%	7.5%	7.5%	7.0%	7.5%	7.5%
Expected return on plan assets	9.0%	9.0%	9.0%	--	--	--
Rate of compensation increase	4.0%	4.0%	4.0%	--	--	--

&lt;/TABLE&gt;

The assumed health care cost trend rate used in measuring the postretirement benefit obligation at January 3, 1999 was 9.8 percent for pre-age 65 benefits (9.3 percent for post-age 65 benefits) decreasing to 5.0 percent in the year 2015 and thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in the assumed health care cost trend rates would have the following effects (in thousands):

&lt;TABLE&gt;

&lt;CAPTION&gt;

	1%	1%
	Increase	Decrease
<S>	<C>	<C>

Benefit obligation at end of year	\$14,267	\$ (14,029)
Service cost plus interest cost	1,637	(1,615)

Contributions to multi-employer pension plans, which are generally based on hours worked, amounted to \$2,300,000 in 1998, \$2,000,000 in 1997 and \$1,700,000 in 1996.

The Company recorded expense associated with retirement benefits provided under incentive savings plans (primarily 401k plans) of \$13,300,000 in 1998, \$12,400,000 in 1997 and \$12,000,000 in 1996.

J. LEASE AND OTHER COMMITMENTS

The Company leases primarily real property under operating agreements. Many of the leases contain renewal options and escalation clauses that require payments of additional rent to the extent of increases in the related operating costs.

At January 3, 1999, future minimum rental payments under noncancelable operating leases approximate the following (in thousands):

<TABLE>	<C>
<S>	
1999	\$ 29,800
2000	26,700
2001	23,400
2002	19,500
2003	15,800
Thereafter	50,700
	-----
	\$165,900
	=====

</TABLE>

Minimum payments have not been reduced by minimum sublease rentals of \$2,200,000 due in the future under noncancelable subleases.

Rent expense under operating leases included in operating costs and expenses was approximately \$31,800,000, \$27,800,000 and \$24,900,000 in 1998, 1997 and 1996, respectively. Sublease income was approximately \$500,000, \$400,000 and \$800,000 in 1998, 1997 and 1996, respectively.

The Company's broadcast subsidiaries are parties to certain agreements that commit them to purchase programming to be produced in future years. At January 3, 1999, such commitments amounted to approximately \$38,400,000. If such programs are not produced, the Company's commitment would expire without obligation.

K. ACQUISITIONS, EXCHANGES AND DISPOSITIONS

ACQUISITIONS. The Company completed acquisitions totaling approximately \$320,600,000 in 1998, \$118,900,000 in 1997 and \$147,500,000 in 1996. All of these acquisitions were accounted for using the purchase method and, accordingly, the assets and liabilities of the companies acquired have been recorded at their estimated fair values at the date of acquisition.

Acquisitions in 1998 included an educational services company that provides English language study programs (in January 1998 for \$16,100,000); a 36,000 subscriber cable system serving Anniston, Alabama (in June 1998 for \$66,500,000); cable systems serving 72,000 subscribers in Mississippi, Louisiana, Texas and Oklahoma (in July 1998 for \$130,100,000); and a publisher and provider of licensing training for securities, insurance and real estate professionals (in July 1998 for \$35,200,000). In addition,

the Company acquired various other smaller businesses throughout 1998 for \$72,700,000 (principally consisting of educational and career service companies and small cable systems).

In 1997, the Company acquired cable systems serving approximately 16,000 subscribers in Cleveland, Mississippi (in February 1997 for \$23,900,000), the publishing rights to two computer service industry trade periodicals and the rights to conduct two computer industry trade shows (in December 1997 for \$84,500,000), and various other smaller businesses throughout 1997 for \$10,500,000.

In 1996, the Company acquired cable systems serving approximately 39,700 subscribers in Texarkana and Columbus, Missouri (in January and February 1996 for \$83,000,000), a cable system serving approximately 26,300 subscribers in Prescott, Arizona (in August 1996 for \$46,000,000), and various other smaller

businesses throughout 1996 for \$18,500,000.

The results of operations for each of the businesses acquired are included in the Consolidated Statements of Income from their respective dates of acquisition. Pro forma results of operations for 1998, 1997 and 1996, assuming the acquisitions occurred at the beginning of 1996, are not materially different from reported results of operations.

EXCHANGES. In June 1997, the Company exchanged the assets of certain cable systems with Tele-Communications, Inc. This trade resulted in an increase of about 21,000 subscribers for the Company.

In September 1997, the Company completed a transaction with Meredith Corporation whereby the Company exchanged the assets of WFSB-TV, the CBS affiliate in Hartford, Connecticut, and approximately \$60,000,000 for the assets of WCPX-TV, the CBS affiliate in Orlando, Florida.

The assets obtained in these transactions were recorded at the carrying value of the assets exchanged plus cash consideration. No gain or loss resulted from these exchange transactions.

DISPOSITIONS. In March 1998, Cowles Media Company ("Cowles") and McClatchy Newspapers, Inc. ("McClatchy") completed a series of transactions resulting in the merger of Cowles and McClatchy. In the merger, each share of Cowles common stock was converted (based upon elections of Cowles stockholders) into shares of McClatchy stock or a combination of cash and McClatchy stock. As of the date of the Cowles and McClatchy merger transaction, a wholly-owned subsidiary of the Company owned 3,893,796 (equal to about 28 percent) of the outstanding common stock of Cowles, most of which was acquired in 1985. As a result of the transaction, the Company's subsidiary received \$330,500,000 in cash from McClatchy and 730,525 shares of McClatchy Class A common stock. The market value of the McClatchy stock received approximated \$21,600,000. The gain resulting from this transaction, which is included in 1998 "Other income (expense), net" in the Consolidated Statements of Income, increased net income by approximately \$162,800,000 and basic and diluted earnings per share by \$16.14 and \$16.07 respectively.

In July 1998, the Company completed the sale of its 80 percent interest in Moffet, Larson and Johnson ("MLJ"), a telecommunications consulting firm; no significant gain or loss was realized as a result of this transaction.

In July 1998, the Company completed the sale of 14 small cable systems in Texas, Missouri and Kansas serving approximately 29,000 subscribers for approximately \$41,900,000. The gain resulting from this transaction, which is included in 1998 "Other income (expense), net" in the Consolidated Statements of Income, increased net income by approximately \$17,300,000 and basic and diluted earnings per share by \$1.71.

In August 1998, Junglee Corporation ("Junglee") merged with a wholly owned subsidiary of Amazon.com Inc. ("Amazon.com"). As a result, each share of Junglee common and preferred stock was converted into shares of Amazon.com. On the date of the merger, a wholly-owned subsidiary of the Company owned 750,000 common shares and 750,000 preferred shares of Junglee. As a result of the merger, the Company's subsidiary received 202,961 shares of Amazon.com common stock. The market value of the Amazon.com stock received approximated \$25,200,000 on the date of the merger. The gain resulting from this transaction, which is included in 1998 "Other income (expense), net" in the Consolidated Statements of Income, increased net income by approximately \$14,300,000 and basic and diluted earnings per share by \$1.42 and \$1.41, respectively.

In September 1997, the Company sold the assets of its PASS regional sports network for approximately \$27,400,000. In December 1997, the Company sold its 35 percent limited partnership interest in both Bear Island Paper Company and Bear Island Timberlands Company for approximately \$92,800,000. The gains resulting from these dispositions, which are included in "Other income (expense), net" in the Consolidated Statements of Income, increased 1997 net income by approximately \$44,500,000 and basic and diluted earnings per share by \$4.16 and \$4.15, respectively.

#### L. CONTINGENCIES

The Company and its subsidiaries are parties to various civil lawsuits that have arisen in the ordinary course of their businesses, including actions for libel and invasion of privacy. Management does not believe that any litigation pending against the Company will have a material adverse effect on its business or financial condition.

#### M. BUSINESS SEGMENTS

The Company operates principally in four areas of the media business: newspaper publishing, television broadcasting, magazine publishing, and cable television.

The Company also produces news and other information products and services for electronic distribution and provides test preparation and related services.

Newspaper operations involve the publication of newspapers in the Washington, D.C. area and Everett, Washington, and newsprint warehousing and recycling facilities.

Broadcast operations are conducted primarily through six VHF television stations. All stations are network-affiliated, with revenues derived primarily from sales of advertising time.

Magazine operations consist of the publication of a weekly news magazine, Newsweek, which has one domestic and three international editions, and beginning in 1997, the publication of business periodicals for the computer services industry and the Washington-area technology community. Revenues from both newspaper and magazine publishing operations are derived from advertising and, to a lesser extent, from circulation.

Cable television operations consist of over 53 cable systems offering basic cable and pay television services to approximately 733,000 subscribers in midwestern, western, and southern states. The principal source of revenues is monthly subscription fees charged for services.

Other businesses and corporate office include the operations of educational centers engaged in preparing students for admissions tests and licensing examinations and offering academic enrichment programs, a publisher and provider of professional licensing programs, an engineering firm which provides services to the telecommunications industry (sold in July 1998, see Note K), a regional sports cable system (sold in September 1997, see Note K), an online information service devoted to federal and state legislation and regulations, a digital media and electronic information services provider and the Company's corporate office.

Income from operations is the excess of operating revenues over operating expenses. In computing income from operations by segment, the effects of equity in earnings of affiliates, interest income, interest expense, other income and expense items, and income taxes are not included. Income from operations includes actuarially determined net pension benefits, which are significant to the magazine publishing division. These non-cash pension benefits totaled \$36.6 million in 1998, \$22.0 million in 1997 and \$16.4 million in 1996.

Identifiable assets by segment are those assets used in the Company's operations in each business segment. Investments in marketable equity securities and investments in affiliates are discussed in Notes C and D, respectively.

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<TABLE>  
<CAPTION>

(in thousands)	Newspaper Publishing	Broadcasting	Magazine Publishing	Cable Television	Other Businesses and Corporate Office	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1998						
Operating revenues	\$846,836	\$357,616	\$399,483	\$297,980	\$208,445	\$2,110,360
Income (loss) from operations	\$165,099	\$171,194	\$ 44,524	\$ 65,022	\$ (66,942)	\$ 378,897
Equity in losses of affiliates						(5,140)
Interest expense, net						(10,401)
Other income, net						304,703
Income before income taxes						\$ 668,059
Identifiable assets	\$634,882	\$437,506	\$355,176	\$710,641	\$266,810	\$2,405,015
Investments in marketable equity securities						256,116
Investments in affiliates						68,530
Total assets						\$2,729,661
Depreciation of property, plant and equipment	\$ 26,715	\$ 11,378	\$ 4,888	\$ 37,271	\$ 8,996	\$ 89,248
Amortization of goodwill and other intangibles	\$ 1,372	\$ 14,368	\$ 5,912	\$ 24,178	\$ 4,059	\$ 49,889
Capital expenditures	\$117,742	\$ 14,492	\$ 3,666	\$ 80,795	\$ 27,524	\$ 244,219
1997						
Operating revenues	\$812,896	\$338,373	\$389,853	\$257,732	\$157,399	\$1,956,253
Income (loss) from operations	\$172,566	\$163,703	\$ 42,719	\$ 54,659	\$ (52,296)	\$ 381,351
Equity in earnings of affiliates						9,955
Interest income, net						2,219
Other income, net						69,549

Income before income taxes						\$ 463,074
Identifiable assets	\$515,745	\$436,760	\$323,573	\$502,642	\$140,440	\$1,919,160
Investments in marketable equity securities						3,366
Investments in affiliates						154,791
Total assets						\$2,077,317
Depreciation of property, plant and equipment	\$ 19,104	\$ 11,011	\$ 4,484	\$ 30,672	\$ 6,207	\$ 71,478
Amortization of goodwill and other intangibles	\$ 874	\$ 12,213	\$ 136	\$ 19,371	\$ 965	\$ 33,559
Capital expenditures	\$110,070	\$ 11,651	\$ 3,022	\$ 73,156	\$ 16,674	\$ 214,573
1996						
Operating revenues	\$763,935	\$335,156	\$377,063	\$229,695	\$147,596	\$1,853,445
Income (loss) from operations	\$124,464	\$158,390	\$ 26,606	\$ 58,328	\$ (30,619)	\$ 337,169
Equity in earnings of affiliates						19,702
Interest income, net						3,845
Other expense, net						(499)
Income before income taxes						\$ 360,217
Identifiable assets	\$420,601	\$377,799	\$226,411	\$452,525	\$185,310	\$1,662,646
Investments in marketable equity securities						8,487
Investments in affiliates						199,278
Total assets						\$1,870,411
Depreciation of property, plant and equipment	\$ 20,386	\$ 10,482	\$ 4,610	\$ 25,075	\$ 4,550	\$ 65,103
Amortization of goodwill and other intangibles	\$ 830	\$ 11,252		\$ 16,785	\$ 969	\$ 29,836
Capital expenditures	\$ 19,441	\$ 10,923	\$ 4,798	\$ 37,362	\$ 7,457	\$ 79,981

</TABLE>

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N. SUMMARY OF QUARTERLY OPERATING RESULTS AND COMPREHENSIVE INCOME (UNAUDITED)

Quarterly results of operations and comprehensive income for the years ended January 3, 1999 and December 28, 1997, are as follows (in thousands, except per share amounts):

<TABLE>

<CAPTION>

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
1998 QUARTERLY OPERATING RESULTS				
Operating revenues				
Advertising	\$292,685	\$342,247	\$293,277	\$369,412
Circulation and subscriber	130,341	133,365	138,783	144,961
Other	60,929	50,145	77,221	76,993
	483,955	525,757	509,281	591,366
Operating costs and expenses				
Operating	267,587	276,399	278,241	316,950
Selling, general and administrative	109,930	111,005	107,533	124,681
Depreciation of property, plant and equipment	20,378	20,733	22,058	26,079
Amortization of goodwill and other intangibles	10,743	11,127	13,853	14,166
	408,638	419,264	421,685	481,876
Income from operations	75,317	106,493	87,596	109,490
Equity in earnings (losses) of affiliates	988	(71)	(4,060)	(1,996)
Interest income	207	384	217	328
Interest expense	(2,244)	(330)	(2,246)	(6,717)
Other income (expense), net	258,106	(1,594)	50,241	(2,050)
Income before income taxes	332,374	104,882	131,748	99,055
Provision for income taxes	124,500	41,100	49,900	35,300
Net income	207,874	63,782	81,848	63,755
Redeemable preferred stock dividends	(478)	(239)	(239)	--

Net income available for common shares	\$207,396	\$ 63,543	\$ 81,609	\$ 63,755
Basic earnings per common share	\$ 20.57	\$ 6.30	\$ 8.09	\$ 6.32
Diluted earnings per common share	\$ 20.47	\$ 6.27	\$ 8.05	\$ 6.30
Basic average number of common shares outstanding	10,084	10,088	10,093	10,082
Diluted average number of common shares outstanding	10,131	10,136	10,139	10,124
1998 QUARTERLY COMPREHENSIVE INCOME	\$207,814	\$ 64,253	\$ 74,503	\$111,502

</TABLE>

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<TABLE>  
<CAPTION>

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
1997 QUARTERLY OPERATING RESULTS				
Operating revenues				
Advertising	\$278,528	\$327,949	\$286,074	\$344,326
Circulation and subscriber	123,674	128,901	134,238	132,807
Other	51,899	44,525	58,063	45,269
	454,101	501,375	478,375	522,402
Operating costs and expenses				
Operating	243,504	246,478	253,565	276,322
Selling, general and administrative	106,886	118,875	107,186	117,049
Depreciation of property, plant and equipment	17,790	17,871	18,007	17,810
Amortization of goodwill and other intangibles	7,953	8,214	8,382	9,010
	376,133	391,438	387,140	420,191
Income from operations	77,968	109,937	91,235	102,211
Equity in earnings of affiliates	125	3,331	4,712	1,787
Interest income	1,112	1,079	725	554
Interest expense	(165)	(158)	(182)	(747)
Other income (expense), net	(846)	1,668	23,471	45,257
Income before income taxes	78,194	115,857	119,961	149,062
Provision for income taxes	30,500	44,500	48,410	58,090
Net income	47,694	71,357	71,551	90,972
Redeemable preferred stock dividends	(478)	(239)	(239)	--
Net income available for common shares	\$ 47,216	\$ 71,118	\$ 71,312	\$ 90,972
Basic earnings per common share	\$ 4.35	\$ 6.62	\$ 6.66	\$ 8.66
Diluted earnings per common share	\$ 4.35	\$ 6.60	\$ 6.64	\$ 8.63
Basic average number of common shares outstanding	10,844	10,744	10,708	10,502
Diluted average number of common shares outstanding	10,866	10,772	10,743	10,544
1997 QUARTERLY COMPREHENSIVE INCOME	\$ 44,067	\$ 69,099	\$ 71,093	\$ 89,064

</TABLE>

The sum of the four quarters may not necessarily be equal to the annual amounts reported in the Consolidated Statements of Income due to rounding.

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## SCHEDULE II

## THE WASHINGTON POST COMPANY

## SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS

<TABLE>  
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS - CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>
Year Ended December 29, 1996				
Allowance for doubtful accounts and returns.....	\$36,075,000	\$52,658,000	\$49,072,000	\$39,661,000
Allowance for advertising rate adjustments and discounts	5,889,000	8,995,000	6,157,000	8,727,000
	\$41,964,000	\$61,653,000	\$55,229,000	\$48,388,000
	=====	=====	=====	=====
Year Ended December 28, 1997				
Allowance for doubtful accounts and returns.....	\$39,661,000	\$54,163,000	\$53,990,000	\$39,834,000
Allowance for advertising rate adjustments and discounts	8,727,000	11,095,000	9,950,000	9,872,000
	\$48,388,000	\$65,258,000	\$63,940,000	\$49,706,000
	=====	=====	=====	=====
Year Ended January 3, 1999				
Allowance for doubtful accounts and returns.....	\$39,834,000	\$58,100,000	\$51,242,000	\$46,692,000
Allowance for advertising rate adjustments and discounts	9,872,000	9,792,000	11,306,000	8,358,000
	\$49,706,000	\$67,892,000	\$62,548,000	\$55,050,000
	=====	=====	=====	=====

</TABLE>

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Management's Discussion and Analysis of Results of Operations and Financial Condition

This analysis should be read in conjunction with the consolidated financial statements and the notes thereto.

RESULTS OF OPERATIONS--1998 COMPARED TO 1997

Net income in 1998 was \$417.3 million, an increase of 48 percent over net income of \$281.6 million in 1997. Basic and diluted earnings per share both rose 57 percent to \$41.27 and \$41.10, respectively, in 1998. The Company's 1998 net income includes \$194.4 million from the disposition of the Company's 28 percent interest in Cowles Media Company, the sale of 14 small cable systems and the disposition of the Company's investment interest in Junglee, a facilitator of Internet commerce. The Company's 1997 net income includes \$44.5 million from the sale of the Company's investment in Bear Island Paper Company, L.P., and Bear Island Timberlands Company, L.P., and the sale of the assets of its PASS regional cable sports network. Excluding these non-recurring gains, net income decreased 6 percent in 1998 and basic and diluted earnings per share remained essentially unchanged with fewer average shares outstanding.

Revenues for 1998 totaled \$2,110.4 million, an increase of 8 percent from \$1,956.3 million in 1997. Advertising revenues increased 5 percent in 1998, and circulation and subscriber revenues increased 5 percent. Other revenues increased 33 percent over 1997. The newspaper and broadcast divisions generated most of the increase in advertising revenues. The increase in circulation and subscriber revenues is primarily due to a 15 percent increase in subscriber revenues at the cable division (arising mostly from cable system acquisitions in 1998 and 1997). Revenue growth at Kaplan Educational Centers (about two-thirds of which was from acquisitions) accounted for the increase in other revenues.

Operating costs and expenses for the year increased 10 percent to \$1,731.5 million, from \$1,574.9 million in 1997. The cost and expense increase is primarily due to companies acquired in 1998 and 1997, increased spending for new media activities, a 10 percent increase in newsprint expense, and expenses arising from the expansion of the printing facilities of The Washington Post.

These expense increases were partially offset by an increase in the Company's pension credit.

Operating income decreased 1 percent to \$378.9 million in 1998, from \$381.4 million in 1997.

**DIVISION RESULTS.** In December 1998, the Company implemented Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires companies to report certain information about their operating segments. Upon implementing this new accounting standard, the Company changed the manner in which it reports operating segment results to reflect its corporate office expenses in the "other businesses and corporate office" segment. Previously, the Company had allocated its corporate office expenses to each of its operating segments. Prior period operating segment results have been adjusted to reflect this reporting change.

**NEWSPAPER DIVISION.** At the newspaper division, 1998 included 53 weeks as compared to 52 weeks in 1997. Newspaper division revenues increased 4 percent to \$846.8 million, from \$812.9 million in 1997. Advertising revenues at the newspaper division rose 5 percent over the previous year. At The Washington Post, advertising revenues increased 4 percent as a result of higher rates and a slight increase in volume. Classified advertising revenues at The Washington Post increased 5 percent primarily due to higher rates and higher recruitment volume. Retail advertising revenues at The Post declined 3 percent primarily as a result of a 7.5 percent decline in inches. Other advertising revenues (including general and preprint) at The Post increased 11 percent; general advertising volume was essentially unchanged for 1998; however, preprint volume increased 6 percent.

Circulation revenues for the newspaper division remained essentially unchanged from 1997, with the extra week in 1998 offsetting the effects of a 1.3 percent decline in daily and Sunday circulation at The Washington Post

Newspaper division operating margin in 1998 decreased to 19 percent, from 21 percent in 1997. The decrease in 1998 operating margin is primarily attributable to increased costs arising from the expansion of the printing facilities of The Washington Post and a 10 percent increase in newsprint costs. The 10 percent increase in newsprint costs is comprised of a 4 percent increase in newsprint consumed (driven primarily by expanded suburban community coverage at The Washington Post) and a 6 percent increase in newsprint prices.

**BROADCAST DIVISION.** Revenues at the broadcast division rose 6 percent to \$357.6 million in 1998, compared to \$338.4 million in 1997. The increase in revenues is primarily attributable to 1998 political advertising and increased local advertising revenues.

Competitive market position remained strong for the Company's television stations. In the November 1998 Nielsen ratings book, WDIV (NBC affiliate in Detroit), WJXT (CBS affiliate in Jacksonville) and KSAT (ABC affiliate in San Antonio) continued to rank number one in audience share sign-on to sign-off, while

WPLG (ABC affiliate in Miami) tied for first place among English-language stations in the Miami market. KPRC (NBC affiliate in Houston), although still ranked third in the market, has narrowed the gap significantly and now challenges its closest competitors by as little as two audience share points. WKMG (CBS affiliate in Orlando), which the broadcast division took over in September 1997, has remained in third place in Orlando while moving aggressively to build a strong news franchise.

The operating margin at the broadcast division was 48 percent in 1998 and 1997. Excluding amortization of goodwill and intangibles, the operating margin was 52 percent in 1998 and 1997.

**MAGAZINE DIVISION.** Magazine division revenues, which beginning in 1997 also included the Company's business information unit, rose 2 percent to \$399.5 million, from \$389.9 million in 1997. The increase in revenue is attributable to revenue contributed by the business information trade periodicals acquired in December 1997, offset partially by a decline in revenue at Newsweek. Advertising revenues at Newsweek declined 7 percent primarily as the result of two fewer Newsweek domestic special issues in 1998 versus 1997 and softness in advertising at the international editions of Newsweek (particularly the Asian and Latin American editions). Total circulation revenue for the magazine division decreased 6 percent in 1998 due predominantly to the newsstand sales of two Newsweek domestic edition special issues in 1997, which were not recurring in 1998, as well as currency deflation at most of the international editions of Newsweek.

Operating margin at the magazine division was 11 percent in both 1998 and 1997. The 2 percent increase in 1998 revenues combined with an increase in the

pension credit at Newsweek were offset by normal expense growth and the amortization expense arising from the December 1997 acquisition of the business unit trade periodicals.

CABLE DIVISION. Revenues at the cable division increased 16 percent to \$298.0 million in 1998, from \$257.7 million in 1997. Basic, tier, pay and advertising revenue categories showed improvement over 1997. Increased subscribers in 1998, primarily from acquisitions, and higher rates accounted for most of the 15 percent increase in subscriber revenues. The number of basic subscribers at the end of the year increased to 733,000, from 637,300 at the end of 1997. During 1998, the cable division acquired cable systems serving approximately 115,400 subscribers and sold cable systems serving approximately 29,000 subscribers.

Operating margin at the cable division was 22 percent in 1998, compared to 21 percent in 1997. Cable operating cash flow increased 21 percent to \$126.5 million, from \$104.7 million in 1997. Approximately 40 percent of the 1998 improvement in operating cash flow is attributable to the results of cable systems acquired in 1998 and 1997.

OTHER BUSINESSES AND CORPORATE OFFICE. In 1998, revenues from other businesses, including Kaplan Educational Centers, Washingtonpost.Newsweek Interactive, MLJ (sold in July 1998), Legi-Slate and PASS Sports (nine months of 1997), increased 32 percent to \$208.4 million, from \$157.4 million in 1997. The majority of the increase is attributable to continued growth at Kaplan Educational Centers. Kaplan's revenues increased 66 percent in 1998 (with acquisitions accounting for approximately two-thirds of the increase).

Other businesses and the corporate office recorded an operating loss in 1998 of \$66.9 million, compared to a loss of \$52.3 million in 1997. The increase in operating loss is principally attributable to the Company's electronic media initiatives and, to a lesser extent, the start up costs associated with Kaplan's expansion of its Score elementary education business. Offsetting these losses were improved and continued profitability from Kaplan's core test preparation business, as well as operating income contributed by the various businesses acquired by Kaplan in 1998 and 1997.

EQUITY IN (LOSSES) EARNINGS OF AFFILIATES. The Company's equity in losses of affiliates in 1998 was \$5.1 million, compared with income of \$10.0 million in 1997. The \$15.1 million decline in affiliate earnings resulted from increased spending at new media joint ventures (principally Classified Ventures and CareerPath.com) and the absence of affiliate earnings that were provided in the prior year from the Company's investment interest in the Bear Island Partnerships (sold in November 1997) and Cowles Media Company (disposed of in March 1998).

NON-OPERATING ITEMS. In 1998, the Company incurred net interest expense of \$10.4 million, compared to \$2.2 million of net interest income in 1997. The average short-term borrowings outstanding in 1998 was \$231.8 million, as compared to \$10.7 million in average borrowings outstanding in 1997.

Other income (expense), net, in 1998 was \$304.7 million, compared to \$69.5 million in 1997. For 1998, other income (expense), net, includes \$309.7 million arising from the disposition of the Company's 28 percent interest in Cowles Media Company, the sale of 14 small cable systems and the disposition of the Company's interest in Jungle, a facilitator of Internet commerce. For 1997, other income (expense), net, includes \$74.8 million in gains arising from the sale of the Bear Island partnerships and the sale of the assets of the Company's PASS regional cable sports network.

INCOME TAXES. The effective tax rate in 1998 was 37.5 percent, as compared to 39 percent in 1997. The decrease in the effective income tax rate is principally the result of the disposition of Cowles Media Company being subject to state income tax in jurisdictions with lower tax rates, and to a lesser extent, from a favorable IRS-approved income tax change in the fourth quarter of 1998.

#### RESULTS OF OPERATIONS--1997 COMPARED TO 1996

Net income in 1997 was \$281.6 million, an increase of 28 percent over net income of \$220.8 million in 1996. Basic and diluted earnings per share rose 31 and 30 percent to \$26.23 and \$26.15, respectively, in 1997. The Company's 1997 net income includes \$28.5 million from the sale of the Company's investment in Bear Island Paper Company, L.P., and Bear Island Timberlands Company, L.P., as well as \$16.0 million relating to the sale of the assets of its PASS regional cable sports network. Excluding these non-recurring gains, net income increased 7 percent in 1997 and basic and diluted earnings per share each increased 10 percent.

Revenues for 1997 totaled \$1,956.3 million, an increase of 6 percent from \$1,853.4 million in 1996. Advertising revenues increased 5 percent in 1997, and circulation and subscriber revenues increased 6 percent. Other revenues

increased 5 percent. Substantially all of the increase in advertising revenues was generated by the newspaper and magazine divisions. The increase in circulation and subscriber revenues is due to growth at the cable division and the increase in other revenues is attributable to higher tuition revenues at Kaplan partially offset by reduced fees for engineering services at MLJ.

Costs and expenses for the year increased 4 percent to \$1,574.9 million, from \$1,516.3 million in 1996. In addition to the normal growth in the costs of operations, the cost and expense increase is attributable to companies acquired in 1997, expansion of Kaplan's business offerings, increased spending for new media activities offset partially by decreased newsprint and magazine paper costs, and other favorable cost experience at Newsweek.

Operating income increased 13 percent to \$381.4 million in 1997.

**NEWSPAPER DIVISION.** Newspaper division revenues increased 6 percent to \$812.9 million, from \$763.9 million in 1996. Advertising revenues at the newspaper division rose 8 percent over the previous year. At The Washington Post, advertising revenues increased 8 percent as a result of strong volume increases and, to a lesser extent, higher rates. Classified revenues at The Washington Post increased 12 percent due to higher recruitment volume and associated rates. The Washington Post's retail revenues rose 4 percent due to higher rates and a 1 percent increase in volume. Other advertising revenues (including general and preprint) at The Washington Post increased 8 percent. General advertising and preprint volume each increased 8 percent over 1996.

Circulation revenues for the newspaper division increased 1 percent in 1997 resulting mostly from rate increases enacted in the beginning of 1997 at The Washington Post. Average daily circulation at The Washington Post fell 1.5 percent, while Sunday circulation declined 1.3 percent.

Newspaper division operating margin in 1997 increased to 21 percent from 16 percent in 1996. The increase in 1997 operating margin is primarily attributable to increased advertising revenues and lower newsprint expense (down 9 percent). Average newsprint prices paid by the newspaper division in 1997 declined about 14 percent from 1996, the positive effects of which were partially offset by a 4 percent increase in newsprint consumed.

**BROADCAST DIVISION.** Revenues at the broadcast division rose 1 percent to \$338.4 million over last year. An increase in advertising from a number of industry categories, including restaurants, utilities, banks and finance, as well as an overall revenue share increase, allowed the broadcast division to offset the approximate \$30.0 million in non-recurring advertising revenues generated in 1996 from political and Olympics-related advertising. Network revenues were down slightly from 1996.

Competitive market position remained strong for the television stations. Four stations were ranked number one in the latest ratings period, sign-on to sign-off, in their markets; one station was ranked a strong number two; one station was ranked number three.

The operating margin at the broadcast division increased to 48 percent, from 47 percent in 1996. Excluding amortization of goodwill and intangibles, operating margins for 1997 and 1996 were 52 percent and 51 percent, respectively. The improvement in the 1997 operating margin is due to increased advertising revenues and benefits derived from 1997 expense control initiatives which, in total, outpaced higher expenses associated with the new station, WCPX (renamed WKMG).

**MAGAZINE DIVISION.** Magazine division revenues, which beginning in 1997 also included the Company's business information unit, rose 3 percent to \$389.9 million due primarily to increased advertising revenues at the Newsweek domestic edition. The Newsweek domestic advertising revenues increase over the prior year resulted from a 6 percent increase in domestic advertising pages sold in 1997 versus 1996. Total circulation revenues for the magazine division increased 1 percent in 1997.

Operating margin of the magazine division increased to 11 percent in 1997, from 7 percent in 1996. The increase in operating margin is primarily attributable to the operating results of Newsweek, including the higher sales of domestic advertising pages, reduced magazine paper costs, realized savings from prior year outsourcing initiatives, and other favorable cost experience.

**CABLE DIVISION.** Revenues at the cable division increased 12 percent to \$257.7 million in 1997. Basic and tier, pay, and advertising revenue categories showed improvement over 1996. Increased subscribers in 1997 accounted for the majority of the total increase in revenues. The number of basic subscribers

increased 7 percent to 637,300. About 37,000 subscribers were added in 1997 as a result of cable system acquisitions and exchanges and the remainder by internal

growth.

Cable operating cash flow increased 4 percent to \$104.7 million, from \$100.2 million in 1996. Operating margin at the cable division was 21 percent in 1997 compared to 25 percent in 1996, reflecting the effects of increased depreciation and amortization in 1997 from recent cable system acquisitions and capital improvements.

OTHER BUSINESSES AND CORPORATE OFFICE. In 1997, revenues from other businesses, including Kaplan, MLJ, Legi-Slate, Washingtonpost.Newsweek Interactive, and PASS Sports (nine months of 1997), increased 7 percent over the prior year to \$157.4 million. The majority of the increase in other businesses revenues is attributable to Kaplan, where revenues increased 21 percent. Student enrollments at Kaplan increased 3 percent in 1997. Partially offsetting the revenue increase generated by Kaplan was a decrease in engineering consulting revenues at MLJ.

Other businesses and the corporate office recorded an operating loss in 1997 of \$52.3 million, compared to a loss of \$30.6 million in 1996. The 1997 operating loss increase is directly attributable to the Company's spending on electronic media initiatives, the 1997 decline in MLJ's revenues, and, to a lesser extent, the start-up costs associated with Kaplan's significant expansion of its Score elementary education business. Offsetting these losses was improved and continued profitability from Kaplan's core test preparation business.

EQUITY IN EARNINGS OF AFFILIATES. The Company's equity in earnings of affiliates for 1997 declined to \$10.0 million, from \$19.7 million in 1996, reflecting the effect of lower earnings at the Company's affiliated newsprint mills for the majority of 1997 compared to 1996. The decline in earnings at the affiliated newsprint mills is due to lower average newsprint prices charged by the mills in 1997 versus 1996.

NON-OPERATING ITEMS. Interest income, net of interest expense, was \$2.2 million, compared to \$3.8 million in 1996. Increased spending in 1997 for acquisitions, capital expenditures, and stock repurchases resulted in less invested cash in 1997 versus 1996, causing a decline in interest income. Other income (expense), net in 1997 was \$69.5 million, compared with an expense of \$0.5 million in 1996. The increase in other income is attributable to the 1997 gains arising from the Company's sale of its investment in Bear Island Paper Company, L.P., and Bear Island Timberlands Company, L.P., as well as the sale of the assets of the Company's PASS regional cable sports network.

INCOME TAXES. The effective tax rate in both 1997 and 1996 was approximately 39 percent.

#### FINANCIAL CONDITION: CAPITAL RESOURCES AND LIQUIDITY

ACQUISITIONS. During 1998, the Company acquired various businesses for about \$320.6 million, which included, among others, \$209.0 million for cable systems serving approximately 115,400 subscribers and \$100.4 million for various educational, training and career services companies to expand Kaplan's business offerings.

During 1997, the Company acquired various businesses for about \$118.9 million. These acquisitions included, among others, \$23.9 million for cable systems serving approximately 16,000 subscribers and \$84.5 million for the publishing rights to two computer services industry periodicals and the rights to conduct two computer industry trade shows.

In 1996, the Company spent approximately \$147.5 million on business acquisitions. The 1996 acquisitions included, among others, \$129.0 million (including \$11.9 million of the Company's Series A redeemable preferred stock) for cable systems serving about 66,000 subscribers.

EXCHANGES. During 1997, the Company exchanged the assets of certain cable systems with Tele-Communications, Inc., resulting in an increase of about 21,000 subscribers for the Company. The Company also completed, in 1997, a transaction with Meredith Corporation whereby the Company exchanged the assets of WFSB-TV, the CBS affiliate in Hartford, Connecticut, and \$60.0 million in cash for the assets of WCPX-TV (renamed WKMG), the CBS affiliate in Orlando, Florida.

DISPOSITIONS. In March 1998, the Company received \$330.5 million in cash and 730,525 shares of McClatchy Newspapers, Inc. Class A common stock as a result of the merger of Cowles and McClatchy. The market value of the McClatchy stock received was \$21.6 million, based upon publicly quoted market prices. During the last three quarters of 1998, the Company sold 464,700 shares of the McClatchy stock (64 percent of the total shares received) for \$15.4 million.

In July 1998, the Company completed the sale of 14 small cable systems in Texas, Missouri and Kansas serving approximately 29,000 subscribers for \$41.9 million. In August 1998, the Company received 202,961 shares of Amazon.com common stock as a result of the merger of Amazon.com and Jungle Corporation. At the time of the merger transaction, the Company owned a minority investment interest in Jungle Corporation, a facilitator of Internet commerce. The market value of the Amazon.com stock received was \$25.2 million. In the fourth quarter of 1998, the Company sold 178,459 shares of the Amazon.com common stock (88

In November 1997, the Company sold its 35 percent interest in Bear Island Paper Company, L.P., and Bear Island Timberlands Company, L.P., for approximately \$92.8 million. In September 1997, the Company sold the assets of its PASS regional cable sports network for \$27.4 million.

**CAPITAL EXPENDITURES.** During 1998, the Company's capital expenditures totaled \$244.2 million, the majority of which related to the replacement of the printing facilities at The Washington Post and plant upgrades at the Company's cable subsidiary. The Company estimates that in 1999 it will spend approximately \$150.0 million for property and equipment, primarily for various projects at the newspaper and cable divisions.

**INVESTMENTS IN MARKETABLE EQUITY SECURITIES.** During the third and fourth quarters of 1998, the Company acquired 747,100 shares of General Re Corporation ("General Re") common stock and 20 shares of Class A Berkshire Hathaway, Inc. ("Berkshire") common stock from the open market for an aggregate purchase price of \$165.0 million. On January 26, 1999, the 747,100 shares of General Re common stock converted to 2,614 and 25 shares of Berkshire Class A and Class B common stock, respectively, pursuant to the terms of a merger agreement between Berkshire and General Re. It is the Company's present intention to hold the Berkshire common stock long-term.

The Company's investment in marketable equity securities at January 3, 1999 also includes common stock investments in various publicly traded companies, including shares of Amazon.com, America Online, and Ticketmaster-Citysearch Online. The Company obtained its ownership of these common stock investments as a result of merger or acquisition transactions in which these companies merged or acquired various small Internet related companies in which the Company held minor investments.

At January 3, 1999, the fair value of the Company's investments in marketable equity securities was \$256.1 million, of which \$184.4 million consists of the Company's Berkshire/General Re common stock investment.

**COMMON STOCK REPURCHASES AND DIVIDEND RATE.** During 1998, 1997 and 1996, the Company repurchased 41,033, 846,290 and 103,642 shares, respectively, of its Class B common stock at a cost of \$20.5 million, \$368.6 million and \$32.3 million, respectively. The annual dividend rate for 1999 was increased to \$5.20 per share, from \$5.00 per share in 1998, \$4.80 per share in 1997 and \$4.60 per share in 1996.

**LIQUIDITY.** At January 3, 1999, the Company had \$15.2 million in cash and cash equivalents. In March 1998, the Company replaced its \$300.0 million revolving credit facility with a \$500.0 million revolving credit facility to provide for general corporate purposes and support the issuance of commercial paper. At January 3, 1999, the Company had \$453.4 million in commercial paper borrowings outstanding at an average interest rate of 5.4 percent. On February 15, 1999, the Company issued \$400.0 million of 5.5 percent, 10-year notes, netting approximately \$395.0 million in proceeds after discount and fees. The Company intends to utilize the \$395.0 million in proceeds to repay an equal amount of commercial paper borrowings outstanding.

The Company expects to fund its estimated capital needs primarily through internally generated funds, and, to a lesser extent, commercial paper borrowings. In management's opinion, the Company will have ample liquidity to meet its various cash needs in 1999.

**YEAR 2000.** The Company's assessment, remediation, testing and contingency planning efforts surrounding Year 2000 readiness are proceeding as planned with completion of all project phases projected for late Fall of 1999. To date, the assessment of internal systems and equipment has been completed and the Company has made substantial progress in completing the remediation, testing and contingency planning phases of its Year 2000 readiness project.

Most of the Company's significant internal systems and equipment, including equipment with embedded controls, have been determined to be Year 2000 compliant. Certain critical internal systems, however, have been identified as incapable of processing transactions beyond the Year 2000 the most significant of which include some of the revenue related business systems at The Washington Post and Newsweek. At Newsweek, the non-compliant systems have since been repaired and testing of such remediation is currently underway. For the non-compliant systems at The Washington Post, which principally include the advertising and circulation billing systems, the remediation efforts are continuing and are presently expected to be completed and tested by late Fall of 1999. The Company believes it has the ability to perform these functions manually should the remediation efforts not be completed according to plan. The majority of the non-compliant internal systems currently being replaced were scheduled to be replaced prior to Year 2000 for operating efficiency reasons.

For critical internal systems and equipment determined to be compliant during the assessment phase of the project, and for non-compliant equipment that has been repaired or replaced, the Company has devised and commenced a testing plan to provide additional compliance assurance. To date, the results of the Company's Year 2000 compliance testing program have not revealed any new problems, or ineffective remediation. The Year 2000 testing phase for internal systems and equipment is believed to be approximately 60 percent complete as of the end of January 1999.

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The Company's Year 2000 readiness project also includes procedures designed to identify and assess Year 2000 business interruption which may occur as a result of the Company's dependency on third parties. Vendors, suppliers, service providers, customers and governmental entities that are believed to be critical to the Company's business operations after January 1, 2000 ("key business partners") have been identified and significant progress has been made in ascertaining their stage of Year 2000 readiness. These efforts include, among others, circularization of Year 2000 compliance confirmations and conducting interviews and on-site reviews.

The Company could potentially experience disruptions as a result of non-compliant systems utilized by some of its key business partners or unrelated third party governmental and business entities. Contingency plans are under development to mitigate these potential disruptions to business operations. These contingency plans include, but are not limited to, identification of alternative suppliers, vendors and service providers and planned accumulation of inventory to ensure production capability. The Company is also developing contingency plans for its internal critical business systems. These contingency planning activities are intended to reduce risk, but cannot eliminate the potential for business disruption caused by third party failures.

The Company estimates that its total Year 2000 compliance costs will approximate \$25 million. Approximately \$15 million of the estimated costs are attributable to assessment, repair and testing activities and will be expensed as incurred (approximately \$7 million expensed in 1998 and \$8 million expected to be expensed in 1999). The remaining \$10 million represents the estimated cost to replace non-compliant systems and will be capitalized and amortized over a period ranging between five and ten years. The Company anticipates that the funds needed to complete the Year 2000 compliance efforts and referenced system replacements will be provided primarily from the Company's operating cash flows.

Based upon the activities described above, the Company does not believe that the Year 2000 problem is likely to have a material adverse effect on the Company's business or results of operations.

The above discussion contains forward-looking statements that reflect the Company's current expectations or beliefs concerning future results and events. These statements are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that forward-looking statements contained in the Year 2000 discussion should be read in conjunction with the following disclosures of the Company.

#### CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING STATEMENTS

Forward-looking statements, which the Company believes to be reasonable and are made in good faith, are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, the Company.

Taking into account the foregoing, the following are identified as important risk factors that could cause actual results to differ from those expressed in any forward-looking statement made by, or on behalf of, the Company:

The dates on which the Company believes its Year 2000 readiness project will be completed are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third-party modification plans and other factors. Unanticipated failures by critical vendors, as well as a failure by the Company to execute successfully its own remediation efforts, however, could have a material adverse effect on the costs associated with the Year 2000 readiness project and on its completion. Some important factors that might cause differences between the estimates and actual results include, but are not limited to, the availability and cost of personnel trained in these areas, the ability to locate and correct all relevant computer code, the timely and accurate responses to and correction by third-parties and suppliers, the ability to implement interfaces between new systems and the systems not being replaced and similar uncertainties. Due to the general uncertainty inherent in the Year 2000 problem, the Company cannot ensure its ability to timely and cost-effectively resolve problems associated with the Year 2000 issue that may

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## Ten-Year Summary of Selected Historical Financial Data

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 1996-1998.

<TABLE> <CAPTION> (in thousands, except per share amounts)	1998	1997	1996
<S>	<C>	<C>	<C>
<b>RESULTS OF OPERATIONS</b>			
Operating revenues	\$ 2,110,360	\$ 1,956,253	\$ 1,853,445
Income from operations	\$ 378,897	\$ 381,351	\$ 337,169
Income before cumulative effect of changes in accounting principle	\$ 417,259	\$ 281,574	\$ 220,817
Cumulative effect of change in method of accounting for income taxes	--	--	--
Cumulative effect of change in method of accounting for postretirement benefits other than pensions	--	--	--
Net income	\$ 417,259	\$ 281,574	\$ 220,817
<b>PER SHARE AMOUNTS</b>			
Basic earnings per common share			
Income before cumulative effect of changes in accounting principles	\$ 41.27	\$ 26.23	\$ 20.08
Cumulative effect of changes in accounting principles	--	--	--
Net income	\$ 41.27	\$ 26.23	\$ 20.08
Basic average shares outstanding			
	10,087	10,700	10,964
Diluted earnings per share			
Income before cumulative effect of changes in accounting principles	\$ 41.10	\$ 26.15	\$ 20.05
Cumulative effect of changes in accounting principles	--	--	--
Net income	\$ 41.10	\$ 26.15	\$ 20.05
Diluted average shares outstanding			
Cash dividends	\$ 5.00	\$ 4.80	\$ 4.60
Common shareholders' equity	\$ 157.34	\$ 117.36	\$ 121.24
<b>FINANCIAL POSITION</b>			
Current assets	\$ 404,878	\$ 308,492	\$ 382,631
Working capital	15,799	(300,264)	100,995
Property, plant and equipment	841,062	653,750	511,363
Total assets	2,729,661	2,077,317	1,870,411
Long-term debt	395,000	--	--
Common shareholders' equity	1,588,103	1,184,074	1,322,803

<TABLE> <CAPTION>	1995	1994	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
\$ 1,719,449	\$ 1,613,978	\$ 1,498,191	\$ 1,450,867	\$ 1,380,261	\$ 1,438,640	\$ 1,444,094	
\$ 271,018	\$ 274,875	\$ 238,980	232,112	\$ 192,866	\$ 281,768	\$ 313,691	
\$ 190,096	\$ 169,672	\$ 153,817	127,796	\$ 118,721	\$ 174,576	\$ 197,893	
--	--	11,600	--	--	--	--	--
--	--	--	--	(47,897)	--	--	--



\$ 190,096	\$ 169,672	\$ 165,417	\$ 127,796	\$ 70,824	\$ 174,576	\$ 197,893
\$ 17.16	\$ 14.66	\$ 13.10	\$ 10.81	\$ 10.00	\$ 14.46	\$ 15.51
--	--	0.98	--	(4.04)	--	--
\$ 17.16	\$ 14.66	\$ 14.08	\$ 10.81	\$ 5.96	\$ 14.46	\$ 15.51
11,075	11,577	11,746	11,827	11,874	12,073	12,755
\$ 17.15	\$ 14.65	\$ 13.10	\$ 10.80	\$ 10.00	\$ 14.45	\$ 15.50
--	--	0.98	--	(4.04)	--	--
\$ 17.15	\$ 14.65	\$ 14.08	\$ 10.80	\$ 5.96	\$ 14.45	\$ 15.50
11,086	11,582	11,750	11,830	11,876	12,081	12,768
\$ 4.40	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.20	\$ 4.00	\$ 1.84
\$ 107.60	\$ 99.32	\$ 92.84	\$ 84.17	\$ 78.12	\$ 76.31	\$ 75.40
\$ 406,570	\$375,879	\$ 625,574	\$ 524,975	\$ 472,219	\$ 471,669	\$ 553,188
98,393	102,806	367,041	242,627	183,959	175,807	283,118
457,359	411,396	363,718	390,804	390,313	394,979	370,597
1,732,893	1,696,868	1,622,504	1,568,121	1,487,661	1,496,509	1,532,211
--	50,297	51,768	51,842	51,915	126,988	152,061
1,184,204	1,126,933	1,087,419	993,005	924,285	905,112	941,522

</TABLE>

INDEX TO EXHIBITS

<TABLE>

<CAPTION>

EXHIBIT  
NUMBER

DESCRIPTION

<S>	<C>	
3.1	---	Certificate of Incorporation of the Company as amended through May 12, 1988, and the Certificate of Designation for the Company's Series A Preferred Stock filed January 22, 1996 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
3.2	---	By-Laws of the Company as amended through September 9, 1993 (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 3, 1993).
4.1	---	Credit Agreement dated as of March 17, 1998, among the Company, Citibank, N.A., Wachovia Bank of Georgia, N.A., and the other Lenders named therein (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 1997).
4.2	---	Form of the Company's 5.50% Notes due February 15, 2009, issued under the Indenture dated as of February 17, 1999, between the Company and The First National Bank of Chicago, as Trustee.
4.3	---	Indenture dated as of February 17, 1999, between the Company and The First National Bank of Chicago, as Trustee.
10.1	---	The Washington Post Company Annual Incentive Compensation Plan as amended and restated effective June 30, 1995 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996).*
10.2	---	The Washington Post Company Long-Term Incentive Compensation Plan as amended and restated effective June 30, 1995 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996).*

- 10.3 --- The Washington Post Company Stock Option Plan as amended and restated through March 12, 1998 (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 1997).\*
- 10.4 --- The Washington Post Company Supplemental Executive Retirement Plan as amended and restated effective December 31, 1993 (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1994).\*
- 10.5 --- The Washington Post Company Deferred Compensation Plan effective November 15, 1996 (incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 29, 1996.)\*

[Index Continued on Next Page]

</TABLE>

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 \* A management contract or compensatory plan or arrangement required to be included as an exhibit hereto pursuant to Item 14(c) of Form 10-K.

INDEX TO EXHIBITS (CONTINUED)

<TABLE>

<CAPTION>

EXHIBIT NUMBER -----	DESCRIPTION -----
<S>	<C>
11 ---	Calculation of earnings per share of common stock.
21 ---	List of subsidiaries of the Company.
23 ---	Consent of independent accountants.
24 ---	Power of attorney dated March 13, 1997 (incorporated by reference to Exhibit 24 to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 1997).
27 ---	Financial Data Schedule.

</TABLE>

THE WASHINGTON POST COMPANY  
5.50% Note Due February 15, 2009

No.:

CUSIP No.: 939640AC2  
§

THE WASHINGTON POST COMPANY, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to or registered assigns, the principal sum of (\$ ), at the office or agency of the Company in the Borough of Manhattan, The City and State of New York, on February 15, 2009, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semi-annually on February 15 and August 15 of each year, on said principal sum at said office or agency, in like coin or currency, at the rate of 5.50% per annum, from the February 15 or the August 15, as the case may be, next preceding the date of this Note to which interest has been paid, unless the date hereof is a date to which interest has been paid, in which case from the date of this Note, or unless no interest has been paid on the Notes (as defined on the reverse hereof), in which case from February 15, 1999 until payment of said principal sum has been made or duly provided for. Notwithstanding the foregoing, if the date hereof is after February 1 or August 1, as the case may be, and before the following February 15 or August 15, this Note shall bear interest from such February 15 or August 15, provided, however, that if the Company shall default in the payment of interest due on such February 15 or August 15, then this Note shall bear interest from the next preceding February 15 or August 15 to which interest has been paid, or, if no interest has been paid on the Notes, from February 15, 1999. The interest so payable on any February 15 or August 15 will, subject to certain exceptions provided in the Indenture referred to on the reverse hereof, be paid to the person in whose name this Note is registered at the close of business on such February 1 or August 1, as the case may be, next preceding such February 15 or August 15, unless the Company shall default in the payment of interest due on such interest payment date, in which case such defaulted interest, at the option of the Company, may be paid to the person in whose name this Note is registered at the close of business on a special record date for the payment of such defaulted interest established by notice to the registered holders of Notes not less than ten days preceding such special record date or may be paid in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed. Payment of interest may, at the option of the Company, be made by check mailed to the registered address of the person entitled thereto.

Reference is made to the further provisions of this Note set forth on the reverse hereof. Such further provisions shall for all purposes have the same

effect as though fully set forth at this place.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee under the Indenture referred to on the reverse hereof.

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

Dated: THE WASHINGTON POST COMPANY  
by  
-----  
Name:  
Title:

[SEAL]

Attest:  
-----  
Name:  
Title:

TRUSTEE'S CERTIFICATE  
OF AUTHENTICATION

This is one of the Securities of the Series designated herein issued under the within-mentioned Indenture.

THE FIRST NATIONAL BANK OF  
CHICAGO, as Trustee

by  
-----  
Authorized Signatory

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REVERSE OF NOTE  
THE WASHINGTON POST COMPANY  
5.50% Note Due February 15, 2009

This Note is one of a duly authorized issue of unsecured debentures, notes or other evidences of indebtedness of the Company (hereinafter called the "Securities"), of the series hereinafter specified, all issued or to be issued under an indenture dated as of February 17, 1999 (hereinafter called the "Indenture"), duly executed and delivered by the Company to The First National Bank of Chicago, a national banking association, as trustee (hereinafter called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the respective rights and duties thereunder of the Trustee, the Company and the holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest at different rates, may have different conversion prices (if any), may be subject to different redemption provisions, may be subject to different sinking, purchase or analogous funds, may be subject to different covenants and Events of Default and may otherwise vary as in the Indenture provided. This Note is one of a series designated as the 5.50% Notes due February 15, 2009 of the Company (hereinafter called the "Notes") issued under the Indenture.

In case an Event of Default with respect to the Notes, as defined in the Indenture, shall have occurred and be continuing, the principal hereof together with interest accrued thereon, if any, may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the Securities at the time outstanding of all series to be affected (acting as one class) to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Securities of such series to be affected; provided, however, that no such supplemental indenture shall, among other things, (i) change the fixed maturity of the principal of, or any installment of principal of or interest on, any Security; (ii) reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof; (iii) impair the right to institute suit for the enforcement of any such payment on or after the fixed maturity thereof (or, in the case of redemption, on or after the redemption date); (iv) reduce the percentage in principal amount of the outstanding Securities of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences) provided for in the Indenture; (v) change any obligation of the Company, with respect to outstanding Securities of a series, to maintain an office or agency

in the places and for the purposes specified in the Indenture for such series; or (vi) modify any of the foregoing provisions or the provisions for the waiver of certain covenants and defaults, except to increase any applicable percentage of the aggregate principal amount of outstanding Securities the consent of the holders of which is required or to provide with respect to any particular series the right to condition the effectiveness of any supplemental indenture as to that

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series on the consent of the holders of a specified percentage of the aggregate principal amount of outstanding Securities of such series or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Security affected thereby. It is also provided in the Indenture that the holders of a majority in aggregate principal amount of the Securities of a series at the time outstanding may on behalf of the holders of all the Securities of such series waive any past default under the Indenture with respect to such series and its consequences, except a default in the payment of the principal of, premium, if any, or interest, if any, on any Security of such series or in respect of a covenant or provision which cannot be modified without the consent of the Holder of each outstanding Security of the series affected. Any such consent or waiver by the holder of this Note shall be conclusive and binding upon such holder and upon all future holders and owners of this Note and any Notes which may be issued in exchange or substitution herefor, irrespective of whether or not any notation thereof is made upon this Note or such other Notes.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note at the place, at the respective times, at the rate and in the coin or currency herein prescribed.

The Indenture permits the Company to Discharge its obligations with respect to the Notes on the 91st day following the satisfaction of the conditions set forth in the Indenture, which include the deposit with the Trustee of money or U.S. Government Obligations or a combination thereof sufficient to pay and discharge each installment of principal of (including premium, if any, on) and interest, if any, on the outstanding Notes.

If the Company shall, in accordance with Section 901 of the Indenture, consolidate with or merge into any other corporation or convey or transfer all or substantially all its properties and assets as an entirety to any Person, the successor shall succeed to, and be substituted for, the Person named as the "Company" on the face of this Note, all on the terms set forth in the Indenture.

The Notes are issuable in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. In the manner and subject to the

limitations provided in the Indenture, but without the payment of any service charge, Notes may be exchanged for an equal aggregate principal amount of Notes of other authorized denominations at the office or agency of the Company maintained for such purpose in the Borough of Manhattan, the City and State of New York.

The Notes will be redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to the greater of (i) 100% of the principal amount of such Notes or (ii) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 15 basis points, plus, in each case, accrued interest thereon to the date of redemption.

"Adjusted Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a

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percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, the average of the Reference Treasury Dealer Quotations for such redemption date.

"Quotation Agent" means the Reference Treasury Dealer appointed by the Trustee after consultation with the Company.

"Reference Treasury Dealer" means (i) Goldman, Sachs & Co. or its successor; provided, however, that if the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer; and (ii) any other Primary Treasury Dealer selected by the Trustee after consultation with the Company.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue

(expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of the Notes to be redeemed.

Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption.

Upon due presentment for registration of transfer of this Note at the office or agency of the Company for such registration in the Borough of Manhattan, the City and State of New York, a new Note or Notes of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange herefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

Prior to due presentment for registration of transfer of this Note, the Company, the Trustee and any agent of the Company or the Trustee may deem and treat the registered holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue) for the purpose of receiving payment of the principal of, premium, if any, and interest on this Note, as herein provided, and for all other purposes, and neither the Company nor the Trustee nor any agent of the Company or the Trustee shall be affected by any notice to the contrary. All payments made to or upon the order of such registered holder shall, to the extent of the sum or sums paid, effectually satisfy and discharge liability for moneys payable on this Note.

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No recourse for the payment of the principal of, premium, if any, or interest on this Note, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Unless otherwise defined in this Note, all terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF





=====

THE WASHINGTON POST COMPANY

and

THE FIRST NATIONAL BANK OF CHICAGO  
as Trustee

-----

Indenture

Dated as of February 17, 1999

-----

Providing for the Issuance of  
Debt Securities in Series

=====

THE WASHINGTON POST COMPANY

Reconciliation and Tie Between Trust Indenture Act of 1939 and Indenture Provisions\*/

TRUST INDENTURE  
ACT Section

INDENTURE SECTION

Section 310 (a) (1)	709
(a) (2)	709
(a) (3)	Not Applicable
(a) (4)	Not Applicable
(b)	708
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Section 311(a)	713(a)
	713(c)
(b)	713(b)
(b)(2)	803(a)(2)
	803(b)
Section 312(a)	801
	802(a)
(b)	802(b)
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Section 313(a)	803(a)
(b)	803(b)
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(b)	Not Applicable
(c)(1)	102
(c)(2)	102
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	102

-----

\*/ This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

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TRUST INDENTURE  
ACT Section

INDENTURE SECTION

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(b)	702
	803(a)(6)
(c)	701(b)
(d)	701(c)
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INDENTURE dated as of February 17, 1999, between THE WASHINGTON POST COMPANY, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal office at 1150 15th Street, N.W., Washington, D.C. 20071, and THE FIRST NATIONAL BANK OF CHICAGO, as Trustee (herein called the "Trustee"), the office of the Trustee at which at the date hereof this Indenture is principally administered being 153 W. 51st Street, New York, NY 10019.

## RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this



Indenture to provide for the issuance from time to time of its unsecured debentures, notes or other evidences of indebtedness (herein called the "Securities"), to be issued in one or more series as in this Indenture provided.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

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

## ARTICLE ONE

### Definitions and Other Provisions of General Application

Section 101. Definitions. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

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

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

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

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

Certain terms, used principally within an Article of this Indenture, may be defined in that Article.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such

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

"Attributable Debt" means, as of the date of its determination, the present value (discounted semiannually at the Attributable Interest Rate) of the obligation of a lessee for rental payments pursuant to any Sale and Leaseback Transaction (reduced by the amount of the rental obligations of any sublessee of all or part of the same property) during the remaining term of such Sale and Leaseback Transaction (including any period for which the lease relating thereto has been extended), such rental payments not to include amounts payable by the lessee for maintenance and repairs, insurance, taxes, assessments and similar charges and for contingent rents (such as those based on sales). In the case of any Sale and Leaseback Transaction in which the lease is terminable by the lessee upon the payment of a penalty, such rental payments shall be considered for purposes of this definition to be the lesser of (a) the rental payments to be paid under such Sale and Leaseback Transaction until the first date (after the date of such determination) upon which it may be so terminated plus the then applicable penalty upon such termination and (b) the rental payments required to be paid during the remaining term of such Sale and Leaseback Transaction (assuming such termination provision is not exercised).

"Attributable Interest Rate" means, as of the date of its determination, the weighted average of the interest rates (or the effective rate in the case of Original Issue Discount Securities or discount securities) of all Outstanding Securities.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 715 to act on behalf of the Trustee to authenticate Securities of one or more series.

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

"Bearer Security" means any Security which is not registered in the Security Register as to both principal and interest (including without limitation any Security in temporary or definitive global bearer form).

"Board of Directors" means either the board of directors of the Company, any executive officer of the Company duly authorized to act in the name of or on behalf of that board or any committee consisting of two or more persons who need not be directors duly authorized to act in the name of or on behalf of that board.

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

"Business Day", when used with respect to any Place of Payment or place of publication, means each day on which commercial banks and foreign exchange markets settle payments in the Place of Payment or place of publication, or as specified for a series of Securities pursuant to Section 202 or Section 301, as the case may be. Unless otherwise specified pursuant to Section 202 or Section 301, as the case may be, when used with respect to Securities bearing interest at a rate or rates determined by reference to London interbank offered rates for deposits in U.S. Dollars, "Business Day" shall exclude any day

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on which commercial banks and foreign exchange markets do not settle payments in London.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Depositary" has the meaning specified in Section 403.

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

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

"Component Currency" has the meaning specified in Section 410(i).

"Consolidated Net Worth" means, at the date of any determination, the consolidated stockholders' or owners' equity of the Company and its

subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles consistently applied.

"Conversion Date" has the meaning specified in Section 410(e).

"Conversion Rate" has the meaning specified in Section 714.

"Corporate Trust Office" means the office of the Trustee in New York, New York, at which at any particular time its corporate trust business shall be administered, which office at the date hereof is 153 W. 51st Street, New York, NY 10019, except that with respect to the presentation of Securities (or Coupons, if any, representing an installment of interest) for payment or for registration of transfer and exchange, such term shall mean the office or the agency of the Trustee in said city at which at any particular time its corporate agency business shall be conducted.

"corporation" includes corporations, associations, companies and business trusts.

"Coupon" or "coupon" means any interest coupon appertaining to a Bearer Security.

"Defaulted Interest" has the meaning specified in Section 406.

"Discharged" has the meaning specified in Section 505.

"Dollar" means the coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

"Dollar Equivalent of the Currency Unit" has the meaning specified in Section 410(h).

"Dollar Equivalent of the Foreign Currency" has the meaning specified in Section 410(g).

"ECU" means the European Currency Unit as defined and revised from time to time by the Council of the European Communities.

"Euro-clear" means the operator of the Euro-clear System.

"European Communities" means the European Economic Community, the European Coal and Steel Community and the European Atomic Energy Community.

"Event of Default" has the meaning specified in Section 601.

"Exchange Rate Agent" means the entity appointed by the Company pursuant to Section 104(g). Unless otherwise specified as contemplated by Section 202 or

Section 301, as the case may be, the Luxembourg Stock Exchange shall act as Exchange Rate Agent for purposes of Section 410 in the case of each series of Securities listed on the Luxembourg Stock Exchange.

"Exchange Rate Officers' Certificate" means a telecopy or tested telex or a certificate setting forth (i) the applicable Official Currency Unit Exchange Rate and (ii) the Dollar or Foreign Currency or currency unit amounts of principal, premium, if any, and interest, if any, respectively (on an aggregate basis and on the basis of a Security having a principal amount of 1,000 units in the relevant currency or currency unit), payable on the basis of such Official Currency Unit Exchange Rate, sent (in the case of a telecopy or telex) or executed (in the case of a certificate) by the Controller or any Assistant Controller or by the Treasurer or any Assistant Treasurer of the Company and delivered to the Trustee; such telecopy, tested telex or certificate need not comply with Section 102.

"Foreign Currency" means a currency issued by the government of any country other than the United States of America.

"Foreign Government Securities" has the meaning specified in Section 505.

"Funded Debt" means any Indebtedness maturing by its terms more than one year from the date of the issuance thereof, including any Indebtedness renewable or extendible at the option of the obligor to a date later than one year from the date of the original issuance thereof.

"Holder" or "holder" means, with respect to a Registered Security, the Person in whose name at the time a particular Registered Security is registered in the Security Register and, with respect to a Bearer Security and/or a Coupon, the bearer thereof.

"Indebtedness" of any corporation means all indebtedness representing money borrowed which is created, assumed, incurred or guaranteed in any manner by such corporation or for which such corporation is otherwise responsible or liable (whether by agreement to purchase indebtedness of, or to supply funds to or invest in, others).

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of particular series of Securities established as contemplated by Section 202 and Section 301, as the case may be.

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

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

"Lien" means any mortgage, pledge, security interest, lien, charge or other encumbrance, but does not include any of the foregoing types of encumbrances that are incidental to the conduct of the business of the Company or any Restricted Subsidiary or the ownership of the property and assets of any of them and that were not incurred in connection with the incurrence of any Indebtedness. Such incidental encumbrances that are to be excluded from the term "Liens" include without limitation: pledges or deposits made to secure obligations of the Company or a Restricted Subsidiary under workmen's compensation laws or similar legislation; liens imposed by law, such as materialmen's, mechanics', carriers', workmen's, vendors', repairmen's or other like liens incurred in the ordinary course of business; governmental (Federal, state or municipal) liens arising out of contracts for the purchase of products of the Company or a Restricted Subsidiary, and deposits or pledges to obtain the release of any of the foregoing liens; liens created by or resulting from any litigation or legal proceeding that is currently being contested in good faith by appropriate proceedings; leases made or existing on Principal Property entered into in the ordinary course of business by the Company or a Restricted Subsidiary; landlords' liens under leases of Principal Property to which the Company or a Restricted Subsidiary is a party; zoning restrictions, easements, licenses or restrictions on the use of Principal Property or minor irregularities in the title thereto; deposits in connection with bids, tenders or contracts (other than for the payment of money) to which the Company or any Restricted Subsidiary is a party; deposits to secure public or statutory obligations of the Company or any Restricted Subsidiary; deposits in connection with obtaining or maintaining self-insurance or to obtain the benefits of any law, regulation or arrangement pertaining to unemployment insurance, old age pensions, social security or similar matters; deposits of cash or obligations of the United States of America to secure surety, appeal or customs bonds to which the Company or any Restricted Subsidiary is a party; and liens for taxes or assessments or governmental charges or levies not yet due or delinquent, or which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings.

"Market Exchange Rate" has the meaning specified in Section 410(i).

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

"Medium-Term Debt Securities" has the meaning specified in Section 301.

"Medium-Term Debt Securities Certificate" shall mean a certificate signed by the Chairman of the Board, the President, any Vice President, the Treasurer, the Controller, any Secretary or Assistant Treasurer, Assistant Controller or Assistant Secretary of the Company, or any other employee of the Company designated by a Board Resolution as having the authority to deliver a

Medium-Term Debt Securities Certificate hereunder.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or any Vice President, and by the Treasurer, the Controller, the Secretary or any Assistant Treasurer, Assistant Controller or Assistant Secretary, of the Company, and delivered to the Trustee. Each such Officers' Certificate shall contain the statements provided in Section 102 if and to the extent required by the provisions of such Section.

"Official Currency Unit Exchange Rate" means, with respect to any payment to be made hereunder, the exchange rate between the relevant currency unit and the currency or currency unit of payment calculated by the Exchange Rate Agent for the Securities of the relevant series (in the case of ECU, reported by the Commission of the European Communities and on the date hereof based on the rates in effect at 2:30 p.m., Brussels time, on the exchange markets of the Component Currencies of ECU), on the Business

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Day (in the city in which such Exchange Rate Agent has its principal office) immediately preceding delivery of any Exchange Rate Officers' Certificate.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for or an employee of the Company. Each Opinion of Counsel shall contain the statements provided in Section 102 if and to the extent required by the provisions of such Section.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 602.

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

(i) Securities theretofore canceled by the Trustee or delivered or deemed delivered to the Trustee for cancelation;

(ii) Securities for whose payment or redemption money in the necessary amount and in the required currency or currency unit has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying

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

(iii) Securities which have been paid pursuant to Section 405 or in

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

provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder or whether a quorum is present at a meeting of Holders of Outstanding Securities or the number of votes entitled to be cast by each Holder of a Security in respect of such Security at any such meeting, (i) the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 602, (ii) the principal amount of a Security denominated in a Foreign Currency or currency unit shall be the Dollar equivalent obtained by converting the specified Foreign Currency or currency unit into Dollars at the Market Exchange Rate on the date of such determination (or, in the case of a Security denominated in a currency unit for which there is no Market Exchange Rate, the Dollar equivalent obtained by adding together the results obtained by converting the Specified Amount of each Component Currency into Dollars at the Market Exchange Rate for each such Component Currency on the date of such determination) of the principal amount (or, in the case of an Original Issue Discount Security, of the amount determined as provided in (i) above) of such Security, and (iii) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or

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any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

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

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

"Place of Payment", when used with respect to the Securities of any series,



means the place or places where the principal of (and premium, if any) and interest, if any, on the Securities of that series are payable as specified in accordance with Section 202 or Section 301, as the case may be.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 405 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Principal Property" means all land, land improvements, buildings, machinery and equipment constituting a manufacturing facility, a printing facility, a warehouse facility, a distribution facility, a television broadcast facility, a cable television facility or an office facility (including any portion thereof) which facility (a) is owned by or leased to the Company or any Restricted Subsidiary, (b) is located within the United States, and (c) has an acquisition cost plus capitalized improvements in excess of 1% Consolidated Net Worth as of the date of such determination, other than (i) any such facility, or portion thereof, which has been financed by obligations issued by or on behalf of a state, a Territory or a possession of the United States, or any political subdivision of any of the foregoing, or the District of Columbia, the interest on which is, or at the time of issuance of such obligations was determined by counsel to be, excludable from the gross income of the holders thereof (other than a "substantial user" of such facility or a "related person" as those terms were used in Section 147 of the Internal Revenue Code of 1986 (the "Code")) pursuant to the provisions of Section 103 and related Sections of the Code (or any similar provisions hereafter enacted) as in effect at the time of issuance of such obligations, (ii) any such facility which the Board of Directors may by Board Resolution declare is not of material importance to the Company and the Restricted Subsidiaries taken as a whole, and (iii) any such facility, or portion thereof, owned or leased jointly or in common with one or more Persons other than the Company and any Subsidiary and in which the interest of the Company and all Subsidiaries does not exceed 50%.

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

"Redemption Price", when used with respect to any Security to be redeemed, means the price, in the currency or currency unit in which such Security is payable, at which it is to be redeemed pursuant to this Indenture.

"Registered Security" means any Security registered in the Security Register (including without limitation any Security in temporary or definitive global registered form).

"Regular Record Date" for the interest payable on any Interest Payment Date on the Registered Securities of any series means the date specified for that purpose as

contemplated by Section 202 or Section 301, as the case may be, which date shall be, unless otherwise specified pursuant to Section 202 or Section 301, as the case may be, the fifteenth day preceding such Interest Payment Date, whether or not such day shall be a Business Day.

"Required Currency" has the meaning specified in Section 115.

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

"Restricted Securities" means any shares of the capital stock or Indebtedness of any Restricted Subsidiary.

"Restricted Subsidiary" means any Subsidiary (a) which has substantially all its property and transacts substantially all its business within the United States of America, and (b) which owns or is a lessee of any Principal Property; provided, however, that the term "Restricted Subsidiary" shall not include any Subsidiary (i) which is acquired or organized after February 17, 1999 for the purpose of acquiring the stock, business or assets of any Person other than the Company or any Restricted Subsidiary (whether such acquisition is effected by merger, consolidation, acquisition of stock or assets, or any other transaction analogous in purpose and effect), and (ii) which has (together with its consolidated subsidiaries and after intercompany eliminations) consolidated total assets of not more than 10% of the consolidated total assets of the Company and its subsidiaries (including such Subsidiary), all as determined in accordance with generally accepted accounting principles and, at the Company's election, as of the date of such acquisition of stock, business or assets (and after giving effect thereto) or within 30 days after such date.

"Sale and Leaseback Transaction" means any arrangement with any Person providing for the leasing by the Company or any Restricted Subsidiary of any Principal Property (whether such Principal Property is now owned or hereafter acquired) that has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person, other than (a) temporary leases for a term, including renewals at the option of the lessee, of not more than three years; (b) leases between the Company and a Restricted Subsidiary or between Restricted Subsidiaries; and (c) leases of Principal Property executed by the time of, or within 180 days after the latest of, the acquisition, the completion

of construction or improvement (including any improvements on property which will result in such property becoming Principal Property), or the commencement of commercial operation of such Principal Property.

"Secured Indebtedness" means (a) Indebtedness of the Company or a Restricted Subsidiary which is secured by any Lien upon any Principal Property or Restricted Securities and (b) Indebtedness of the Company or a Restricted Subsidiary in respect of any conditional sale or other title retention agreement covering Principal Property or Restricted Securities; but "Secured Indebtedness" shall not include any of the following:

(i) Indebtedness of the Company and the Restricted Subsidiaries outstanding on February 17, 1999 secured by then existing Liens upon, or incurred in connection with conditional sales agreements or other title retention agreements with respect to, Principal Property or Restricted Securities;

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(ii) Indebtedness which is secured by (A) purchase money Liens upon Principal Property or Restricted Securities acquired after February 17, 1999, or (B) Liens placed on Principal Property after February 17, 1999, during construction or improvement thereof (including any improvements on property which resulted or will result in such property becoming Principal Property) or placed thereon within 180 days after the later of acquisition, completion of construction or improvement or the commencement of commercial operation of such Principal Property or improvement, or placed on Restricted Securities acquired after February 17, 1999, or (C) conditional sale agreements or other title retention agreements with respect to any Principal Property or Restricted Securities acquired after February 17, 1999, if (in each case referred to in this subparagraph (ii)) (x) such Lien or agreement secures all or any part of the Indebtedness incurred for the purpose of financing all or any part of the purchase price or cost of construction of such Principal Property or improvement or Restricted Securities and (y) such Lien or agreement does not extend to any Principal Property or Restricted Securities other than the Principal Property or Restricted Securities so acquired or the Principal Property, or portion thereof, on which the property so constructed, or such improvement, is located; PROVIDED, HOWEVER, that the amount by which the aggregate principal amount of Indebtedness secured by any such Lien or agreement exceeds the cost to the Company or such Restricted Subsidiary of the related acquisition, construction or improvement shall be considered to be "Secured Indebtedness";

(iii) Indebtedness which is secured by Liens on Principal Property or Restricted Securities, which Liens exist at the time of acquisition (by any manner whatsoever) of such Principal Property or Restricted Securities by

the Company or a Restricted Subsidiary;

(iv) Indebtedness, whether secured by any Lien or not, of Restricted Subsidiaries owing to the Company or any other Restricted Subsidiary and Indebtedness of the Company owing to any Restricted Subsidiary;

(v) in the case of any corporation which shall have become or becomes (by any manner whatsoever), as the case may be, a Restricted Subsidiary after February 17, 1999, Indebtedness which is secured by Liens upon, or conditional sale agreements or other title retention agreements with respect to, its property which constitutes Principal Property or Restricted Securities, which Liens shall have existed or exist, as the case may be, at the time such corporation shall have become or becomes, as the case may be, a Restricted Subsidiary;

(vi) guarantees by the Company of Secured Indebtedness and Attributable Debt of any Restricted Subsidiaries and guarantees by a Restricted Subsidiary of Secured Indebtedness and Attributable Debt of the Company and any other Restricted Subsidiaries;

(vii) Indebtedness arising from any Sale and Leaseback Transaction;

(viii) Indebtedness secured by Liens on property of the Company or a Restricted Subsidiary in favor of the United States of America, any state, Territory or possession thereof, or in the District of Columbia, or any department, agency or instrumentality or political subdivision of the United States of America or any state, Territory or possession thereof, or the District of Columbia, or in favor of any other country or any political subdivision thereof, if such Indebtedness was incurred for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to such Liens; PROVIDED, HOWEVER, that the amount by which the aggregate principal amount of Indebtedness secured by any such Lien exceeds the cost to the Company or such Restricted Subsidiary of the related acquisition or construction shall be considered to be "Secured Indebtedness"; and

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(ix) the replacement, extension or renewal (or successive replacements, extensions or renewals) of any Indebtedness (in whole or in part) excluded from the definition of "Secured Indebtedness" by subparagraphs (i) through (viii) above; PROVIDED, HOWEVER, that no Lien securing, or conditional sale or title retention agreement with respect to, such Indebtedness shall extend to or cover any Principal Property or any Restricted Securities, other than such property which secured the Indebtedness so replaced, extended or renewed (plus improvements on or to any such Principal Property); PROVIDED FURTHER, HOWEVER, that to the extent that such replacement, extension or renewal increased or increases the principal amount of Indebtedness plus any accrued and unpaid interest or capitalized interest payable thereon secured by such Lien or was or is in a principal

amount in excess of the principal amount of Indebtedness plus any accrued and unpaid interest or capitalized interest payable thereon excluded from the definition of "Secured Indebtedness" by subparagraphs (i) through (viii) above, the amount of such increase or excess shall be considered to be "Secured Indebtedness".

In no event shall the foregoing provisions be interpreted to mean or their operation to cause the same Indebtedness to be included more than once in the calculation of "Secured Indebtedness" as that term is used in this Indenture.

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Securities (including Medium-Term Debt Securities) authenticated and delivered under this Indenture and, in the case of any Bearer Security, shall include where appropriate any Coupons appertaining thereto.

"Security Register" has the meaning specified in Section 404.

"Security Registrar" means the Person appointed as the initial Security Registrar in Section 404 or any Person appointed by the Company as a successor or replacement Security Registrar.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 406.

"Specified Amount" has the meaning specified in Section 410(i).

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

"Subsidiary" means any corporation a majority of the Voting Shares of which are at the time owned or controlled, directly or indirectly, by the Company or by one or more Subsidiaries, or by the Company and one or more Subsidiaries.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, and as in force at the date as of which this instrument was executed, except as provided in Section 1005.

"United States" means the United States of America (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"U.S. Government Obligations" has the meaning specified in Section 505.

"Valuation Date" has the meaning specified in Section 410(e).

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

"Voting Shares" means, as to shares of a particular corporation, outstanding shares of stock of any class of such corporation entitled to vote in the election of directors, excluding shares entitled so to vote only upon the happening of some contingency.

Section 102. Compliance Certificates and Opinions. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Unless expressly otherwise specified with respect to any certificate or opinion provided for in this Indenture, every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than annual certificates provided pursuant to Section 1106) shall include:

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

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

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

(4) a statement as to whether or not, in the opinion of each such

individual, such condition or covenant has been complied with.

Section 103. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his

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

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

Section 104. Acts of Holders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of Securities of any series may be embodied in and evidenced by (i) one or more instruments of substantially similar tenor signed by such Holders in person or by proxies duly appointed in writing, (ii) the record of such Holders voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Securities of such series duly called and held in accordance with the provisions of Article Fourteen, or (iii) a combination of any such record and one or more instruments of substantially similar tenor signed by such Holders in person or by proxies duly appointed in writing. Except as herein otherwise expressly provided, such action shall become effective when such record and/or instrument or instruments are delivered to the Trustee and, where it is hereby

expressly required, to the Company. Such record or instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments

or so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such proxy shall be sufficient for any purpose of this Indenture and (subject to Section 701) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section . The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 1406.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The principal amount and serial numbers of Bearer Securities held by any Person, and the date of holding the same, may be proved by the production of such Bearer Securities or by a certificate executed by any trust company, bank, banker or other depository, wherever situated, showing that at the date therein mentioned such Person had on deposit with such depository, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, (2) such Bearer Security is produced to the Trustee by some other Person, (3) such Bearer Security is surrendered in exchange for a Registered Security, or (4) such Bearer Security is no longer Outstanding.

(d) The fact and date of execution of any such instrument or writing pursuant to clause (c) above, the authority of the Person executing the same and the principal amount and serial numbers of Bearer Securities held by the Person so executing such instrument or writing and the date of holding the same may also be proved in any other manner which

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the Trustee deems sufficient; and the Trustee may in any instance require further proof with respect to any of the matters referred to in this clause.

(e) The principal amount and serial numbers of Registered Securities held by any Person and the date of holding the same shall be proved by the Security Register.

(f) Any request, demand, authorization, direction, notice, consent, waiver or other Act of a Holder shall bind every future Holder of the same Security and/or Coupon and the Holder of every Security and/or Coupon issued upon the



registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security and/or Coupon.

(g) Whenever any Act is to be taken hereunder by the Holders of two or more series of Securities denominated in different currencies (or currency units), then, for the purpose of determining the principal amount of Securities held by such Holders, the aggregate principal amount of the Securities denominated in a Foreign Currency (or any currency unit) shall be deemed to be that amount determined by the Company or by an authorized Exchange Rate Agent and evidenced to the Trustee by an Officers' Certificate as of the date the taking of such Act by the Holders of the requisite percentage in principal amount of the Securities is evidenced to the Trustee to be equal to the Dollar equivalent obtained by converting the specified Foreign Currency or currency unit into Dollars at the Market Exchange Rate on such date (or, in the case of a Security denominated in a currency unit for which there is no Market Exchange Rate, the Dollar equivalent obtained by adding together the results obtained by converting the Specified Amount of each Component Currency into Dollars at the Market Exchange Rate for each such Component Currency on such date) of the principal amount (or, in the case of an Original Issue Discount Security, the principal amount thereof that would be due and payable as of the declaration of acceleration of the Maturity thereof pursuant to Section 602) of such Security. An Exchange Rate Agent may be authorized in advance or from time to time by the Company. Any such determination by the Company or by any such Exchange Rate Agent shall be conclusive and binding on all Holders, the Company and the Trustee, and neither the Company nor any such Exchange Rate Agent shall be liable therefor in the absence of bad faith.

(h) If the Company shall solicit from the Holders of Registered Securities any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

Section 105. Notices, etc., to Trustee and Company. Any request, demand, authorization, direction, notice, consent, waiver or other Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and delivered in person or by any other means to the Trustee at its Corporate Trust Office, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and delivered in person, mailed, first-class postage prepaid, or sent by overnight courier or, until such time as the Company shall have notified the Trustee in writing that it shall no longer accept delivery of notice by telecopy or telex, given by telecopy or by telex (with answerback received) to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company, or at its telecopy or telex number from time to time furnished in writing to the Trustee expressly for purposes of this Indenture, Attention: Secretary.

Section 106. Notice to Holders; Waiver. (a) Where this Indenture provides for notice to Holders of any event:

(i) if any of the Securities affected by such event are Registered Securities, such notice shall be sufficiently given (unless otherwise herein expressly provided or unless otherwise specified in such Securities) if in writing and delivered in person, mailed, first-class postage prepaid or sent by overnight courier, to each Holder affected by such event, at his address as it appears in the Security Register, within the time prescribed for the giving of such notice, and

(ii) if any of the Securities affected by such event are Bearer Securities, such notice shall be sufficiently given (unless otherwise herein expressly provided or unless otherwise specified in such Securities) if (A) published once in an Authorized Newspaper in New York City and London and, if applicable, in Luxembourg or such other place of publication as may be required pursuant to the rules and regulations of any securities exchange on which such Securities are listed, and (B) delivered in person, mailed, first-class postage prepaid or sent by overnight courier to such Persons whose names were previously filed with the Trustee, within the time prescribed for the giving of such notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders of Registered Securities in the manner specified above, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders of

Bearer Securities as provided above, then such notification to Holders of Bearer Securities as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder.

(b) In any case where notice to a Holder of Registered Securities is given in any manner specified in paragraph (a) above, such notice shall be conclusively presumed to have been duly given, whether or not such Holder receives such notice. In any case where notice to Holders of Registered Securities is given in any manner specified in paragraph (a) above, neither the failure to deliver, mail or send such notice, nor any defect in any

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notice so mailed or sent, to any particular Holder of a Registered Security shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided herein. Neither the failure to give notice by publication to Holders of Bearer Securities as provided in paragraph (a) above, nor any defect in any notice so published, shall affect the sufficiency of any notice to Holders of Registered Securities given as provided herein.

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

Section 107. Conflict with Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with the duties imposed by any of Section s 310 to 317, inclusive, of the Trust Indenture Act through operation of Section 318(c) thereof, such imposed duties shall control.

Section 108. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 109. Successors and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 110. Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 111. Benefits of Indenture. Nothing in this Indenture or in the Securities or Coupons, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or

equitable right, remedy or claim under this Indenture.

Section 112. Governing Law. THIS INDENTURE AND THE SECURITIES AND COUPONS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 113. Legal Holidays. Except as otherwise specified as contemplated by Section 202 or Section 301, as the case may be, in any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security or Coupon shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of such Security or Coupon) payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, as the case may be, provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to the next succeeding Business Day at such Place of Payment.

Section 114. Moneys of Different Currencies To Be Segregated. The Trustee shall segregate moneys, funds and accounts held by the Trustee hereunder in one currency (or currency unit) from any moneys, funds or accounts in any other currencies (or currency units), notwithstanding any provision herein which would otherwise permit the Trustee to commingle such amounts.

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Section 115. Payment To Be in Proper Currency. In the case of any Security denominated in any particular currency or currency unit (the "Required Currency"), subject to applicable law and except as otherwise provided herein, therein or in or pursuant to the related Board Resolution, Medium-Term Debt Securities Certificate or supplemental indenture, the obligation of the Company to make any payment of principal, premium or interest thereon shall not be discharged or satisfied by any tender by the Company, or recovery by the Trustee, in any currency or currency unit other than the Required Currency, except to the extent that such tender or recovery shall result in the Trustee's timely holding the full amount of the Required Currency then due and payable. If any such tender or recovery is made in other than the Required Currency, the Trustee may take such actions as it considers appropriate to exchange such other currency or currency unit for the Required Currency. The costs and risks of any such exchange, including without limitation the risks of delay and exchange rate fluctuation, shall be borne by the Company, the Company shall be liable for any shortfall or delinquency in the full amount of the Required Currency then due and payable, and in no circumstances shall the Trustee be liable therefor. The Company hereby waives any defense of payment based upon any such tender or recovery which is not in the Required Currency, or which, when exchanged for the Required Currency by the Trustee, is less than the full amount of the Required Currency then due and payable

Section 116. Language of Notices, etc. Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

Section 117. Changes in Exhibits. At any time and from time to time, the Company may substitute a new form, or add new forms, of the Exhibits hereto. Such substitution shall be effective upon receipt by the Trustee of such new form of Exhibit and a Board Resolution or Officers' Certificate adopting such new form of Exhibit, and thereafter all references in this Indenture to such Exhibit shall be deemed to refer to such new form of Exhibit.

## ARTICLE TWO

### Issuance of Securities

Section 201. Creation of Securities in Amount Unlimited. An unlimited aggregate principal amount of Securities may be issued pursuant to this Article Two and, in the case of Medium-Term Debt Securities, pursuant to Article Three. The Securities (including Medium-Term Debt Securities) may be authenticated and delivered, as authorized by the Board of Directors, in an unlimited number of series.

Section 202. Documents Required for Issuance of Each Series of Securities Other than Medium-Term Debt Securities. At any time and from time to time, Securities of each series created pursuant to the provisions of this Article Two may be executed by the Company and delivered to the Trustee and shall be authenticated by the Trustee and shall be authenticated by the Trustee and delivered to, or upon the order of, the Company upon receipt by the Trustee of the following:

(a) A Board Resolution or Board Resolutions authorizing the execution, authentication and delivery of the Securities of the series, and specifying:

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

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Article Two (except

for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 403, 404, 405, 1006 or 1207 and except for any Securities which, pursuant to Section 402, are deemed never to have been authenticated and delivered hereunder);

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

(4) the rate or rates, or the method of determination thereof, at which any of the Securities of the series shall bear interest, if any, the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable and the Regular Record Date for the interest payable on any Registered Securities on any Interest Payment Date;

(5) the place or places where the principal of (and premium, if any) and interest, if any, on any of the Securities and Coupons, if any, of the series shall be payable and the office or agency for the Securities of the series maintained by the Company pursuant to Section 1102;

(6) the period or periods within which, the price or prices at which and the terms and conditions upon which any of the Securities of the series may be redeemed, in whole or in part, at the option of the Company;

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

(8) the terms of the obligation of the Company, if any, to permit the conversion of the Securities of the series into stock or other securities of the Company or of any other corporation;

(9) the terms, if any, for the attachment to Securities of the series of warrants, options or other rights to purchase or sell stock or other securities of the Company;

(10) if other than denominations of \$1,000 and in any integral multiple thereof, if Registered Securities, and \$5,000, if Bearer Securities, for Securities denominated in Dollars, the denominations in which the Securities of the series shall be issuable;

(11) if other than the principal amount thereof, the portion of the principal amount of any of the Securities of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 602;

(12) the application, if any, of Section 503, or such other means of satisfaction and discharge as may be specified for the Securities and Coupons, if any, for a series;

(13) any deletions or modifications of or additions to the Events of Default set forth in Section 601 or covenants of the Company set forth in Article Nine or Eleven pertaining to the Securities of the series (including without limitation whether the provisions of Section 1104 or Section 1105 shall not be applicable to the Securities of the series);

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(14) the forms of the Securities and Coupons, if any, of the series;

(15) if other than Dollars, the currency or currencies, or currency unit or units, in which the Securities of such series will be denominated and/or in which payment of the principal of (and premium, if any) and interest, if any, on any of the Securities of the series shall be payable and the Exchange Rate Agent, if any, for such series;

(16) if the principal of (and premium, if any) or interest, if any, on any of the Securities of the series are to be payable at the election of the Company or a Holder thereof, or under some or all other circumstances, in a currency or currencies, or currency unit or units, other than that in which the Securities are denominated, the period or periods within which, and the terms and conditions upon which, such election may be made, or the other circumstances under which any of the Securities are to be so payable, including without limitation the application of Section 410(b) and any deletions to, modifications of or additions to the provisions thereof, and any provision requiring the Holder to bear currency exchange costs by deduction from such payments;

(17) if the amount of payments of principal of (and premium, if any) or interest, if any, on any of the Securities of the series may be determined with reference to an index based on (i) a currency or currencies or currency unit or units other than that in which such Securities are stated to be payable or (ii) any method, not inconsistent with the provisions of this Indenture, specified in or pursuant to such Board Resolution, then in each case (i) and (ii) the manner in which such amounts shall be determined;

(18) whether the Securities of the series are to be issued as Registered Securities or Bearer Securities (with or without Coupons), or any combination thereof, whether Bearer Securities may be exchanged for Registered Securities of the series and whether Registered Securities may be exchanged for Bearer Securities of the series (if permitted by applicable laws and regulations) and the circumstances under which and the place or places where any such exchanges, if permitted, may be made; and whether any Securities of the series are to be issuable initially in

temporary global form and whether any Securities of the series are to be issuable in definitive global form with or without Coupons and, if so, whether beneficial owners of interests in any such definitive global Security may exchange such interests for Securities of such series and of like tenor of any authorized form and denomination and the circumstances under which and the place or places where any such exchanges may occur, if other than in the manner provided in Section 404;

(19) if the Securities and Coupons, if any, of the series are to be issued upon the exercise of warrants, the time, manner and place for such Securities and Coupons, if any, to be authenticated and delivered;

(20) whether and under what circumstances and with what procedures and documentation the Company will pay additional amounts on any of the Securities and Coupons, if any, of the series to any Holder who is not a U.S. Person (including a definition of such term), in respect of any tax assessment or governmental charge withheld or deducted and, if so, whether the Company will have the option to redeem such Securities rather than pay additional amounts (and the terms of any such option);

(21) the Person to whom any interest on any Registered Security of the series shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular

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Record Date for such interest, the manner in which, or the Person to whom, any interest on any Bearer Security of the series shall be payable, if otherwise than upon presentation and surrender of the Coupons appertaining thereto as they severally mature and the extent to which, or the manner in which, any interest payable on a temporary global Security on an Interest Payment Date will be paid if other than in the manner provided in Section 403; and

(22) any other terms of any of the Securities of the series (which terms shall not be inconsistent with the provisions of this Indenture).

If any of the terms of the series are established by action taken pursuant to a Board Resolution or Board Resolutions, an Officers' Certificate certifying as to such action also shall be delivered to the Trustee.

(b) In case the Securities of the series to be authenticated and delivered are to be created pursuant to one or more supplemental indentures, such supplemental indenture or indentures, accompanied by a Board Resolution or Board Resolutions authorizing such supplemental



indenture or indentures and designating the new series to be created and prescribing pursuant to paragraph (a) above, consistent with the applicable provisions of this Indenture, the terms and provisions relating to the Securities of the series.

(c) Either (i) a certificate or other official document evidencing the due authorization, approval or consent of any governmental body or bodies, at the time having jurisdiction in the premises, together with an Opinion of Counsel that the Trustee is entitled to rely thereon and that the authorization, approval or consent of no other governmental body is required, or (ii) an Opinion of Counsel that no authorization, approval or consent of any governmental body is required.

(d) An Opinion of Counsel that all instruments furnished the Trustee conform to the requirements of this Indenture and constitute sufficient authority hereunder for the Trustee to authenticate and deliver the Securities and to deliver the Coupons, if any, of the series; that all conditions precedent provided for in this Indenture relating to the authentication and delivery of the Securities and delivery of the Coupons, if any, of the series have been complied with and the Company is duly entitled to the authentication and delivery of the Securities and Coupons, if any, of the series in accordance with the provisions of this Indenture; that all laws and requirements with respect to the form and execution by the Company of the supplemental indenture, if any, and the execution and delivery by the Company of the Securities and Coupons, if any, of the series have been complied with; that the Company has corporate power to execute and deliver the supplemental indenture, if any, and to issue the Securities and Coupons, if any, of the series and has duly taken all necessary corporate action for those purposes; and that the supplemental indenture, if any, as executed and delivered and the Securities and Coupons, if any, of the series, when issued, will be the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect, the enforceability of the Company's obligations also being subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law)); that the Securities and Coupons, if any, of the series, when issued, will be entitled to the benefits of this Indenture, equally and ratably with all other Securities and Coupons, if any, of such series theretofore issued and then outstanding hereunder; and that the amount of Securities then outstanding under this Indenture, including the Securities of the series, will not exceed the amount at the time permitted by law or this Indenture.

(e) An Officers' Certificate stating that the Company is not in default under this Indenture and that the issuance of the Securities and Coupons,

if any, of the series will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, the Company's certificate of incorporation or by-laws or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is a party or by which it is bound, or any order of any court or administrative agency entered in any proceeding to which the Company is a party or by which it may be bound or to which it may be subject; and that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Securities and Coupons, if any, of the series have been complied with.

(f) Such other documents as the Trustee may reasonably require.

### ARTICLE THREE

#### Issuance of Medium-Term Debt Securities

Section 301. Documents Required for Issuance of Each Series of Medium-Term Debt Securities. At any time, and from time to time, Securities (sometimes referred to herein as "Medium-Term Debt Securities") of each series created pursuant to the provisions of this Article Three may be executed by the Company and delivered to the Trustee and shall be authenticated by the Trustee and delivered to, or upon the order of, the Company upon receipt by the Trustee of the following:

(a) A Board Resolution or Board Resolutions authorizing the execution, authentication and delivery of Medium-Term Debt Securities up to a specified aggregate principal amount, in such series and subject to such terms as shall be established by officers of the Company authorized by such resolutions to establish such series and terms.

(b) A Medium-Term Debt Securities Certificate requesting the Trustee to authenticate and deliver Medium-Term Debt Securities of a series as contemplated by Section 402, and specifying the following terms with respect to the Medium-Term Debt Securities of the particular series, authorized pursuant to the Board Resolution or Board Resolutions referred to in paragraph (a) above:

(1) the title of the Medium-Term Debt Securities of the series (which shall distinguish the Medium-Term Debt Securities of the series from all other Securities);

(2) the date of the Medium-Term Debt Securities of the series;

(3) any limit upon the aggregate principal amount of the Medium-Term Debt Securities of the series which may be authenticated and delivered under this Article Three (except for Medium-Term Debt Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Medium-Term Debt Securities of the series pursuant to Section 403, 404, 405, 1006 or 1207 and except for any Medium-Term Debt Securities which, pursuant to

Section 402, are deemed never to have been authenticated and delivered hereunder);

(4) the date or dates on which the principal (and premium, if any) of any of the Medium-Term Debt Securities of the series are payable or the method of determination thereof, which in any event may not be less than nine months subsequent to the date of the first authentication of Medium-Term Debt Securities of the series;

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(5) the rate or rates, or the method of determination thereof, at which any of the Medium-Term Debt Securities of the series shall bear interest, if any, the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable and the Regular Record Date for the interest payable on any Medium-Term Debt Securities of the series that are Registered Securities on any Interest Payment Date;

(6) the place or places where the principal of (and premium, if any) and interest, if any, on any of the Medium-Term Debt Securities and Coupons, if any, of the series shall be payable and the office or agency for the Medium-Term Debt Securities of the series maintained by the Company pursuant to Section 1102;

(7) the period or periods within which, the price or prices at which and the terms and conditions upon which any of the Medium-Term Debt Securities of the series may be redeemed, in whole or in part, at the option of the Company;

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

(9) the terms of the obligation of the Company, if any, to permit the conversion of the Medium-Term Debt Securities of the series into stock or other securities of the Company or of any other corporation;

(10) the terms, if any, for the attachment to Medium-Term Debt Securities of the series of warrants, options or other rights to purchase or sell stock or other securities of the Company;

(11) if other than denominations of \$1,000 and in any integral multiple thereof, if Registered Securities, and \$5,000 if Bearer Securities, for Medium-Term Debt Securities denominated in Dollars, the

denominations in which the Medium-Term Debt Securities of the series shall be issuable;

(12) if other than the principal amount thereof, the portion of the principal amount of any of the Medium-Term Debt Securities of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 602;

(13) the application, if any, of Section 503, or such other means of satisfaction and discharge as may be specified for the Medium-Term Debt Securities and Coupons, if any, of the series;

(14) any deletions or modifications of or additions to the Events of Default set forth in Section 601 or covenants of the Company set forth in Article Nine or Eleven pertaining to the Medium-Term Debt Securities of the series (including without limitation whether the provisions of Section 1104 or Section 1105 shall not be applicable to the Medium-Term Debt Securities of the series);

(15) if other than Dollars, the currency or currencies, or currency unit or units, in which the Medium-Term Debt Securities of the series will be denominated and/or in which payment of the principal of (and premium, if any) and interest, if any, on any of the Medium-Term Debt Securities of the series shall be payable and the Exchange Rate Agent, if any, for such series;

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(16) if the principal of (and premium, if any) or interest, if any, on any of the Securities of the series are to be payable at the election of the Company or Holder thereof, or under some or all other circumstances, in a currency or currencies, or currency unit or units, other than that in which the Medium-Term Debt Securities are stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made, or the other circumstances under which any of the Medium-Term Debt Securities are to be so payable, including without limitation the application of Section 410(b) and any deletions to, modification of or additions to the provisions thereof, and any provision requiring the Holder to bear currency exchange costs by deduction from such payments;

(17) if the amount of payments of principal of (and premium, if any) or interest, if any, on any of the Medium-Term Debt Securities of the series may be determined with reference to an index based on (i) a currency or currencies or currency unit or units other than that in which such Securities are stated to be payable or (ii) any method, not inconsistent with the provisions of this Indenture, specified in or pursuant to such Board Resolution, then in each case (i) and (ii) the

manner in which such amounts shall be determined;

(18) whether the Medium-Term Debt Securities of the series are to be issued as Registered Securities or Bearer Securities (with or without Coupons), or any combination thereof, whether Bearer Securities may be exchanged for Registered Securities of the series and whether Registered Securities may be exchanged for Bearer Securities of the series (if permitted by applicable laws and regulations) and the circumstances under which and the place or places where any such exchanges, if permitted, may be made; and whether any Medium-Term Debt Securities of the series are to be issuable initially in temporary global form and whether any Medium-Term Debt Securities of the series are to be issuable in definitive global form with or without Coupons and, if so, whether beneficial owners of interests in any such definitive global Medium-Term Debt Security may exchange such interests for Medium-Term Debt Securities of such series and of like tenor of any authorized form and denomination and the circumstances under which and the place or places where any such exchange may occur, if other than in the manner provided in Section 404;

(19) if the Medium-Term Debt Securities and Coupons, if any, of the series are to be issued upon the exercise of warrants, the time, manner and place for such Medium-Term Debt Securities and Coupons, if any, of the series to be authenticated and delivered;

(20) whether and under what circumstances and with what procedures and documentation the Company will pay additional amounts on any of the Medium-Term Debt Securities of the series to any Holder who is not a U.S. Person (including a definition of such term), in respect of any tax assessment or governmental charge withheld or deducted and, if so, whether the Company will have the option to redeem such Medium-Term Debt Securities rather than pay additional amounts (and the terms of any such option);

(21) the Person to whom any interest on any Medium-Term Debt Security of the series shall be payable, if other than the Person in whose name that Medium-Term Debt Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, the manner in which, or the person to whom, any interest on any Bearer Security of the series shall be payable, if otherwise than upon presentation and surrender of the Coupons appertaining thereto as they severally mature and the extent to which, or the manner in which, any interest payable on a temporary global Medium-Term

Debt Security on an Interest Payment Date will be paid if other than in the manner provided in Section 403;

(22) if other than the forms set forth in Exhibit A hereto, the forms of the Medium-Term Debt Securities and Coupons, if any, of the series; and

(23) any other terms of any of the Medium-Term Debt Securities of the series (which terms shall not be inconsistent with the provisions of this Indenture).

Unless the Company shall be required to deliver an Officers' Certificate pursuant to paragraph (d) below in connection with the authentication of the Medium-Term Debt Securities of the series, the delivery of such Medium-Term Debt Securities Certificate to the Trustee shall be deemed to be a certification by the Company that all matters certified in the most recent Officers' Certificate delivered to the Trustee pursuant to paragraph (d) below continue to be true and correct, as if such Officers' Certificate related to the Medium-Term Debt Securities covered by such Medium-Term Debt Securities Certificate, on and as of the date of such Medium-Term Debt Securities Certificate. The delivery of such Medium-Term Debt Securities Certificate also shall be deemed to be a certification that the Board Resolution or Board Resolutions referred to in paragraph (a) above are in full force and effect on and as of the date of such Medium-Term Debt Securities Certificate and that the terms and form or forms of the Medium-Term Debt Securities and Coupons, if any, of the series have been established by an officer or officers of the Company authorized by such Board Resolution or Board Resolutions in accordance with the provisions thereof and hereof.

(c) If (i) the Company shall not have previously delivered to the Trustee an Opinion of Counsel to the effect set forth in this paragraph (c) with respect to the Medium-Term Debt Securities authorized pursuant to the Board Resolution or Board Resolutions referred to in paragraph (a) above or (ii) if the Medium-Term Debt Securities Certificate referred to in paragraph (b) above specifies a means of satisfaction and discharge other than the application of Section 503 with respect to the series of Medium-Term Debt Securities to which such Medium-Term Debt Securities Certificate relates, an Opinion of Counsel that the Medium-Term Debt Securities have been duly authorized by resolutions of the Board of Directors of the Company, subject to the establishment of certain terms of the Medium-Term Debt Securities and Coupons, if any, of the series by officers of the Company authorized by such resolutions to establish such terms, that when the terms of the Medium-Term Debt Securities and Coupons, if any, of the series have been established as provided in such resolutions and in this Indenture and the Medium-Term Debt Securities and Coupons, if any, of the series have been executed, authenticated and delivered in accordance with the provisions of this Indenture, the Medium-Term Debt Securities and Coupons, if any, of the series, assuming they do not violate any applicable law then binding on the Company, will constitute legal, valid and binding obligations of the Company entitled to the benefits of this Indenture, equally and ratably with all other Securities and Coupons, if any, of such series theretofore issued and then outstanding hereunder, and that the amount of Securities then

outstanding under this Indenture, including the Medium-Term Debt Securities of the series, will not exceed the amount at the time permitted by law or this Indenture.

(d) If the Company shall not have delivered an Officers' Certificate pursuant to the provisions of this paragraph (d) to the Trustee during the immediately preceding 12- month period, an Officers' Certificate stating that the Company is not in default under this Indenture, that the issuance of the Medium-Term Debt Securities and Coupons, if any, of the series will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, the Company's certificate of incorporation or By-laws or any indenture, mortgage, deed of trust or other agreement

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or instrument to which the Company is a party or by which it is bound, or any order of any court or administrative agency entered in any proceeding to which the Company is a party or by which it may be bound or to which it may be subject, that all laws and requirements with respect to the execution and delivery by the Company of the Medium-Term Debt Securities and Coupons, if any, of the series have been complied with and that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Medium-Term Debt Securities and Coupons, if any, of the series have been complied with.

(e) Such other documents as the Trustee shall reasonably request.

SECTION 302. Form of Medium-Term Debt Securities. The Medium-Term Debt Securities and Coupons, if any, of each series shall be in such forms as shall be specified as contemplated by Section 301. In the absence of any such provisions with respect to the Medium-Term Debt Securities of any series, the Medium-Term Debt Securities and Coupons, if any, of such series shall be substantially in the applicable form or forms set forth in Exhibit A hereto, except with such additions, changes and deletions thereto as may be required to reflect the different provisions thereof as shall be specified as provided in Section 301.

#### ARTICLE FOUR

#### The Securities

SECTION 401. Form and Denomination. All Securities of any one series and the Coupons appertaining to any Bearer Securities of such series shall be substantially identical except, in the case of Registered Securities, as to denomination and except as may otherwise be provided in or pursuant to the Board Resolution referred to in Section 202 or Section 301, as the case may be, and (subject to Section 402) set forth in the Officers' Certificate or Medium-Term Debt Securities Certificate referred to in Section 202 or Section 301, as the case may be, or in any indenture supplemental hereto.

The Securities of each series shall be issuable in such denominations as shall be specified as contemplated by Section 202 or Section 301, as the case may be. In the absence of any such provisions with respect to the Securities of any series, the Securities of such series denominated in Dollars shall be issuable in denominations of \$1,000 and in any integral multiple thereof, if registered, and in denominations of \$5,000 if bearer. Securities of each series shall be numbered, lettered or otherwise distinguished in such manner or in accordance with such plan as the officers of the Company executing the same may determine with the approval of the Trustee. Each Security shall bear the appropriate legends, if any, as required by U.S. Federal tax law and regulations.

SECTION 402. Execution, Delivery, Dating and Authentication. The Securities shall be executed on behalf of the Company by a manual or facsimile signature of its Chairman, its President, any of its Vice Presidents, its Treasurer, any Assistant Treasurer, its Secretary or any Assistant Secretary, under its corporate seal reproduced thereon. Any Coupons shall be executed on behalf of the Company by the manual or facsimile signature of any such officer of the Company. In case any of the above referenced officers of the Company who shall have signed any of the Securities or Coupons shall cease to be such officer before the Securities so signed shall have been authenticated and delivered by the Trustee or disposed of by the Company, such Securities nevertheless may be authenticated and delivered or disposed of as though the person who signed such Securities and/or Coupons had not ceased to be such officer; and any Securities or Coupons may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Security or Coupon, shall be such officers of the Company, although at the date of the execution of this Indenture any such person was not such officer.

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At any time and from time to time, the Company may deliver Securities of any series, together with any Coupons appertaining thereto, executed by the Company to the Trustee for authentication, together (except in the case of any Medium-Term Debt Securities) with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order (or, in the case of Medium-Term Debt Securities of any series, upon receipt of a Medium-Term Debt Securities Certificate and in accordance with the terms thereof) shall authenticate and make available for delivery such Securities; provided, however, that, unless otherwise specified in the Board Resolution (or, in the case of any Bearer Securities that are Medium-Term Debt Securities in the Medium-Term Debt Securities Certificate) with respect to an Bearer Securities, in connection with its original issuance, no Bearer Security (including any temporary Bearer Security issued pursuant to Section 403 which is not in global form) shall be mailed or otherwise delivered to any location in the United States; and provided further that, unless otherwise specified in the Board Resolution (or, in the case of any Bearer Securities that are Medium-Term Debt Securities, in the Medium-Term Debt Securities Certificate) with respect to such Bearer Securities, such Bearer Security may be delivered



in connection with its original issuance only if the Person entitled to receive such Bearer Security (including any temporary Bearer Security issued pursuant to Section 403 which is not in global form) shall have furnished to the Company or any agent, underwriter or selling group member a certificate substantially in the form set forth in Exhibit B.1 to this Indenture, dated no earlier than 15 days prior to the earlier of the date on which such Bearer Security is delivered and the date on which any temporary Security first becomes exchangeable for such Bearer Security in accordance with the terms of such temporary Security and this Indenture. In connection with the original issuance of any Bearer Security and unless otherwise specified in the Board Resolution (or, in the case of any Bearer Securities that are Medium-Term Debt Securities, in the Medium-Term Debt Securities Certificate) with respect to such Bearer Securities, a confirmation substantially in the form set forth in Exhibit B.5 to this Indenture shall be sent to each purchaser thereof. If any Security shall be represented by a definitive global Bearer Security, then, for purposes of this Section and Section 403, the notation of a beneficial owner's interest therein upon original issuance of such Security or upon exchange of a portion of a temporary global Security shall be deemed to be delivery in connection with its original issuance of such beneficial owner's interest in such definitive global Bearer Security. Except as permitted by Section 405, the Trustee shall not authenticate and make available for delivery any Bearer Security unless all appurtenant Coupons for interest then matured have been detached and canceled.

The Trustee shall not be required to authenticate Securities of any series if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee, or if the Trustee determines that such action may not lawfully be taken.

Unless otherwise specified pursuant to Section 301(b)(2), each Registered Security shall be dated the date of its authentication, and each Bearer Security and any Bearer Security in global form shall be dated as of the date of original issuance of the first Security of such series to be issued.

No Security or Coupon shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for below executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Security shall have been duly authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 408 together with a written statement (which need not comply with Section 102 and need

not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

The Trustee's certificate of authentication shall be in substantially the following form:

Dated:

This is one of the Securities of the series designated herein issued under the within-mentioned Indenture.

THE FIRST NATIONAL BANK OF CHICAGO,  
as Trustee

By

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Authorized Signatory

SECTION 403. Temporary Securities. Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order (or, in the case of Medium-Term Debt Securities, receipt of the Medium-Term Debt Securities Certificate with respect to such Medium-Term Debt Securities) the Trustee shall authenticate and make available for delivery, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, in registered form or, if authorized, in bearer form with one or more Coupons or without Coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced conclusively by their execution of such Securities. Such temporary Securities may be in global form.

Except in the case of temporary Securities in global form (which shall be exchanged in accordance with the provisions of the following paragraphs), if temporary Securities of any series are issued, the Company will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company maintained pursuant to Section 1102 in a Place of Payment for such series for the purpose of exchanges of Securities of such series, without charge to the Holder. Upon surrender for cancelation of any one or more temporary Securities of any series (accompanied by any unmatured Coupons) the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a like aggregate principal amount of definitive Securities of the same series and of like tenor or authorized denominations; provided, however, that, unless otherwise specified as contemplated by Section 202 or

Section 301, as the case may be, no definitive Bearer Security shall be delivered in exchange for a temporary Registered Security; provided further that a definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security only in compliance with the conditions set forth in Section 402.

If temporary Bearer Securities of any series are issued in global form, such temporary global Bearer Securities shall, unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be, be delivered to the London office of a depository or common depository (the "Common Depository"), for the benefit of Euro-clear and CEDEL S.A., for credit to the respective accounts of the beneficial owners of interests in such Securities (or to such other accounts as they may direct).

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Without unnecessary delay but in any event not later than the date specified in, or determined pursuant to the terms of, any such temporary global Security (the "Exchange Date"), the Company shall deliver to the Trustee definitive Securities, in aggregate principal amount equal to the principal amount of such temporary global Security, executed by the Company. On or after the Exchange Date such temporary global Security shall be surrendered by the Common Depository to the Trustee, as the Company's agent for such purpose, to be exchanged, in whole or from time to time in part, for definitive Securities without charge and the Trustee shall authenticate and make available for delivery, in exchange for each portion of such temporary global Security, an equal aggregate principal amount of definitive Securities of the same series of authorized denominations and of like tenor as the portion of such temporary global Security to be exchanged. The definitive Securities to be delivered in exchange for any such temporary global Security shall be in bearer form, registered form, definitive global form or any combination thereof, as specified as contemplated by Section 202 or Section 301, as the case may be, and, if any combination thereof is so specified, as requested by the beneficial owner thereof; provided, however, that, unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be, upon such presentation by the Common Depository, such temporary global Security shall be accompanied by a certificate dated the Exchange Date or a subsequent date and signed by Euro-clear as to the portion of such temporary global Security held for its account then to be exchanged and a certificate dated the Exchange Date or a subsequent date and signed by CEDEL S.A. as to the portion of such temporary global Security held for its account then to be exchanged, each in the form set forth in Exhibit B.2 to this Indenture; provided further that definitive Bearer Securities (including a definitive global Bearer Security) shall be delivered in exchange for a portion of a temporary global Security only in compliance with the requirements of Section 402.

Unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be, the interest of a beneficial owner of Securities of a series in a temporary global Bearer Security shall be exchanged for definitive Bearer Securities of the same series and of like tenor following the Exchange Date when

the beneficial owner instructs Euro-clear or CEDEL S.A., as the case may be, to request such exchange on his behalf and delivers to Euro-clear or CEDEL S.A., as the case may be, a certificate substantially in the form set forth in Exhibit B.1 to this Indenture, dated no earlier than 15 days prior to the Exchange Date, copies of which certificate shall be available from the offices of Euro-clear, CEDEL S.A., the Trustee, any Authenticating Agent appointed for such series of Securities and any Paying Agent appointed for such series of Securities. Unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be, any such exchange shall be made free of charge to the beneficial owners of such temporary global Security, except that a Person receiving definitive Securities must bear the cost of insurance, postage, transportation and the like in the event that such Person does not take delivery of such definitive Securities in person at the offices of Euro-clear or CEDEL S.A. The definitive Bearer Securities to be delivered in exchange for any portion of a temporary global Security shall be delivered only outside the United States.

Until exchanged in full as provided above, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series and of like tenor authenticated and delivered hereunder, except that, unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be, interest payable on a temporary global Bearer Security on an Interest Payment Date for Securities of such series occurring prior to the applicable Exchange Date shall be payable to Euro-clear and CEDEL S.A. on such Interest Payment Date upon delivery by Euro-clear and CEDEL S.A. to the Trustee of a certificate or certificates substantially in the form set forth in Exhibit B.3 to this Indenture, for credit without further interest on or after such Interest Payment Date to the respective accounts of the Persons who are the beneficial owners of such temporary global Security (or to such other accounts as they may direct) on such Interest Payment Date and who have each delivered to Euro-clear or CEDEL S.A., as the case may be, a certificate substantially in the form set forth in Exhibit

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B.4 to this Indenture. Any interest so received by Euro-clear and CEDEL S.A. and not paid as herein provided shall be returned to the Trustee immediately prior to the expiration of two years after such Interest Payment Date in order to be repaid to the Company in accordance with Section 1103.

SECTION 404. Registration, Registration of Transfer and Exchange. The Company shall cause to be kept at an office or agency to be maintained by the Company in accordance with Section 1102 a register (being the combined register of the Security Registrar and all additional transfer agents designated pursuant to Section 1102 for the purpose of registration of transfer of Securities and sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities and the registration of transfers of Registered Securities. The First National Bank of Chicago is hereby appointed

the initial Security Registrar. At all reasonable times each register maintained by the Security Registrar and any additional transfer agents shall be open for inspection by the Trustee.

Upon surrender for registration of transfer of any Registered Security of any series at the office or agency of the Company maintained pursuant to Section 1102 for such purpose in a Place of Payment for such series, the Company shall execute, and the Trustee shall authenticate and make available for delivery, in the name of the designated transferee or transferees, one or more new Registered Securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor.

At the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor, upon surrender of the Securities to be exchanged at any such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Securities which the Holder making the exchange is entitled to receive. Unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be, Bearer Securities may not be issued in exchange for Registered Securities.

At the option of the Holder and unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be, Bearer Securities of any series may be exchanged for Registered Securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor, upon surrender of the Bearer Securities to be exchanged at any such office or agency, with all unmatured Coupons and all matured Coupons in default appertaining thereto. If the Holder of a Bearer Security is unable to produce any such unmatured Coupon or Coupons or matured Coupon or Coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to any Paying Agent any such missing Coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; provided, however, that, except as otherwise provided in Section 1102, interest represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an office or agency located outside the United States. Notwithstanding the foregoing, in case a Bearer Security of any series is surrendered at any such office or agency in exchange for a Registered Security of the same series and like tenor after the close of business at such office or agency on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, such Bearer Security shall be

surrendered without the Coupon relating to such Interest Payment Date or proposed date for payment, as the case may be, and interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Securities which the Holder making the exchange is entitled to receive.

Notwithstanding the foregoing, except as otherwise specified as contemplated by Section 202 or Section 301, as the case may be, any definitive global Bearer Security shall be exchangeable only as provided in this paragraph. If the beneficial owners of interests in a definitive global Bearer Security are entitled to exchange such interests for Securities of such series and of like tenor and principal amount of another authorized form and denomination, as specified as contemplated by Section 202 or Section 301, as the case may be, then without unnecessary delay but in any event not later than the earliest date on which such interest may be so exchanged, the Company shall deliver to the Trustee definitive Securities in an aggregate principal amount equal to the principal amount of such definitive global Bearer Security, executed by the Company. On or after the earliest date on which such interests may be so exchanged, such definitive global Bearer Security shall be surrendered by the Common Depositary or such other depositary or Common Depositary) as shall be specified in the Company Order or Medium-Term Debt Securities Certificate, as the case may be, with respect thereto to the Trustee, as the Company's agent for such purpose, to be exchanged, in whole or from time to time in part, for definitive Securities without charge and the Trustee shall authenticate and make available for delivery, in exchange for each portion of such definitive global Bearer Security, an equal aggregate principal amount of definitive Securities of the same series of authorized denominations and of like tenor as the portion of such definitive global Bearer Security to be exchanged which, unless the Securities of the series are not issuable both as Bearer Securities and as Registered Securities, as specified as contemplated by Section 202 or Section 301, as the case may be, shall be in the form of Bearer Securities or Registered Securities, or any combination thereof, as shall be specified by the beneficial owner thereof; provided, however, that no such exchanges may occur during a period beginning at the opening of business 15 Business Days before any selection of Securities of that series to be redeemed and ending on the relevant Redemption Date; provided further that no Bearer Security delivered in exchange for a portion of a definitive global Security shall be mailed or otherwise delivered to any location in the United States. If a Registered Security is issued in exchange for any portion of a definitive global Bearer Security after the close of

business at the office or agency where such exchange occurs on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of such Registered Security, but will be payable on such Interest Payment Date or proposed date for payment, as the case may be, only to the Person to whom interest in respect of such portion of such definitive global Bearer Security is payable in accordance with the provisions of this Indenture.

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

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

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 403, 1006 or 1207 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange Securities of any series during a period beginning at the opening of business 15 Business Days before any selection of Securities of that series to be redeemed and ending at the close of business on (A) if Securities of the series are issuable only as Registered Securities, the day of the mailing of the relevant notice of redemption and (B) if Securities of the series are issuable as Bearer Securities, the day of the first publication of the relevant notice of redemption or, if Securities of the series are also issuable as Registered Securities and there is no publication, the day of mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption, in whole or in part, except the unredeemed portion of any Security being redeemed in part, or (iii) to exchange any Bearer Security so selected for redemption except that such a Bearer Security may be exchanged for a Registered Security of that series and like tenor; provided that such Registered Security shall be simultaneously surrendered for redemption.

SECTION 405. Mutilated, Destroyed, Lost and Stolen Securities. If any

mutilated Security or Security with a mutilated Coupon appertaining to it is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding with Coupons corresponding to the Coupons, if any, appertaining to the surrendered Security, provided that if such new Security is a Bearer Security, such Security shall be delivered only outside the United States.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security or Coupon and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security or Coupon has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and make available for delivery, in lieu of any such destroyed, lost or stolen Security or in exchange for the Security to which a destroyed, lost or stolen Coupon appertains (upon surrender to the Trustee of such Security with all appurtenant Coupons not destroyed, lost or stolen), a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding, with Coupons corresponding to the Coupons, if any, appertaining to such destroyed, lost or stolen Security or to the Security to which such destroyed, lost or stolen Coupon appertains.

In case any such mutilated, destroyed, lost or stolen Security or Coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security or Coupon, pay such Security or Coupon; provided, however, that principal of (and premium, if any) and any interest on Bearer Securities shall, except as otherwise provided in Section 1102, be payable only at an office or agency located outside the United States and, unless otherwise specified as contemplated by Section 202

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or Section 301, as the case may be, any interest on Bearer Securities shall be payable only upon presentation and surrender of the Coupons appertaining thereto.

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

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



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

SECTION 406. Payment of Interest; Interest Rights Preserved. Unless otherwise provided as contemplated by Section 202 or Section 301, as the case may be, with respect to any series of Securities, interest on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest. At the option of the Company, interest on the Registered Securities of any series that bears interest may be paid by mailing a check to the address of any Holder as such address shall appear in the Security Register.

Any interest on any Registered Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Registered Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record

Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of

the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest on the Registered Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section and Section 404, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 407. Persons Deemed Owners. Prior to due presentment of a Registered Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of (and premium, if any) and (subject to Sections 404, 406 and 411 and unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be) interest on such Security and for all other purposes whatsoever, whether or not such Security is overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Title to any Bearer Security and any Coupons shall pass by delivery. The Company, the Trustee and any agent of the Company or the Trustee may treat the Holder of any Bearer Security and the Holder of any Coupon as the absolute owner of such Security or Coupon for the purpose of receiving payment thereof or on account thereof (unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be) and for all other purposes whatsoever, whether or not such Security or Coupon be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 408. Cancellation. All Securities and Coupons surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee. All Securities and Coupons so delivered shall be promptly canceled by the Trustee. All Bearer Securities and unmatured Coupons held by the Trustee pending such cancellation shall be deemed to be delivered for cancellation for all purposes of this Indenture and the Securities. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or

to any other Person for delivery to the Trustee) for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold, and all Securities so delivered to the Trustee shall be promptly canceled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Securities and Coupons held by the Trustee shall be disposed of in a manner selected by the Trustee unless otherwise directed by a Company Order; provided, however, that the Trustee may, but shall not be required to, destroy such canceled Securities and Coupons.

SECTION 409. Computation of Interest. Except as otherwise specified as contemplated by Section 202 or Section 301, as the case may be, for Securities of any

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series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 410. Currency and Manner of Payment in Respect of Securities. The provisions of this Section shall apply to the Securities of any series unless otherwise provided as contemplated by Section 202 or Section 301, as the case may be.

(a) The following payment provisions shall apply to any Registered Security of any series denominated in a Foreign Currency or any currency unit, including without limitation ECU, except as provided in paragraph (b) below:

(1) Except as provided in subparagraph (a)(2) or in paragraph (e) below, payment of principal of and premium, if any, on such Registered Security will be made at the Place of Payment by delivery of a check in the currency or currency unit in which the Security is denominated on the payment date against surrender of such Registered Security, and any interest on any Registered Security will be paid at the Place of Payment by mailing a check in the currency or currency unit in which such interest is payable (which shall be the same as that in which the Security is denominated unless otherwise provided) to the Person entitled thereto at the address of such Person appearing on the Security Register.

(2) Payment of the principal of, premium, if any, and interest, if any, on such Security may also, subject to applicable laws and regulations, be made at such other place or places as may be designated by the Company by any appropriate method.

(b) With respect to any Registered Security of any series denominated in any currency unit, including without limitation ECU, if the following provisions (or any substitute therefor, or addition thereto, not inconsistent with this Indenture) are established pursuant to Section 202 or

Section 301, as the case may be, and if the Company has not, before the delivery of the election referred to in clause (1) below, deposited funds or securities in compliance with Section 501 or clause (a)(i) or (if specified pursuant to Section 202 or Section 301, as the case may be) clause (a)(ii) of Section 503, the following payment provisions shall apply to any payment to be made prior to the giving of any notice to Holders of any election to redeem pursuant to Section 1204, except as otherwise provided in paragraphs (e) and (f) below:

(1) A Holder of Securities of a series shall have the option to elect to receive payments of principal of, premium, if any, and interest, if any, on such Securities in a currency or currency unit (including Dollars), other than that in which the Security is denominated, such election, as designated in the certificates for such Securities (or as provided by Section 202 or Section 301, as the case may be, or a supplemental indenture hereto with respect to uncertificated securities), shall be made by delivering to the Paying Agent a written election, to be in form and substance satisfactory to the Paying Agent, not later than the close of business in New York, New York, on the day 15 days prior to the applicable payment date. Such election will remain in effect for such Holder until changed by the Holder by written notice to the Paying Agent (but any such written notice must be received by the Paying Agent not later than the close of business on the day 15 days prior to the next payment date to be effective for the payment to be made on such payment date and no such change may be made with respect to payments to be made on any Security of such series with respect to which notice of redemption has been given by the Company pursuant to Article Twelve). Any Holder of any such Security who shall not have delivered any such election to the Paying Agent in accordance with this paragraph (b) will be paid the amount due on the applicable payment date in the relevant currency unit as provided in paragraph (a)

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of this Section. Payment of principal of and premium, if any, shall be made on the payment date therefor against surrender of such Security. Payment of principal, premium, if any, and interest, if any, shall be made at the Place of Payment by mailing at such location a check, in the applicable currency or currency unit, to the Holder entitled thereto at the address of such Holder appearing on the Security Register.

(2) Payment of the principal of, premium, if any, and interest, if any, on such Security may also, subject to applicable laws and regulations, be made at such other place or places as may be

designated by the Company by any appropriate method.

(c) Payment of the principal of and premium, if any, and interest, if any, on any Bearer Security will be made, except as provided in Section 403 with respect to temporary global Securities, unless otherwise specified pursuant to Section 202 or Section 301, as the case may be, and/or Section 1001(8), at such place or places outside the United States as may be designated by the Company pursuant to any applicable laws or regulations by any appropriate method in the currency or currencies or currency unit or units in which the Security is payable (except as provided in paragraph (e) below) on the payment date therefor against surrender of the Bearer Security, in the case of payment of principal and premium, if any, or the relevant Coupon, in the case of payment of interest, if any, to a Paying Agent designated for such series pursuant to Section 1102.

(d) Not later than 10 Business Days (with respect to any Place of Payment) prior to each payment date, the Paying Agent shall deliver to the Company a copy of its record of the respective aggregate amounts of principal of, premium, if any, and interest, if any, on the Securities to be made on such payment date, in the currency or currency unit in which each of the Securities is payable, specifying the amounts so payable in respect of Registered Securities and Bearer Securities and in respect of the Registered Securities as to which the Holders of Securities denominated in any currency unit shall have elected to be paid in another currency or currency unit as provided in paragraph (b) above. If the election referred to in paragraph (b) above has been provided for pursuant to Section 202 or Section 301, as the case may be, and if at least one Holder has made such election, then, not later than the fifth Business Day (with respect to any Place of Payment) prior to the applicable payment date the Company will deliver to the Trustee an Exchange Rate Officers' Certificate in respect of the Dollar or Foreign Currency or currency unit payments to be made on such payment date. The Dollar or Foreign Currency or currency unit amount receivable by Holders of Registered Securities denominated in a currency unit who have elected payment in another currency or currency unit as provided in paragraph (b) above shall be determined by the Company on the basis of the applicable Official Currency Unit Exchange Rate set forth in the applicable Exchange Rate Officers' Certificate.

(e) If a Foreign Currency in which any Security is denominated or payable ceases to be recognized both by the government of the country which issued such currency and for the settlement of transactions by public institutions of or within the international banking community, or if ECU ceases to be used within the European Monetary System, or if any other currency unit in which a Security is denominated or payable ceases to be used for the purposes for which it was established, in each case as determined in good faith by the Company, then with respect to each date for the payment of principal of, premium, if any, and interest, if any, on the applicable Security denominated or payable in such Foreign Currency, ECU or such other currency unit occurring after the last date

on which such Foreign Currency, ECU or such other currency unit was so used (the "Conversion Date"), the Dollar shall become the currency of payment for use on each such payment date (but ECU or the Foreign Currency or the currency unit previously the currency of payment shall, at the

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Company's election, resume being the currency of payment on the first such payment date preceded by 15 Business Days during which the circumstances which gave rise to the Dollar becoming such currency no longer prevail, in each case as determined in good faith by the Company). The Dollar amount to be paid by the Company to the Trustee and by the Trustee or any Paying Agent to the Holder of such Security with respect to such payment date shall be the Dollar Equivalent of the Foreign Currency or, in the case of a currency unit, the Dollar Equivalent of the currency unit, as determined by the Exchange Rate Agent (which shall be delivered in writing to the Trustee not later than the fifth Business Day prior to the applicable payment date) as of the Conversion Date or, if later, the date most recently preceding the payment date in question on which such determination is possible of performance, but not more than 15 days before such payment date (such Conversion Date or date preceding a payment date as aforesaid being called the "Valuation Date") in the manner provided in paragraph (g) or (h) below.

(f) If the Holder of a Registered Security denominated in a currency unit elects payment in a specified Foreign Currency or currency unit as provided for by paragraph (b) and such Foreign Currency ceases to be used both by the government of the country which issued such currency and for the settlement of transactions by public institutions of or within the international banking community, or if ECU ceases to be used within the European Monetary System, or if another currency unit ceases to be used for the purposes for which it is established, in each case as determined in good faith by the Company, such Holder shall (subject to paragraph (e) above) receive payment in the currency unit in which the Security is denominated. Each payment covered by an election pursuant to paragraph (b) above shall be governed by the provisions of this paragraph (f) (but, subject to any contravening valid election pursuant to paragraph (b) above, the specified Foreign Currency or ECU or other currency unit shall, at the Company's election, resume being the currency or currency unit, as applicable, of payment with respect to Holders who have so elected, but only with respect to payments on payment dates preceded by 15 Business Days during which the circumstances which gave rise to such currency unit becoming the currency unit of payment, no longer prevail, in each case as determined in good faith by the Company).

(g) The "Dollar Equivalent of the Foreign Currency" shall be

determined by the Exchange Rate Agent as of each Valuation Date and shall be obtained by converting the specified Foreign Currency into Dollars at the Market Exchange Rate on the Valuation Date.

(h) The "Dollar Equivalent of the Currency Unit" shall be determined by the Exchange Rate Agent as of each Valuation Date and shall be the sum obtained by adding together the results obtained by converting the Specified Amount of each Component Currency into Dollars at the Market Exchange Rate on the Valuation Date for such Component Currency.

(i) For purposes of this Section 410 the following terms shall have the following meanings:

A "Component Currency" shall mean any currency which, on the Conversion Date, was a component currency of the relevant currency unit, including without limitation ECU.

A "Specified Amount" of a Component Currency shall mean the number of units (including decimals) which such Component Currency represented in the relevant currency unit, on the Conversion Date or, if ECU and such currency unit is being used for settlement of transactions by public institutions of or within the European Communities or was so used after the Conversion Date, the Valuation

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Date or the last date the currency unit was so used, whichever is later. If after such date the official unit of any Component Currency is altered by way of combination or subdivision, the Specified Amount of such Component Currency shall be divided or multiplied in the same proportion. If after such date two or more Component Currencies are consolidated into a single currency, the respective Specified Amounts of such Component Currencies shall be replaced by an amount in such single currency equal to the sum of the respective Specified Amounts of such consolidated Component Currencies expressed in such single currency, and such amount shall thereafter be a Specified Amount and such single currency shall thereafter be a Component Currency. If after such date any Component Currency shall be divided into two or more currencies, the Specified Amount of such Component Currency shall be replaced by specified amounts of such two or more currencies, the sum of which, at the Market Exchange Rate of such two or more currencies on the date of such replacement, shall be equal to the Specified Amount of such former Component Currency and such amounts shall thereafter be Specified Amounts and such currencies shall thereafter be Component Currencies.

"Market Exchange Rate" shall mean, as of any date, for any currency or currency unit the noon Dollar buying rate for that

currency or currency unit, as the case may be, for cable transfers quoted in New York City on such date as certified for customs purposes by the Federal Reserve Bank of New York or such other rate as may be established pursuant to Section 202 or Section 301, as the case may be. If such rates are not available for any reason with respect to one or more currencies or currency units for which an Exchange Rate is required, the Exchange Rate Agent shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York as of the most recent available date, or quotations from one or more major banks in New York City or in the country of issue of the currency or currency unit in question, or such other quotations as the Exchange Rate Agent shall deem appropriate. Unless otherwise specified by the Exchange Rate Agent, if there is more than one market for dealing in any currency or currency unit by reason of foreign exchange regulations or otherwise, the market to be used in respect of such currency or currency unit shall be that upon which a nonresident issuer of securities designated in such currency or currency unit would, as determined in its sole discretion and without liability on the part of the Exchange Rate Agent, purchase such currency or currency unit in order to make payments in respect of such securities.

All decisions and determinations of the Exchange Rate Agent regarding the Dollar Equivalent of the Foreign Currency, the Dollar Equivalent of the Currency Unit and the Market Exchange Rate shall be in its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and irrevocably binding upon the Company and all Holders of the Securities and Coupons denominated or payable in the relevant currency or currency units. In the event that a Foreign Currency ceases to be used both by the government of the country which issued such currency and for the settlement of transactions by public institutions of or within the international banking community, the Company, after learning thereof, will immediately give notice thereof to the Trustee (and the Trustee will promptly thereafter give notice in the manner provided in Section 106 to the Holders) specifying the Conversion Date. In the event the ECU ceases to be used within the European Monetary System, or any other currency unit in which Securities or Coupons are denominated or payable, ceases to be used for the purposes for which it was established, the Company, after learning thereof, will immediately give notice thereof to the Trustee (and the Trustee will promptly thereafter give notice in the manner provided in Section 106 to the Holders) specifying the Conversion Date. Any actions taken pursuant to the parentheticals at the end of



the first sentence of Section 410(e) and at the end of Section 410(f) shall be promptly set forth in like notices from the Company to the Trustee and then from the Trustee to the Holders (which notice may be mailed with payment to the Holders).

Subject to the provisions of Sections 701 and 703, the Trustee shall be fully justified and protected in relying and acting upon information received by it from the Company and the Exchange Rate Agent, and shall not otherwise have any duty or obligation to determine such information independently.

SECTION 411. Securities in Global Form. If Securities of a series are issuable in global form, as specified as contemplated by Section 202 or Section 301, as the case may be, then, notwithstanding clause (a)(8) of Section 202 or clause (b)(9) of Section 301, as the case may be, and the provisions of Section 401, such Security shall represent such of the Outstanding Securities of such series as shall be specified therein and may provide that it shall represent the aggregate amount of Outstanding Securities from time to time endorsed thereon and that the aggregate amount of Outstanding Securities represented thereby may from time to time be reduced or increased to reflect exchanges. Any endorsement of a Security in global form to reflect the amount, or any increase or decrease in the amount, of Outstanding Securities represented thereby shall be made by the Trustee in such manner and upon instructions given by such Person or Persons as shall be specified therein or in the Company Order (or, in the case of Medium-Term Debt Securities, the Medium-Term Debt Securities Certificate) to be delivered to the Trustee pursuant to Section 402 or Section 403. Subject to the provisions of Section 402 and, if applicable, Section 403, the Trustee shall deliver and redeliver any Security in definitive global bearer form in the manner and upon written instructions given by the Person or Persons specified therein or in the applicable Company Order (or, in the case of Medium-Term Debt Securities, the Medium-Term Debt Securities Certificate). If a Company Order (or, in the case of Medium-Term Debt Securities, Medium-Term Debt Securities Certificate) pursuant to Section 402 or 403 has been, or simultaneously is, delivered, any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in writing but need not comply with Section 102 and need not be accompanied by an Opinion of Counsel.

The provisions of the last sentence of the fifth paragraph of Section 402 shall apply to any Security represented by a Security in global form if such Security was never issued and sold by the Company and the Company delivers to the Trustee the Security in global form together with written instructions (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) with regard to the reduction in the principal amount of Securities represented thereby, together with the written statement contemplated by the last sentence of the fifth paragraph of Section 402.

Notwithstanding the provisions of Section 406, unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be, payment of principal of and any premium and any interest on any Security in definitive global form shall be made to the Person or Persons specified therein.

Notwithstanding the provisions of Section 407 and except as provided in the preceding paragraph, the Company, and any agent of the Company may, and the Trustee and any agent of the Trustee, at the direction of the Company, may treat a Person as the Holder of such principal amount of Outstanding Securities represented by a definitive global Security as shall be specified in a written statement of the Holder of such definitive global Security or, in the case of a definitive global Security in bearer form, of Euro-clear or CEDEL S.A. which is produced to the Trustee by such Person; provided, however, that none of the Company, the Trustee, the Security Registrar or any Paying Agent shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Security in global form or for

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maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## ARTICLE FIVE

### Satisfaction and Discharge

SECTION 501. Satisfaction and Discharge of Indenture in Respect of Any Series of Securities. This Indenture shall upon Company Request cease to be of further effect with respect to a series of Securities (except as to any surviving rights of (as applicable) registration of transfer or exchange of Securities and Coupons, if any, of such series herein expressly provided for), and the Trustee, at the request and expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to such series, when

(1) either

(A) all Securities and Coupons, if any, of such series theretofore authenticated and delivered (other than (i) Securities and Coupons of such series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 405 and (ii) Securities and Coupons of such series for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1103) have been delivered to the Trustee for cancelation; or

(B) all such Securities and Coupons of such series not theretofore delivered to the Trustee for cancelation

(i) have become due and payable, or

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

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

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

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

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

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Notwithstanding the satisfaction and discharge of this Indenture with respect to a series, the obligations of the Company to the Trustee under Section 707, the obligations of the Trustee to any Authenticating Agent under Section 715 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 502 and the last paragraph of Section 1103 shall survive.

SECTION 502. Application of Trust Money. Subject to the provisions of the last paragraph of Section 1103, all money deposited with the Trustee pursuant to Sections 501 and 503 (and all money received as payment in connection with U.S. Government Obligations and Foreign Government Securities deposited pursuant to Section 503) shall be held in trust and applied by it, in accordance with the provisions of the Securities and Coupons, if any, and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest, if any, for whose payment such money has been deposited with the Trustee.

SECTION 503. Satisfaction, Discharge and Defeasance of Securities of Any Series. (a) If this Section is specified, as contemplated by Section 202 or

Section 301, as the case may be, to be applicable to Securities and Coupons, if any, of any series, at the Company's option, either

(i) the Company will be deemed to have been Discharged (as defined below) from its obligations with respect to Securities and Coupons, if any, of such series or

(ii) the Company will cease to be under any obligation with respect to such series to comply with any term, provision or condition set forth in (x) Sections 901, 902, 1104 and 1105 or (y) the instrument or instruments setting forth the terms, provisions or conditions of such series pursuant to Section 202 or Section 301, as the case may be (provided, in the case of this subclause (y), that such instrument or instruments specify which terms, provisions or conditions, if any, are subject to this clause (a)(ii) and that no such instrument may specify that the Company may cease to comply with any obligations as to which it may not be Discharged pursuant to the definition of "Discharged").

(b) A Discharge pursuant to clause (a)(i) above shall be effective with respect to the Securities and Coupons, if any, of such series on the 91st day after the applicable conditions set forth below in (i) and either (ii) or (iii) have been satisfied, and the Company's release from its obligations to comply with certain obligations with respect to such series pursuant to clause (a)(ii) above shall be effective with respect to the Securities and Coupons, if any, of such series on the first day after the applicable conditions set forth below in (i) and either (ii) or (iii) have been satisfied:

(i) the Company has:

(A) paid or caused to be paid all other sums payable with respect to the Outstanding Securities and Coupons, if any, of such series (in addition to any required under clause (b)(ii) or (b)(iii)); and

(B) delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of the entire indebtedness on all Outstanding Securities and Coupons, if any, of any such series have been complied with;

(ii) (A) the Company shall have deposited or caused to be deposited irrevocably with the Trustee as a trust fund specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Securities and Coupons, if any, of such

series (1) money in an amount (in such currency, currencies or currency unit or units in which any Outstanding Securities and Coupons, if any, of such series are payable) or (2) in the case of Securities and

Coupons, if any, denominated in Dollars, U.S. Government Obligations (as defined below) or, in the case of Securities and Coupons, if any, denominated in a Foreign Currency, Foreign Government Securities (as defined below), which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment of principal (including any premium) and interest, if any, under the Securities and Coupons, if any, of such series, money in an amount or (3) a combination of (1) and (2), which in any case of clauses (1), (2) and (3) is sufficient (in the opinion with respect to (2) and (3) of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee) to pay and discharge each installment of principal of (including premium, if any, on), and interest, if any, on, the Outstanding Securities and Coupons, if any, of such series on the dates such installments of interest or principal are due, in the currency, currencies or currency unit or units, in which such Securities and Coupons, if any, are payable;

(B) (1) no Event of Default or event (including such deposit) which with notice or lapse of time would become an Event of Default shall have occurred and be continuing on the date of such deposit, (2) no Event of Default as defined in clause (5) or (6) of Section 601, or event which with notice or lapse of time or both would become an Event of Default under either such clause, shall have occurred within 90 days after the date of such deposit, and (3) such deposit and the related intended consequence under clause (a) (i) or (a) (ii) above will not result in any default or event of default under any material indenture, agreement or other instrument binding upon the Company or any Subsidiary or any of their properties;

(C) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that Holders of the Securities and Coupons, if any, of such series will not recognize income, gain or loss for Federal income tax purposes as a result of the Company's exercise of its option under this Section 503 and will be subject to Federal income tax in the same amount, in the same manner and at the same times as would have been the case if such option had not been exercised; and

(D) if the Securities of such series are then listed on the New York Stock Exchange, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that such Securities will not be delisted as the result of the Company's exercise of its option under this Section 503;

(iii) the Company has properly fulfilled such other means of satisfaction and discharge as is specified, as contemplated by Section 202 or Section 301, as the case may be, to be applicable to the Securities and Coupons, if any, of such series.

(c) Any deposits with the Trustee referred to in clause (b) (ii) (A) above will be made under the terms of an escrow trust agreement in form and substance satisfactory to the Trustee. If any Outstanding Securities and Coupons, if any, of such series are to be redeemed prior to their Stated Maturity, whether pursuant to any mandatory redemption provisions or in accordance with any

mandatory sinking fund requirement, the applicable escrow trust agreement will provide therefor and the Company will make arrangements for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

SECTION 504. Reinstatement. If the Trustee is unable to apply any money, U.S. Government Obligations or Foreign Government Securities in accordance with Section 501 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such

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application, the Company's obligations under this Indenture and the Securities and Coupons, if any, of such series shall be revived and reinstated as though no deposit had occurred pursuant to Section 501 until such time as the Trustee is permitted to apply all such money, U.S. Government Obligations or Foreign Government Securities in accordance with Section 501; provided, however, that if the Company has made any payment of interest on or principal of (and premium, if any) on any Securities and Coupons, if any, of such series because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such series of Securities and Coupons, if any, to receive such payment from the money, U.S. Government Obligations or Foreign Government Securities held by the Trustee.

SECTION 505. Definitions. The following terms, as used in this Article, shall have the following meanings:

"Discharged" means that the Company will be deemed to have paid and discharged the entire indebtedness represented by, and obligations under, the Securities and Coupons, if any, of the series as to which this Section is specified as applicable as aforesaid and to have satisfied all the obligations under this Indenture relating to the Securities and Coupons, if any, of such series (and the Trustee, at the request and expense of the Company, will execute proper instruments acknowledging the same), except (A) the rights of Holders thereof to receive, from the trust fund described in Section 503(b)(ii)(A), payment of the principal of (and premium, if any) and the interest, if any, on such Securities and Coupons, if any, when such payments are due, (B) the Company's obligations with respect to such Securities and Coupons, if any, under Sections 404 and 405 (insofar as applicable to Securities of such series), 502, 1102 and 1103 (last paragraph only) and the Company's obligations to the Trustee under Section 707, (C) the rights of Holders of Securities of any series with respect to the currency or currency units in which they are to receive payments of principal, premium, if any, and interest, if any, and (D) the rights, powers, trusts, duties and immunities of the Trustee hereunder, will survive such discharge. The Company will reimburse the trust fund for any loss suffered by it as a result of any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or Foreign Government Securities, as the case may be, or any principal or interest paid on such obligations, and, subject to the provisions of Section 707, will indemnify

the Trustee against any claims made against the Trustee in connection with any such loss.

"Foreign Government Securities" means, with respect to Securities and Coupons, if any, of any series that are denominated in a Foreign Currency, securities that are (i) direct obligations of the government that issued or caused to be issued such currency for the payment of which obligations its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of such government the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by such government, which, in either case under clause (i) or (ii), are not callable or redeemable at the option of the issuer thereof.

"U.S. Government Obligations" means securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America, which, in either case under clause (i) or (ii), are not callable or redeemable at the option of the issuer thereof, and will also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a

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depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

## ARTICLE SIX

### Remedies

SECTION 601. Events of Default. "Event of Default" with respect to any series of Securities means each one of the events specified below in this Section 601, unless it is either inapplicable to a particular series or is specifically deleted or modified in or pursuant to the supplemental indenture, Board Resolution or Medium-Term Debt Securities Certificate establishing such series of Securities:

(1) default in the payment of any installment of interest upon any of

the Securities of such series, as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of or premium, if any, on any of the Securities of such series, as and when the same shall become due and payable (subject to clause (3) below) either at maturity, upon redemption, by declaration or otherwise; or

(3) default in the making of any payment for a sinking, purchase or analogous fund provided for in respect of such series of Securities, as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(4) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company in respect of the Securities of such series, or in this Indenture contained with respect to such series, for a period of 90 days after the date on which written notice of such failure requiring the Company to remedy the same and stating that such notice is a 'Notice of Default' hereunder, shall have been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the Securities of such series at the time Outstanding; or

(5) entry of a decree or order for relief in respect of the Company by a court having jurisdiction in the premises in an involuntary case under any applicable Federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(6) commencement by the Company of a voluntary case under any applicable Federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or consent by the Company to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or for any substantial part of its property, or any general assignment by the Company for the benefit of creditors, or failure by the Company generally to pay its debts as they become due, or the taking by the Company of any corporate action in furtherance of any of the foregoing; or

(7) any other Event of Default provided with respect to Securities of that series.

SECTION 602. Acceleration of Maturity; Rescission and Annulment. If an Event of Default with respect to Securities of any series at the time Outstanding



occurs and is continuing, then in each and every such case, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities of that series or, in the case of an Event of Default specified in Clause (5) or (6) of Section 601, of all series (voting as a class) with respect to which such Event of Default has occurred and is continuing, may declare the principal amount (or, if the Securities of that series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) of all of the Securities of that series, together with accrued interest thereon, if any, to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount), together with accrued interest thereon, if any, shall become immediately due and payable.

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

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

(A) all overdue interest on all Securities of that series,

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

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

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

and

(2) all Events of Default with respect to Securities of that series, other than the nonpayment of the principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 613.

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

SECTION 603. Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if

(1) default shall be made in the payment of any installment of interest on any Security or Coupon as and when the same shall become due and payable, and such default shall have continued for the period of grace provided for with respect to such Security or Coupon, as the case may be,

(2) default shall be made in the payment of the principal of or premium, if any, on any Security as and when the same shall have become due and payable (subject to clause (3) below), whether at maturity of the Security or upon redemption or by

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declaration or otherwise, and such default shall have continued for any period of grace provided for with respect to such Security, or

(3) default shall be made in the payment for any sinking, purchase or analogous fund provided for in respect of any Security as and when the same shall become due and payable, and such default shall have continued for any period of grace provided for with respect to such Security,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities and Coupons, if any, the whole amount then due and payable on such Securities and Coupons, if any, for principal (and premium, if any) and interest, if any, and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal (and premium, if any) and on any overdue installments of interest, if any, at the rate or rates prescribed therefor in such Securities and Coupons, if any, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

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

If an Event of Default with respect to Securities and Coupons, if any, of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce

its rights and the rights of the Holders of Securities and/or Coupons of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 604. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

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

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

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of

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such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 707.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities and/or Coupons or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 605. Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under this Indenture or the Securities and Coupons, if any, may be prosecuted and enforced by the Trustee without the possession of any of the Securities or Coupons, if any, or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the

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

SECTION 606. Application of Money Collected. Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities and Coupons, if any, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: to the payment of all amounts due the Trustee under Section 707;

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

THIRD: the balance, if any, to the Person or Persons entitled thereto.

SECTION 607. Limitation on Suits. No Holder of Securities of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) an Event of Default with respect to Securities of such series shall have occurred and be continuing and such Holder has previously given written notice to the Trustee of such continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series or, in the case of an Event of Default specified in Clause (5) or (6) of Section 601, of all series (voting as a class) with respect to which such Event of Default has occurred and is continuing, shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

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

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

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series or, in the case of an Event of Default specified in Clause (5) or (6) of Section 601, of all series (voting as a class) with respect to which such Event of Default has occurred and is continuing;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture (including without limitation the provisions of Section 612) to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

SECTION 608. Unconditional Right of Holders To Receive Principal, Premium and Interest. Notwithstanding any other provision in this Indenture, the Holder of any Security or any Coupon shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 406) interest, if any, on such Security or Coupon on the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 609. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to and determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 610. Rights and Remedies Cumulative. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities and/or Coupons, if any, in the last paragraph of Section 405, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 611. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder of any Securities and/or Coupons to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Subject to the provisions of Section 607, every right and remedy given

by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 612. Control by Holders. The Holders of not less than a majority in principal amount of the Outstanding Securities of any series shall have the right to direct

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the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series; provided that

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

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

(3) subject to the provisions of Section 701, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Trust Officer or Officers of the Trustee, determine that the action so directed would involve the Trustee in personal liability.

SECTION 613. Waiver of Past Defaults. The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, except a default

(1) in the payment of the principal of (or premium, if any) or interest, if any, on any Security of such series, or

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

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

SECTION 614. Undertaking for Costs. All parties to this Indenture agree, and each Holder of a Security and/or Coupon by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit

against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest, if any, on any Security or the payment of interest on any Coupon on or after the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date).

SECTION 615. Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein

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granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

## ARTICLE SEVEN

### The Trustee

SECTION 701. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default,

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

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

(b) In case an Event of Default has occurred and is continuing, the Trustee

shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

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

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities of any series, given pursuant to Section 612, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series; and

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

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

SECTION 702. Notice of Defaults. Within 90 days after the occurrence of any default hereunder with respect to the Securities of any series, the Trustee shall transmit to the

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Holders of Securities of such series notice as provided in Section 106 of such default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any, on) or interest on any Security of such series or in the payment of any sinking fund installment with respect to Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Trust Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of Securities of such series; provided further that in the case of



any default of the character specified in Section 601(4) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence of such default. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

SECTION 703. Certain Rights of Trustee. Subject to the provisions of Section 701:

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

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

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

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

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon, other evidence of indebtedness or other paper or document;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or counsel, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or counsel appointed with due care (and, in the case of any agent, with the prior written consent of the

Company; provided, however, that the Company's prior written consent shall not be required in connection with the appointment of an agent as a result of or in connection with a default or an Event of Default) by it hereunder; and

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

SECTION 704. Not Responsible for Recitals or Issuance of Securities. The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 705. May Hold Securities. The Trustee, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities or warrants to purchase Securities and, subject to Sections 708 and 713, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

SECTION 706. Money Held in Trust. Except as provided in Section 114, money held by the Trustee or any Paying Agent in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee or any Paying Agent shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 707. Compensation and Reimbursement. The Company agrees

(1) to pay to the Trustee from time to time in Dollars such compensation as shall be agreed to in writing between the Company and the Trustee for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

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

may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee in Dollars for, and to hold it harmless against, any and all loss, liability, damage, claim or expense, including taxes (other than taxes based upon, or measured or determined by, the income of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

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

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 601(5) and Section 601(6), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state

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bankruptcy, insolvency or other similar law. The provisions of this Section shall survive the termination of this Indenture and the resignation or removal of the Trustee.

SECTION 708. Disqualification; Conflicting Interests. If the Trustee has or shall acquire any conflicting interest, as defined in Section 310(b) of the Trust Indenture Act, with respect to the Securities of any series, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign with respect to the Securities of that series in the manner and with the effect provided by, and subject to the provisions of, Section 310(b) of the Trust Indenture Act and this Indenture.

In the event that the Trustee shall fail to comply with the provisions of the preceding sentence with respect to the Securities of any series, the Trustee shall, within 10 days after the expiration of such 90-day period, transmit, in the manner and to the extent provided in Section 106, to all Holders of Securities of that series notice of such failure.

Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the penultimate paragraph of Section 310(b) of the Trust Indenture Act.

To the extent permitted by the Trust Indenture Act, the Trustee shall not

be deemed to have a conflicting interest with respect to the Securities of any series by virtue of being Trustee with respect to the Securities of any particular series of Securities other than that series.

SECTION 709. Corporate Trustee Required; Eligibility. There shall at all times be a Trustee for each series of Securities hereunder which shall be either (1) a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, which is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by Federal or State authority and having a corporate trust office located in The City of New York or (2) a corporation or other Person organized and doing business under the laws of a foreign government that is permitted to act as Trustee pursuant to a rule, regulation or order of the Commission, which is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees; in either case having a combined capital and surplus of at least \$50,000,000. If such corporation or Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation or Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Neither the Company nor any Person directly or indirectly controlling, controlled by, or under common control with the Company shall serve as trustee for the Securities of any series issued hereunder. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 710. Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 711.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 711 shall not have been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee

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may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

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

Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 708 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security of a series as to which the Trustee has a conflicting interest for at least six months, or

(2) the Trustee for a series shall cease to be eligible under Section 709 and shall fail to resign after written request therefor by the Company or by any Holder of Securities of such series, or

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

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee with respect to all Securities, or (ii) subject to Section 614, any Holder who has been a bona fide Holder of a Security for at least six months (and, in the case of Clause (1) above, who is a holder of a Security of a series as to which the Trustee has a conflicting interest) may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Trustee for any cause, with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more of or all such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and such successor Trustee or Trustees shall comply with the applicable requirements of Section 711. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 711, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 711, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee

with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by giving notice of such event to all Holders of Securities of such series as provided by Section 106. Each notice shall include

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the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

SECTION 711. Acceptance of Appointment by Successor. (a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees cotrustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental

indenture, the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

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

SECTION 712. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided that such corporation shall be otherwise qualified and eligible under

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this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 713. Preferential Collection of Claims Against Company. (a) Subject to Subsection (b) of this Section, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company within three months prior to a default, as defined in Subsection (c) of this Section, or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the Holders of the Securities and Coupons, if any, and the holders of other indenture securities, as defined in Subsection (c) of this Section:

(1) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest,

effected after the beginning of such three-month period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of this Subsection, or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such default; and

(2) all property received by the Trustee in respect of any claims as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such three-month period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee:

(A) to retain for its own account (i) payments made on account of any such claim by any Person (other than the Company) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third Person, and (iii) distributions made in cash, securities or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such three-month period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such three-month period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default, as defined in Subsection (c) of this Section, would occur within three months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C), against the release of any property held as security for such claim as provided in paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (B), (C) and (D), property substituted after the beginning of such three-month period for property held as security at the time of such substitution shall, to the extent of the fair value of the property



released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned among the Trustee, the Holders and the holders of other indenture securities in such manner that the Trustee, the Holders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee and the Holders and the holders of other indenture securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership for proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, whether such distribution is made in cash, securities or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceedings for reorganization is pending shall have jurisdiction (i) to apportion among the Trustee, the Holders and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and the proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee and the Holders and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee which has resigned or been removed after the beginning of such three-month period shall be subject to the provisions of this Subsection as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such three-month period, it shall be subject to the provisions of this Subsection if and only if the following conditions exist:

- (i) the receipt of property or reduction of claim, which would have

given rise to the obligation to account, if such Trustee had continued as Trustee, occurred after the beginning of such three-month period; and

(ii) such receipt of property or reduction of claim occurred within three months after such resignation or removal.

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(b) There shall be excluded from the operation of Subsection (a) of this Section a creditor relationship arising from:

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction, or by this Indenture, for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advances and of the circumstances surrounding the making thereof is given to the Holders at the time and in the manner provided in this Indenture;

(3) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;

(4) an indebtedness created as a result of services rendered or premises rented; or an indebtedness created as a result of goods or securities sold in a cash transaction, as defined in Subsection (c) of this Section;

(5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; and

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper, as defined in Subsection (c) of this Section.

(c) For the purposes of this Section only:

(1) the term "default" means any failure to make payment in full of the principal of (or premium, if any, on) or interest on any of the Securities or upon the other indenture securities when and as such principal or interest becomes due and payable;

(2) the term "other indenture securities" means securities upon which the Company is an obligor outstanding under any other indenture (i) under which the Trustee is also trustee, (ii) which contains provisions substantially similar to the provisions of this Section, and (iii) under which a default exists at the time of the apportionment of the funds and property held in such special account;

(3) the term "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand;

(4) the term "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security; provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation;

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(5) the term "Company" means any obligor upon the Securities; and

(6) the term "Federal Bankruptcy Act" means the Bankruptcy Act or Title 11 of the United States Code.

SECTION 714. Judgment Currency. If, for the purpose of obtaining a judgment in any court with respect to any obligation of the Company hereunder or under any Security or Coupon, it shall become necessary to convert into any other currency or currency unit any amount in the currency or currency unit due hereunder or under such Security or Coupon, then such conversion shall be made at the Conversion Rate (as defined below) as in effect on the date the Company shall make payment to any Person in satisfaction of such judgment. If pursuant to any such judgment, conversion shall be made on a date other than the date payment is made and there shall occur a change between such Conversion Rate and the Conversion Rate as in effect on the date of payment or distribution, the Company agrees to pay such additional amounts (if any) as may be necessary to ensure that the amount paid is the amount in such other currency or currency unit which, when converted at the Conversion Rate as in effect on the date of payment or distribution, is the amount then due hereunder or under such Security or Coupon. Any amount due from the Company under this Section 714 shall be due as a separate debt and is not to be affected by or merged into any judgment being obtained for any other sums due hereunder or in respect of any Security or Coupon so that in any event the Company's obligations hereunder or under such

Security or Coupon will be effectively maintained as obligations in such currency or currency unit. In no event, however, shall the Company be required to pay more in the currency or currency unit stated to be due hereunder or under such Security or Coupon.

For purposes of this Section 714, "Conversion Rate" shall mean, as of any date, for any currency or currency unit into which an amount due hereunder or under any Security or Coupon is to be converted, the noon buying rate in the other currency or currency unit for that currency or currency unit for cable transfers quoted in New York City on such date as certified for customs purposes by the Federal Reserve Bank of New York. If such rates are not available for any reason with respect to one or more currencies or currency units for which a Conversion Rate is required, the Exchange Rate Agent shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York as of the most recent available date, or quotations from one or more major banks in New York City or in the country of issue of the currency in question, or such other quotations as the Exchange Rate Agent shall deem appropriate. Unless otherwise specified by the Exchange Rate Agent, if there is more than one market for dealing in a currency or currency unit by reason of foreign exchange regulations or otherwise, the market to be used in respect of such currency or currency unit shall be that upon which a nonresident issuer of securities designated in such currency or currency unit would, as determined in its sole discretion and without liability on the part of the Exchange Rate Agent, purchase such currency or currency unit in order to make payments in respect of such Securities. If there does not exist a quoted exchange rate in any currency or currency unit (the "First Currency") for another currency unit (the "Second Currency"), then the Conversion Rate for the Second Currency shall be equal to equivalent amount in the First Currency obtained by converting the Specified Amount of each Component Currency of the Second Currency into the First Currency at the Conversion Rate (determined as provided above) for each such Component Currency on such date (or, if the First Currency is a currency unit for which there is no quoted exchange rate in any Component Currency, by converting the Specified Amount of each Component Currency of the Second Currency into the Specified Amount of each Component Currency of the First Currency at the Conversion Rate (determined as provided above) for each such Component Currency on such date).

SECTION 715. Appointment of Authenticating Agent. The Company may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which

shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue or upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 405, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's

certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Trustee and shall at all times be a corporation having a combined capital and surplus of not less than the equivalent of \$50,000,000 and subject to supervision or examination by Federal, state or District of Columbia authority or the equivalent foreign authority, in the case of an Authenticating Agent who is not organized and doing business under the laws of the United States of America, any state thereof or the District of Columbia. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

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

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Company may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Trustee. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Company may appoint a successor Authenticating Agent which shall be acceptable to the Trustee and shall mail, or cause to be mailed, written notice of such appointment by first-class mail, postage prepaid, to all Holders of Registered Securities, if any, of the series with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

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

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

This is one of the Securities of the series designated herein issued under the within-mentioned Indenture.

THE FIRST NATIONAL BANK OF CHICAGO,  
As Trustee

By

-----  
As Authenticating Agent

By

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Authorized [Officer] [Signatory]

If all the Securities of a series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Securities upon original issuance located in a Place of Payment or other place where the Company wishes to have Securities of such series authenticated upon original issuance, the Company shall appoint in accordance with this Section an Authenticating Agent (which may be an Affiliate of the Company if eligible to be appointed as an Authenticating Agent hereunder) having an office in such Place of Payment or other place designated by the Company with respect to such series of Securities.

#### ARTICLE EIGHT

##### Holders' Lists and Reports by Trustee and Company

SECTION 801. Company To Furnish Trustee Names and Addresses of Holders. The Company will furnish or cause to be furnished to the Trustee:

(a) semiannually, not later than January 15 and July 15 in each year, a list in such form as the Trustee may reasonably require, of the names and addresses of the Holders of each series of Registered Securities as of the preceding January 1 or July 1, as the case may be, and such information concerning the Holders of Bearer Securities which is known to the Company or any Paying Agent other than the Company; provided, however, that the Company and such Paying Agents shall have no obligation to investigate any matter relating to any Holder of a Bearer Security or a Coupon; and

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

15 days prior to the time such list is furnished, and such information concerning the Holders of Bearer Securities which is known to the Company or any such Paying Agent; provided, however, that the Company and such Paying Agents shall have no obligation to investigate any matter relating to any Holder of a Bearer Security or a Coupon;

notwithstanding the foregoing subsections (a) and (b), at such times as the Trustee is the Security Registrar and Paying Agent with respect to a particular series of Securities, no such list shall be required to be furnished in respect of such series.

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SECTION 802. Preservation of Information; Communications to Holders. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders of each series contained in the most recent list furnished to the Trustee as provided in Section 801 and the names and addresses of Holders of each series received by the Trustee in any capacity as Security Registrar or Paying Agent. The Trustee may destroy any list furnished to it as provided in Section 801 upon receipt of a new list so furnished.

(b) If three or more Holders of Securities of any series (herein referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Security of such series for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders of Securities of such series with respect to their rights under this Indenture or under such Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five business days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 802(a), or

(ii) inform such applicants as to the approximate number of Holders of Securities of such series whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 802(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder of Securities of such series whose name and address appear in the information preserved at the time by the Trustee in accordance with Section 802(a) a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after

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

(c) Every Holder of Securities or Coupons, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 802(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 802(b).

SECTION 803. Reports by Trustee. (a) Within 60 days after September 15 of each year commencing with the September 15 occurring after the initial issuance of Securities

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hereunder, the Trustee shall transmit by mail to the Holders of Securities, as provided in Subsection (d) of this Section, a brief report dated as of such September 15 with respect to any of the following events which may have occurred during the twelve months preceding the date of such report (but if no such event has occurred within such period, no report need be transmitted):

(1) any change to its eligibility under Section 709 and its qualifications under Section 708;

(2) the creation of or any material change to a relationship specified in Section 310(b)(1) through Section 310(b)(10) of the Trust Indenture Act;

(3) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not



more than 1/2 of 1% of the principal amount of the Securities Outstanding on the date of such report;

(4) any change to the amount, interest rate and maturity date of all other indebtedness owing by the Company (or by any other obligor on the Securities) to the Trustee in its individual capacity, on the date of such report, with a brief description of any property held as collateral security therefor, except an indebtedness based upon a creditor relationship arising in any manner described in Section 713(b) (2), (3), (4) or (6);

(5) any change to the property and funds, if any, physically in the possession of the Trustee as such on the date of such report;

(6) any additional issue of Securities which the Trustee has not previously reported; and

(7) any action taken by the Trustee in the performance of its duties hereunder which it has not previously reported and which in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by the Trustee in accordance with Section 702.

(b) The Trustee shall transmit by mail to all Holders, as provided in Subsection (d) of this Section, a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to Subsection (a) of this Section (or if no such report has yet been so transmitted, since the date of execution of this instrument) for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Securities, on property or funds held or collected by it as Trustee and which it has not previously reported pursuant to this Subsection, except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate 10% or less of the principal amount of the Securities Outstanding at such time, such report to be transmitted within 90 days after such time.

(c) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each United States stock exchange upon which any Securities are listed, with the Commission and with the Company.

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(d) Reports pursuant to Section 803(a) and 803(b) shall be transmitted by mail (i) to all Holders, as their names and addresses appear in the Security Register, (ii) to all Holders as have, within two years preceding such transmission, filed their names and addresses with the Trustee for such purpose, and (iii) except in the case of reports pursuant to Section 803(b), to all Holders whose names and addresses have been furnished or received by the Trustee

pursuant to Sections 801 and 802.

SECTION 804. Reports by Company. The Company shall:

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

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

(3) transmit by mail to all Holders of Securities, in the manner and to the extent provided in Section 803(d) with respect to reports to be transmitted pursuant to Section 803(a), within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraph (1) of (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission; and

(4) promptly notify the Trustee when any Securities are listed on any stock exchange.

## ARTICLE NINE

### Consolidation, Merger, Conveyance or Transfer

SECTION 901. Company May Consolidate, etc., Only on Certain Terms. The Company shall not consolidate with or merge into any other corporation or convey or transfer all or substantially all its properties and assets as an entirety to any Person, unless:

(1) the successor Person formed by such consolidation or into which the company is merged or the Person which acquires by conveyance or transfer all or substantially all the properties and assets of the Company as an entirety shall be a corporation, partnership, limited liability company, trust or other entity organized and existing under the laws of the United

States of America or any state or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest, if any, on all the

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Securities and the performance or observance of every covenant of this Indenture on the part of the Company to be performed or observed; and

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

SECTION 902. Successor Corporation Substituted. Upon any consolidation or merger, or any conveyance or transfer of all or substantially all the properties and assets of the Company as an entirety in accordance with Section 901, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein; and in the event of any such conveyance or transfer, the Company (which term shall for this purpose mean the Person named as the "Company" in the first paragraph of this instrument or any successor corporation which shall have theretofore become such in the manner prescribed in Section 901) shall be discharged from all liability under this Indenture and in respect of the Securities and may be dissolved and liquidated.

## ARTICLE TEN

### Supplemental Indentures

SECTION 1001. Supplemental Indentures Without Consent of Holders. Without the consent of any Holders, the Company, when authorized by or pursuant to a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

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

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company;

(3) to add any additional Events of Default with respect to all or any series of the Securities (and, if such Event of Default is applicable to less than all series of Securities, specifying the series to which such Event of Default is applicable);

(4) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to facilitate the issuance of Securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons; to change or eliminate any restrictions on the payment of principal of or any premium or interest on Bearer Securities, to permit Bearer Securities to be issued in exchange for Registered Securities, to permit Bearer Securities to be issued in exchange for Bearer Securities of other authorized denominations; provided that any such addition or change shall not adversely affect the interests of the Holders of Securities of any series or any related Coupons in any material respect;

(5) to change or eliminate any of the provisions of this Indenture; provided that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental

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indenture which is adversely affected by such change in or elimination of such provision;

(6) to establish the form or terms of Securities of any series as permitted by Sections 202 and 301;

(7) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 711(b);

(8) if allowed under applicable laws and regulations, to permit payment in the United States of principal, premium or interest on Bearer Securities or Coupons, if any;

(9) to provide for the issuance of uncertificated Securities of one or more series in addition to or in place of certificated Securities;

(10) to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein; or

(11) to make any other provisions with respect to matters or questions

arising under this Indenture; provided such other provisions as may be made shall not adversely affect the interests of the Holders of outstanding Securities of any series in any material respect.

SECTION 1002. Supplemental Indentures with Consent of Holders. With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of all series affected by such supplemental indenture (acting as one class), by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by or pursuant to a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series under this indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each outstanding Security affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 602, or change any Place of Payment where, or the currency, currencies or currency unit or units in which, any Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or affect adversely the terms, if any, of conversion of any Security into stock or other securities of the Company or of any other corporation,

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

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(3) change any obligation of the Company, with respect to Outstanding Securities of a series, to maintain an office or agency in the places and for the purposes specified in Section 1102 for such series, or

(4) modify any of the provisions of this Section, Section 613 or Section 1107, except to increase any such percentage or to provide with respect to any particular series the right to condition the effectiveness of any supplemental indenture as to that series on the consent of the Holders of a specified percentage of the aggregate principal amount of Outstanding Securities of such series (which provision may be made pursuant

to Section 202 or Section 301, as the case may be, without the consent of any Holder) or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section and Section 1107, or the deletion of this proviso, in accordance with the requirements of Section 711(b) and 1001(7).

For purposes of this Section 1002, if the Securities of any series are issuable upon the exercise of warrants, each holder of an unexercised and unexpired warrant with respect to such series shall be deemed to be a Holder of Outstanding Securities of such series in the amount issuable upon the exercise of such warrant. For such purposes, the ownership of any such warrant shall be determined by the Company in a manner consistent with customary commercial practices. The Trustee for such series shall be entitled to rely on an Officers' Certificate as to the principal amount of Securities of such series in respect of which consents shall have been executed by holders of such warrants.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

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

SECTION 1003. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive (in addition to the opinion which the Trustee is entitled to receive pursuant to Section 202), and (subject to Section 701) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties, immunities or liabilities under this Indenture or otherwise.

SECTION 1004. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 1005. Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 1006. Reference in Securities to Supplemental Indentures. Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

## ARTICLE ELEVEN

### Covenants

SECTION 1101. Payment of Principal, Premium and Interest. The Company covenants and agrees for the benefit of each series of Securities and Coupons, if any, that it will duly and punctually pay the principal of (and premium, if any, on) and interest, if any, on the Securities and Coupons, if any, of that series in accordance with the terms of the Securities and Coupons, if any, of such series and this Indenture.

SECTION 1102. Maintenance of Office or Agency. If Securities of a series are issuable only as Registered Securities, the Company will maintain in each Place of Payment for such series an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. If Securities of a series are issuable as both Registered or Bearer Securities or only as Bearer Securities, the Company will maintain (A) in the Borough of Manhattan, The City of New York, an office or agency where any Registered Securities of that series may be presented or surrendered for payment, where any Registered Securities of that series may be surrendered for registration of transfer, where Securities of that series may be surrendered for exchange, where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served and where Bearer Securities of that series and related Coupons may be presented or surrendered for payment in the circumstances described in the proviso contained in the last sentence of this first paragraph of Section 1102 (and not otherwise), (B) subject to any laws or regulations applicable thereto, in a Place of Payment for that series which is located outside the United States, an office or agency where Securities of that series and related Coupons may be presented and surrendered for payment (including payment of any additional amounts payable on Securities of that series pursuant to Section 1108); provided, however, that if the Securities of that series are listed on any stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent for the Securities of that series in any required city located outside the United States, so long

as the Securities of that series are listed on such exchange, and (C) subject to any laws or regulations applicable thereto, in a Place of Payment for that series located outside the United States, an office or agency where any Registered Securities of that series may be surrendered for registration of transfer, where Securities of that series may be surrendered for exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee and the Holders of the location, and any change in the location, of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency in respect of any series of Securities or shall fail to furnish the Trustee with the address thereof, such presentations and surrenders of Securities of that series may be made and notices and demands may be made or served at the Corporate Trust Office of the Trustee, except that Bearer Securities of that series and the related Coupons may be presented and surrendered for payment (including payment of any additional amounts payable on Bearer Securities of that series pursuant to Section 1108) at the London office of the Trustee (or an agent with a London office

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appointed by the Trustee and acceptable to the Company), and the Company hereby appoints the same as its agent to receive such respective presentations, surrenders, notices and demands. No payment of principal, premium or interest on Bearer Securities shall be made at any office or agency of the Company in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States; provided, however, that, if the Securities of a series are denominated and payable in Dollars, payment of principal of and any premium and interest on any Bearer Security (including any additional amounts payable on Securities of such series pursuant to Section 1108) shall be made at the office of the Company's Paying Agent in the Borough of Manhattan, The City of New York, if (but only if) payment in Dollars of the full amount of such principal, premium, interest or additional amounts, as the case may be, at all offices or agencies outside the United States maintained for the purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in accordance with the requirements set forth above for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee and the Holders of any such designation or rescission and of any change in the location of any such other office or agency.



SECTION 1103. Money for Securities Payments To Be Held in Trust. If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of (and premium, if any, on) or interest, if any, on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum in the relevant currency (or a sufficient number of currency units, as the case may be) sufficient to pay the principal (and premium, if any, on) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

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

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

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

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

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

The Company may at any time, for the purpose of obtaining the satisfaction and charge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any, on) or interest, if any, on any Security of any series and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security and Coupons, if any, shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense and at the direction of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified herein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company. All moneys payable to the Company by the Trustee or any Paying Agent as provided in the preceding sentence shall be paid to the Company on May 31 of each year.

SECTION 1104. Limitation on Secured Indebtedness. Unless specified, as contemplated by Section 202 or Section 301, as the case may be, not to be applicable to Securities of any series, this Section shall be applicable to Securities of each series for the benefit of the Securities of such series as long as any Securities of such series are Outstanding (subject to clause (a)(ii) of Section 503, as contemplated by subclause (x) thereof). The Company will not create, assume, incur or guarantee, and will not permit any Restricted Subsidiary to create, assume, incur or guarantee, any Secured Indebtedness without making provision whereby all the Securities shall be secured equally and ratably with (or prior to) such Secured Indebtedness (together with, if the Company shall so determine, any other indebtedness of the Company or such Restricted Subsidiary then existing or thereafter created which is not subordinate to the Securities) so long as such Secured Indebtedness shall be outstanding unless such Secured Indebtedness, when added to (a) the aggregate amount of all Secured Indebtedness then outstanding (not including in this computation Secured Indebtedness if the Securities are secured equally and ratably with (or prior to) such Secured Indebtedness and further not including in this computation any Secured Indebtedness which is concurrently being retired) and (b) the aggregate amount of all Attributable Debt then outstanding pursuant to Sale and Leaseback Transactions entered into by the Company after February 17, 1999, or, entered into by a Restricted Subsidiary after February 17, 1999, or, if later, the date on which it became a Restricted Subsidiary (not including in this computation any Attributable Debt which is concurrently being retired), would not exceed 15% of Consolidated Net Worth.

SECTION 1105. Limitation on Sale and Leaseback Transactions. Unless specified, as contemplated by Section 202 or Section 301, as the case may be, not to be applicable to Securities of any series, this Section shall be applicable to Securities of each series for the benefit of the Securities of such series as long as any Securities of such series are

Outstanding (subject to clause (a) (ii) of Section 503, as contemplated by subclause (x) thereof). The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction unless (a) the sum of (i) the Attributable Debt to be outstanding pursuant to such Sale and Leaseback Transaction, (ii) all Attributable Debt then outstanding pursuant to all other Sale and Leaseback Transactions entered into by the Company after February 17, 1999, or entered into by a Restricted Subsidiary after February 17, 1999, or if later, the date on which it became a Restricted Subsidiary, and (iii) the aggregate of all Secured Indebtedness then outstanding (not including in this computation Secured Indebtedness if the Securities are secured equally and ratably with (or prior to) such Secured Indebtedness) would not exceed 15% of Consolidated Net Worth or (b) an amount equal to the greater of (i) the net proceeds to the Company or the Restricted Subsidiary of the sale of the Principal Property sold and leased back pursuant to such Sale and Leaseback Transaction and (ii) the amount of Attributable Debt to be outstanding pursuant to such Sale and Leaseback Transaction, is applied to the retirement of Funded Debt of the Company or any Restricted Subsidiaries (other than Funded Debt which is subordinated to the Securities or which is owing to the Company or any Restricted Subsidiaries) within 180 days after the consummation of such Sale and Leaseback Transaction.

SECTION 1106. Statement by Officers as to Default. The Company will deliver to the Trustee, within 120 days after the end of each fiscal year, a written certificate signed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company, stating that:

(1) a review of the activities of the Company during such year and of performance under this Indenture has been made under such officer's supervision; and

(2) to such officer's knowledge, based on such review, the Company has fulfilled all its obligations, and has complied with all conditions and covenants, under this Indenture throughout such year, or, if there has been a default in the fulfillment of any such obligation, condition or covenant, specifying each such default known to him and the nature and status thereof. For purposes of this Section 1106, compliance shall be determined without regard to any grace period or requirement of notice provided pursuant to the terms of this Indenture.

SECTION 1107. Waiver of Certain Covenants. The Company may omit in any particular instance to comply with any term, provision or condition set forth in Section 1104 or Section 1105 if before the time for such compliance the Holders of not less than a majority in principal amount of the Outstanding Securities of all series affected thereby shall, by Act of such Holders (acting as one class), either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the

duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 1108. Additional Amounts. If the Securities of a series provide for the payment of additional amounts, the Company will pay to the Holder of any Security of such series or any related Coupon additional amounts as provided therein. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of or any premium or interest on, or in respect of, any Security of any series or payment of any related Coupon or the net proceeds received on the sale or exchange of any Security of any series, such mention shall be deemed to include mention of the payment of additional amounts provided for in this Section to the extent that, in such context, additional amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section and express mention of the payment of additional amounts (if applicable) in

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any provisions hereof shall not be construed as excluding additional amounts in those provisions hereof where such express mention is not made.

If the Securities of a series provide for the payment of additional amounts, at least 10 days prior to the first Interest Payment Date with respect to that series of Securities (or if the Securities of that series will not bear interest prior to Maturity, the first day on which a payment of principal and any premium is made), and at least 10 days prior to each date of payment of principal and any premium or interest if there has been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Company will furnish the Trustee and the Company's Paying Agent or Paying Agents, if other than the Trustee, with an Officers' Certificate instructing the Trustee and such Paying Agent or Paying Agents whether such payment of principal of and any premium or interest on the Securities of that series shall be made to Holders of Securities of that series or any related Coupons who are United States Aliens (as defined in such Securities) without withholding for or on account of any tax, assessment or other governmental charge described in the Securities of that series. If any such withholding shall be required, then such Officers' Certificate shall specify by country the amount, if any, required to be withheld on such Payments to such Holders of Securities or Coupons and the Company will pay to the Trustee or such Paying Agent the additional amounts required by this Section. The Company covenants to indemnify the Trustee and any Paying Agent for, and to hold them harmless against, any loss, liability or expense reasonably incurred without negligence or bad faith on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officers' Certificate furnished pursuant to this Section.

## ARTICLE TWELVE

### Redemption of Securities

SECTION 1201. Applicability of Article. Securities of any series which are

redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 202 or Section 301, as the case may be, for Securities of any series) in accordance with this Article.

SECTION 1202. Election To Redeem; Notice to Trustee. If the Company shall desire to exercise the right to redeem all, or, as the case may be, any part of the Securities of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notifying the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction.

SECTION 1203. Selection by Trustee of Securities To Be Redeemed. If less than all the Securities of any series are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of that series or any integral multiple thereof) of the principal amount of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

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

SECTION 1204. Notice of Redemption. Notice of redemption shall be given not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, as provided in Section 106.

Each such notice of redemption shall specify the Redemption Date, the Redemption Price, the Place or Places of Payment, that the Securities of such series are being redeemed at the option of the Company pursuant to provisions contained in the terms of the Securities of such series or in a supplemental indenture establishing such series, if such be the case, together with a brief statement of the facts permitting such redemption, that on the Redemption Date the Redemption Price will become due and payable upon each Security redeemed,

that payment will be made upon presentation and surrender of the applicable Securities, that all Coupons, if any, maturing subsequent to the date fixed for redemption shall be void, that any interest accrued to the Redemption Date will be paid as specified in said notice, that the redemption is pursuant to the sinking fund, if such is the case, and that on and after said Redemption Date any interest thereon or on the portions thereof to be redeemed will cease to accrue. If less than all the Securities of any series are to be redeemed, the notice of redemption shall specify the registration and, if any, CUSIP numbers of the Securities of such series to be redeemed, and, if only Bearer Securities of any series are to be redeemed, and if such Bearer Securities may be exchanged for Registered Securities, the last date on which exchanges of Bearer Securities for Registered Securities not subject to redemption may be made. In case any Security of any series is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the Redemption Date, upon surrender of such Security and any Coupons appertaining thereto, a new Security or Securities of such series in principal amount equal to the unredeemed portion thereof and with appropriate Coupons will be issued, or, in the case of Registered Securities providing appropriate space for such notation, at the option of the Holders, the Trustee, in lieu of delivering a new Security or Securities as aforesaid, may make a notation on such Security of the payment of the redeemed portion thereof.

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

SECTION 1205. Deposit of Redemption Price. On or before the opening of business on any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own paying Agent, segregate and hold in trust as provided in Section 1103) an amount of money in the relevant currency (or a sufficient number of currency units, as the case may be) sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date.

SECTION 1206. Securities Payable on Redemption Date. Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest and the Coupons for such interest appertaining to any Bearer Securities so to be redeemed, except to the extent provided below, shall be void. Upon surrender of any such Security for redemption in accordance with said notice, together with all Coupons, if any, appertaining thereto maturing after the Redemption Date, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; provided,

however, that installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only at an office or agency located outside the United States (except otherwise provided in Section 1102) and, unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be, only upon presentation and surrender of Coupons for such interest; provided further that, unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be, installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 406.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant Coupons maturing after the Redemption Date, such Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to the Trustee or any Paying Agent any such missing Coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; provided, however, that interest represented by Coupons shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 1102) and, unless otherwise specified as contemplated by Section 202 or Section 301, as the case may be, only upon presentation and surrender of those coupons.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal and any premium shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

SECTION 1207. Securities Redeemed in Part. Any Security which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and make available for delivery to the Holder of such Security without service charge, a new Security or Securities (with appropriate Coupons) of the same series and Stated Maturity, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered or, in the case of Registered Securities providing appropriate space for such notation, at the option of the Holder, the Trustee, in lieu of delivering a new Security or Securities as aforesaid, may make a notation on such Security of the Payment of the redeemed portion thereof.

## ARTICLE THIRTEEN

### Sinking Funds

SECTION 1301. Applicability of Article. The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series, except as otherwise specified as contemplated by Section 202 or Section 301, as the case may be, for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may

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be subject to reduction as provided in Section 1302. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

SECTION 1302. Satisfaction of Sinking Fund Payments with Securities. The Company (1) may deliver Outstanding Securities (including all unmatured Coupons appertaining thereto) of a series (other than any previously called for redemption) and (2) may apply as a credit Securities of a series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; provided that such Securities have not been previously so credited. Such Securities shall be received and the outstanding principal amount thereof credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 1303. Redemption of Securities for Sinking Fund. Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 1302 and will also deliver to the Trustee any Securities (including all unmatured Coupons appertaining thereto) to be so delivered. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed



upon such sinking fund payment date in the manner specified in Section 1203 and cause notice of the redemption thereof to given in the name of and at the expense of the Company in the manner provided in Section 1204. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Section 1206 and 1207.

## ARTICLE FOURTEEN

### Meetings of Holders of Securities

SECTION 1401. Purposes for Which Meetings May Be Called. A meeting of Holders of Securities of any series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series.

SECTION 1402. Call, Notice and Place of Meetings. (a) The Trustee may at any time call a meeting of Holders of Securities of any series for any purpose specified in Section 1401, to be held at such time and at such place in the Borough of Manhattan, The City of New York, or in London, as the Trustee shall determine. Notice of every meeting of Holders of Securities of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 106, not less than 20 nor more than 180 days prior to the date fixed for the meeting.

(b) In case at any time the Company, by or pursuant to a Board Resolution, or the Holders of at least 10% in principal amount of the Outstanding Securities of any series shall have requested the Trustee to call a meeting of the Holders of Securities of such series for any purpose specified in Section 1401, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not

have made the first publication of the notice of such meeting within 20 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York, or in London, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

SECTION 1403. Persons Entitled To Vote at Meetings. To be entitled to vote at any meeting of Holders of Securities of any series, a Person shall be (1) a Holder of one or more Outstanding Securities of such series or (2) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or

more Outstanding Securities of such series by such Holder or Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders of Securities of any series shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 1404. Quorum; Action. The Persons entitled to vote a majority in principal amount of the Outstanding Securities of a series shall constitute a quorum for a meeting of Holders of Securities of such series. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 1402(a), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened.

Except as limited by the proviso to Section 1002, and subject to the provisions described in the next succeeding paragraph, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Securities of that series; provided, however, that any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is equal to or less than a majority, in principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of that series. Any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with this Section shall be binding on all the Holders of Securities of such series and the related Coupons, whether or not present or represented at the meeting.

With respect to any consent, waiver or other action which this Indenture expressly provides may be given by the Holders of a specified percentage of Outstanding Securities of all series affected thereby (acting as one class), only the principal amount of Outstanding Securities of any series represented at a meeting or adjourned meeting duly reconvened at which a quorum is present, held in accordance with this Section, and voting in favor of such action, shall be counted for purposes of calculating the aggregate principal amount of Outstanding Securities of all series affected thereby favoring such action.

SECTION 1405. Determination of Voting Rights; Conduct and Adjournment of Meetings. (a) Notwithstanding any other provisions of this Indenture, the Trustee may

make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities of a series in regard to proof of the holding of Securities of such series and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 104 and the appointment of any proxy shall be proved in the manner specified in Section 104 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by Section 104 to certify to the holder of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 104 or other proof.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 1402(b), in which case the Company or the Holders of Securities of the series calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the outstanding Securities of such series represented at the meeting.

(c) At any meeting each Holder of a Security of such series or proxy shall be entitled to one vote for each \$1,000 (or the equivalent thereof) principal amount of the Outstanding Securities of such series held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security of such series or proxy.

(d) Any meeting of Holders of Securities of any series duly called pursuant to Section 1402 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

SECTION 1406. Counting Votes and Recording Action of Meetings. The vote upon any resolution submitted to any meeting of Holders of Securities of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities of

such series or of their representatives by proxy and the principal amounts and

serial numbers of the Outstanding Securities of such series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in duplicate, of the proceedings of each meeting of Holders of Securities of any series shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1402 and, if applicable, Section 1404. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

THE WASHINGTON POST COMPANY,

by /s/ John B. Morse, Jr.

-----  
Name: John B. Morse, Jr.  
Title: Vice President-Finance

[SEAL]

Attest:

/s/ John F. Hockenberry

-----  
Name: John F. Hockenberry  
Title: Assistant Secretary

THE FIRST NATIONAL BANK OF  
CHICAGO, as Trustee,

by /s/ Michael D. Pinzon

-----  
Name: Michael D. Pinzon  
Title: Trust Officer

[SEAL]

Attest:

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Name: Aslyn Beckles  
Title: Trust Officer

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Exhibit A

(Form of Face of [Note]2/ ) (Form of Fixed Rate  
Security with and without Optional  
Redemption Provision)

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]3/

No.:

THE WASHINGTON POST COMPANY  
% [Note] Due

CUSIP No.:  
\$

THE WASHINGTON POST COMPANY, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to or registered assigns, the principal sum of Dollars, at the office or agency of the Company in the Borough of Manhattan, The City and State of New York, on , in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payments of public and private debts, and to pay interest, semi-annually on and of each year, on said principal sum at said office or agency, in like coin or currency, at the rate of % per annum, from the or the, as the case may be, next preceding the date of this [Note] to which interest has been paid, unless the date hereof is a date to which interest has been paid, in which case from the date of this [Note], or unless no interest has been paid on the [Notes] due (as defined on the reverse hereof), in which case from until payment of said principal sum has been made or duly provided for. Notwithstanding the foregoing, if the date hereof is after or as the case may be, and before the following or , this [Note] shall bear interest from such or ,

provided, however, that if the Company shall default in the payment of interest due on such or , then this [Note] shall bear interest from the next preceding or to which interest has been paid, or, if no interest has been paid on the [Notes] due , from . The interest so payable on any or will subject to certain exceptions provided in the Indenture referred to on the reverse hereof, be paid to the person in whose name this [Note] is registered at the close of business on such or , as the case may be, next preceding such or , unless the Company shall default in the payment of interest due on such interest payment date, in which case such defaulted interest, at the option of the Company, may be paid to the person in whose name this [Note] is registered at the close of business on a special record date for the payment of such defaulted interest established by notice to the registered holders of [Notes] not less than 10 days preceding such special record date or may be paid in any other lawful

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2/ Bracketed references to "Note" or "Notes" should be changed to reflect the designation of the series of Securities being issued.

3/ The bracketed language is to be included if the Securities are included within DTC's book-entry system.

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manner not inconsistent with the requirements of any securities exchange on which the [Notes] due may be listed. Payment of interest may, at the option of the Company, be made by check mailed to the registered address of the person entitled thereto.

Reference is made to the further provisions of this [Note] set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This [Note] shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee under the Indenture referred to on the reverse hereof.

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

Dated:

THE WASHINGTON POST  
COMPANY

by  
-----

Name:  
Title:

[SEAL]

Attest:

-----  
Name:  
Title:

TRUSTEE'S CERTIFICATE  
OF AUTHENTICATION

This is one of the Securities  
of the series designated herein  
issued under the within-mentioned  
Indenture.

THE FIRST NATIONAL BANK OF  
CHICAGO, as Trustee

by

-----  
Authorized Signatory

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(Form of Reverse of [Note])

This [Note] is one of a duly authorized issue of unsecured debentures, notes or other evidences of indebtedness of the Company (hereinafter called the "Securities"), of the series hereinafter specified, all issued or to be issued under an indenture dated as of \_\_\_\_\_, 1998 (hereinafter called the "Indenture"), duly executed and delivered by the Company to The First National Bank of Chicago, a national banking association, as trustee (hereinafter called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the respective rights and duties thereunder of the Trustee, the Company and the holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest at different rates, may be subject to different redemption provisions, may be subject to different sinking, purchase or analogous funds, may be subject to different covenants and Events of Default and may otherwise

vary as in the Indenture provided. This [Note] is one of a series designated as the % [Notes] due of the Company (hereinafter called the "[Notes] due ") issued under the Indenture[, limited in aggregate principal amount to \$ ].

In case an Event of Default with respect to the [Notes] due , as defined in the Indenture, shall have occurred and be continuing, the principal hereof together with interest accrued thereon, if any, may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the Securities at the time outstanding of all series to be affected (acting as one class) to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Securities of such series to be affected; provided, however, that no such supplemental indenture shall, among other things, (i) change the fixed maturity of the principal of, or any installment of principal of or interest on, any Security; (ii) reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof; (iii) impair the right to institute suit for the enforcement of any such payment on or after the fixed maturity thereof (or, in the case of redemption, on or after the redemption date); (iv) reduce the percentage in principal amount of the outstanding Securities of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences) provided for in the Indenture; (v) change any obligation of the Company, with respect to outstanding Securities of a series, to maintain an office or agency in the places and for the purposes specified in the Indenture for such series; or (vi) modify any of the foregoing provisions or the provisions for the waiver of certain covenants and defaults, except to increase any applicable percentage of the aggregate principal amount of outstanding Securities the consent of the holders of which is required or to provide with respect to any particular series the right to condition the effectiveness of any supplemental indenture as to that series on the consent of the holders of a specified percentage of the aggregate principal amount of outstanding Securities of such series or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Security affected thereby. It is also provided in the Indenture that the holders of a majority in aggregate principal amount of the Securities of a series at the time outstanding may on behalf of the holders of all the Securities of such series waive any past default under the Indenture with respect to such series and its consequences, except a default in the payment of the principal of, premium, if any, or interest, if any, on any Security of such series or in respect of a covenant or provision which cannot be modified without the consent of the



Holder of each outstanding Security of the series affected. Any such consent or waiver by the holder of this [Note] shall be conclusive and binding upon such holder and upon all future holders and owners of the [Note] and any [Notes] due which may be issued in exchange or substitution herefor, irrespective of whether or not any notation thereof is made upon this [Note] or such other [Notes] due .

No reference herein to the Indenture and no provision of this [Note] or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this [Note] at the place, at the respective times, at the rate and in the coin or currency herein prescribed.

The Indenture permits the Company to Discharge its obligations with respect to the [Notes] due on the 91st day following the satisfaction of the conditions set forth in the Indenture, which include the deposit with the Trustee of money or U.S. Government Obligations or a combination thereof sufficient to pay and discharge each installment of principal of (including premium, if any, on) and interest, if any, on the outstanding [Notes] due .

If the Company shall, in accordance with Section 901 of the Indenture, consolidate with or merge into any other corporation or convey or transfer all or substantially all its properties and assets as an entirety to any Person, the successor shall succeed to, and be substituted for, the Person named as the "Company" on the face of this [Note], all on the terms set forth in the Indenture.

The [Notes] due are issuable in registered form without coupons in denominations of \$1,000 or any integral multiple thereof. In the manner and subject to the limitations provided in the Indenture, but without the payment of any service charge, [Notes] due may be exchanged for an equal aggregate principal amount of [Notes] due of other authorized denominations at the office or agency of the Company maintained for such purpose in the Borough of Manhattan, the City and State of New York.

[The [Notes] due may be redeemed as a whole, or from time to time in part, at the option of the Company at any time upon mailing a notice of such redemption not less than 30 nor more than 60 days prior to the date fixed for redemption to the holders of the [Notes] due at their last registered addresses, all as provided in the Indenture, at the following optional redemption prices (expressed in percentages of the principal amount), together in each case with accrued interest to the date fixed for redemption.

If redeemed during the twelve-month period beginning

<TABLE>

<CAPTION>

Year	Percentage
----	-----

</TABLE>

Upon due presentment for registration of transfer of this [Note] at the office or agency of the Company for such registration in the Borough of Manhattan, the City and State of New York, a new [Note] or [Notes] of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange herefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

-----

4/ Bracketed language to be included in Securities redeemable at the option of the Company.

Prior to due presentment for registration of transfer of this [Note], the Company, the Trustee and any agent of the Company or the Trustee may deem and treat the registered holder hereof as the absolute owner of this [Note] (whether or not this [Note] shall be overdue) for the purpose of receiving payment of the principal of, premium, if any, and interest on this Note, as herein provided, and for all other purposes, and neither the Company nor the Trustee nor any agent of the Company or the Trustee shall be affected by any notice to the contrary. All payments made to or upon the order of such registered holder shall, to the extent of the sum or sums paid, effectively satisfy and discharge liability for moneys payable on this [Note].

No recourse for the payment of the principal of, premium, if any, or interest on this [Note], or for any claim based hereon or otherwise in respect hereof, and no recourse

under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any [Note], or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Unless otherwise defined in this [Note], all terms used in this [Note] which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THIS [NOTE] SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

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EXHIBIT B

[FORMS OF CERTIFICATION]

EXHIBIT B.1

[FORM OF CERTIFICATE TO BE GIVEN BY  
PERSON ENTITLED TO RECEIVE BEARER SECURITY]

CERTIFICATE

THE WASHINGTON POST COMPANY

[Insert title or sufficient description  
of Securities to be delivered]

This is to certify that the above-captioned Securities are not being acquired by or on behalf of a United States person, or for offer to resell or for resale to a United States person or any person inside the United States, or, if a beneficial interest in the Securities is being acquired by a United States person, that such United States person is a financial institution as defined in Section 1.165-12(c)(1)(v) of the United States Treasury Regulations, or is acquiring through a financial institution, and that the Securities are held by a financial institution that has agreed to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder and that it is not purchasing for offer to resell or for resale inside the United States.

As used herein, "United States person" means any citizen or resident of the United States, any corporation, partnership or other entity created or organized in or under the laws of the United States, or any estate or trust the income of which is subject to United States Federal income taxation regardless of its source, and "United States" means the United States of America (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

We undertake to advise you by telex if the above statement as to beneficial ownership is not correct on the date of delivery of the

above-captioned Securities in bearer form as to all such Securities.

We understand that this certificate may be required in connection with certain tax legislation in the United States. If administrative or legal proceedings are commenced or

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threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated: \_\_, 19 \_\_\_\_  
[To be dated on or after  
\_\_\_\_\_, 19 \_\_\_\_ the date  
determined as provided in the Indenture)]

[Name of Person Entitled to Receive Bearer Security]

-----  
(Authorized Signatory)

Name: -----

Title: -----

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EXHIBIT B.2

[FORM OF CERTIFICATE TO BE GIVEN BY EURO-CLEAR  
AND CEDEL S.A.  
IN CONNECTION WITH THE EXCHANGE OF A PORTION OF A  
TEMPORARY GLOBAL SECURITY]

CERTIFICATE

THE WASHINGTON POST COMPANY

[Insert title or sufficient description  
of Securities to be delivered]

This is to certify with respect to \$ \_\_\_\_\_ principal amount of the above-captioned Securities (i) that we have received from each of the persons appearing in our records as persons entitled to a portion of such principal amount (our "Qualified Account Holders") a certificate with respect to such

portion substantially in the form attached hereto and (ii) that we are not submitting herewith for exchange any portion of the temporary global Security representing the above-captioned Securities excepted in such certificates.

We further certify that as of the (date hereof we have not received any notification from any of our Qualified Account Holders to the effect that the statements made by such Qualified Account Holders with respect to any portion of the part submitted herewith for exchange are no longer true and cannot be relied upon as of the date hereof.

Date: \_\_\_\_\_

[To be dated no earlier than the Exchange Date]

[MORGAN GUARANTY TRUST  
COMPANY OF NEW YORK, BRUSSELS  
OFFICE, as Operator of the Euro-clear  
System]  
[CEDEL S.A.]

By \_\_\_\_\_

EXHIBIT B.3  
[FORM OF CERTIFICATE TO BE GIVEN BY EURO-CLEAR  
AND CEDEL S.A. TO OBTAIN  
INTEREST PRIOR TO AN EXCHANGE DATE]

CERTIFICATE

THE WASHINGTON POST COMPANY

[Insert title or sufficient description of Securities]

We confirm that the interest payable on the Interest Payment Date on [Insert Date] will be paid to each of the persons appearing in our records as being entitled to interest payable on such date from whom we have received a written certification, dated not earlier than such Interest Payment Date, substantially in the form attached hereto. We undertake to retain certificates received from our member organizations in connection herewith for four years from the end of the calendar year in which such certificates are received.

We undertake that any interest received by us and not paid as provided above shall be returned to the Trustee for the above Securities immediately prior to the expiration of two years after such Interest Payment Date in order

to be repaid by such Trustee to the above issuer at the end of two years after such Interest Payment Date.

Date: \_\_\_\_\_, 19\_\_\_\_  
[To be dated on or after the  
relevant Interest Payment Date]

MORGAN GUARANTY TRUST  
COMPANY OF NEW YORK, BRUSSELS  
OFFICE, as Operator of the Euro-clear  
System]  
[CEDEL S.A.]

By \_\_\_\_\_

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EXHIBIT B.4  
[FORM OF CERTIFICATE TO BE GIVEN BY BENEFICIAL OWNERS  
TO OBTAIN INTEREST PRIOR TO AN EXCHANGE DATE]

CERTIFICATE

THE WASHINGTON POST COMPANY

[Insert title or sufficient  
description of Securities]

This is to certify that as of the Interest Payment Date on [Insert Date] and except as provided in the third paragraph hereof, the above-captioned Securities held by you for our account are not beneficially owned by a United States person, and have not been acquired by or on behalf of a United States person, or for offer to resell or for resale to a United States person or any person inside the United States, or, if any of such Securities held by you for our account are beneficially owned by a United States person, (i) such United States person is a financial institution within the meaning of Section 1.165-12(c) (1) (v) of the United States Treasury Regulations purchasing for its own account or has acquired such Securities through a financial institution and (ii) such Securities are held by a financial institution that has agreed to comply with the requirements of Section 165(j) (3) (A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder and that it did not purchase for offer to resell or for resale inside the United States.

As used herein, "United States person" means any citizen or resident of the United States, any corporation, partnership or other entity created or organized in or under the laws of the United States or any estate or trust the income of which is subject to United States Federal income taxation regardless of its source, and "United States" means the United States of America (including the states and the District of Columbia), its territories, its possessions and

other areas subject to its jurisdiction.

This certificate excepts and does not relate to U.S. \$ principal amount of the above-captioned Securities appearing in your books as being held for our account as to which we are not yet able to certify and as to which we understand interest cannot be credited unless and until we are able to so certify.

We understand that this certificate may be required in connection with certain tax legislation in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Date: \_\_\_\_\_, 19\_\_\_\_  
[To be dated on or after  
the 15th day before the  
relevant Interest Payment Date]

[Name of Person Entitled to Receive  
Interest]

-----  
(Authorized Signature)

Name:

Title: -----

EXHIBIT B.5  
[FORM OF CONFIRMATION TO BE SENT TO  
PURCHASERS OF BEARER SECURITIES]

By your purchase of the securities referred to in the accompanying continuation (the "Securities"):

You represent that you are not a United States person or, if you are a United States person, you are a financial institution as that term is defined in Section 1.165-12(c)(1)(v) of the United States Treasury Regulations, or are acquiring through a financial institution, and that the Securities will be held by a financial institution that agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code of 1986, as amended, and the regulations thereunder and are not purchasing the Securities on behalf of any United States person other than such a financial institution or for offer to resell or for resale inside the United States.

If you are a dealer, (a) you also represent that you have not offered, sold or delivered, and agree that you will not offer, sell, resell or deliver,

any of such Securities, directly or indirectly, in the United States or to any United States person other than such a financial institution and (b) you agree that you will deliver to all purchasers of such Securities from you a written statement in this form.

As used herein, "United States" means the United States of America (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction and "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States and an estate or trust the income of which is subject to United States Federal income taxation regardless of its source.



THE WASHINGTON POST COMPANY  
AND SUBSIDIARIES

CALCULATION OF EARNINGS PER SHARE OF COMMON STOCK  
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

<TABLE>  
<CAPTION>

	Fiscal Year		
	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Weighted average shares outstanding			
Class A Common			
Class B Common (excluding shares	1,739	1,754	1,802
issuable upon exercise of			
stock options - accounted			
for below)	8,348	8,946	9,162
	-----	-----	-----
Shares used in computation of basic	10,087	10,700	10,964
earnings per share			
Add - Shares assumed issuable upon			
exercise of stock options	185	172	109
Deduct - Shares assumed to be			
purchased for Treasury with proceeds			
from exercise of stock options	(143)	(139)	(93)
	-----	-----	-----
Shares used in computation of			
diluted earnings per common share	10,129	10,733	10,980
	=====	=====	=====
Net income available for common shares	\$ 416,303	\$ 280,618	\$ 220,137
	=====	=====	=====
Basic earnings per common share	\$ 41.27	\$ 26.23	\$ 20.08
	=====	=====	=====
Diluted earnings per common share	\$ 41.10	\$ 26.15	\$ 20.05
	=====	=====	=====

</TABLE>

## EXHIBIT 21

## SUBSIDIARIES OF THE COMPANY

<TABLE>  
<CAPTION>

Name of Subsidiary -----	Jurisdiction of Incorporation or Organization -----	% of Voting Stock Owned by Company -----
<S>	<C>	<C>
Bowater Mersey Paper Company Limited .....	Nova Scotia	49%
Cable One, Inc. ....	Delaware	100%
Capitol Fiber, Inc. ....	Maryland	80%
The Daily Herald Company .....	Washington	100%
The Gazette Newspapers, Inc. ....	Maryland	100%
Greater Washington Publishing, Inc. ....	Delaware	100%
I.H.T. Corporation .....	Delaware	50%
International Herald Tribune S.A.S. ....	France	33-1/3%
International Herald Tribune S.A.S. ....	France	33-1/3%
Legi-Slate, Inc. ....	Delaware	100%
Los Angeles Times-Washington Post News Service, Inc. ....	D.C.	50%
Newsprint, Inc. ....	Virginia	100%
Newsweek, Inc. ....	New York	100%
Newsweek Productions, Inc. ....	Delaware	100%
Newsweek Services, Inc. ....	Delaware	100%
Newsweek Services (Canada), Inc. ....	Delaware	100%
Post-Newsweek Business Information, Inc. ....	Virginia	100%
Post-Newsweek Cable of North Dakota, Inc. ....	Delaware	100%
Post-Newsweek Stations, Inc. ....	Delaware	100%
Post-Newsweek Stations, Florida, Inc. ....	Florida	100%
Post-Newsweek Stations, Houston, Inc. ....	Delaware	100%
Post-Newsweek Stations, Michigan, Inc. ....	Delaware	100%
Post-Newsweek Stations, Orlando, Inc. ....	Delaware	100%
Post-Newsweek Stations, San Antonio, Inc. ....	Delaware	100%
Robinson Terminal Warehouse Corporation .....	Delaware	100%

</TABLE>

SUBSIDIARIES OF THE COMPANY  
(Continued)

<TABLE>  
<CAPTION>

Jurisdiction

% of

Name of Subsidiary -----	of Incorporation or Organization -----	Voting Stock Owned by Company -----
<S>	<C>	<C>
Kaplan Educational Centers, Inc. ....	Delaware	100%
Career Expo, Inc. ....	Ohio	100%
Dearborn Publishing Group, Inc. ....	Delaware	100%
Dearborn Financial Institute, Inc. ....	Illinois	100%
Anthony Schools Corporation ....	California	100%
LCP International Institute, Inc. ....	California	100%
The Lendman Group, Inc. ....	Virginia	100%
Payne Lendman, Inc. ....	Virginia	100%
Score Learning Corporation ....	California	100%
Stanley H. Kaplan Educational Center of Canada Ltd. ....	Ontario	100%
The CEO Group, Inc. ....	Ontario	100%
Stanley H. Kaplan Educational Center of Puerto Rico, Inc. ....	Puerto Rico	100%
Washingtonpost.Newsweek Interactive Company ....	Delaware	100%
The Photo Store LLC ....	Maryland	50%

</TABLE>

-----  
As permitted by Item 601(b)(21) of Regulation S-K, the foregoing list omits certain subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" as that term is defined in Rule 1-02(v) of Regulation S-X.

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Registration No. 2-42170) of The Washington Post Company, and in the Prospectus constituting a part thereof, of our report dated February 22, 1999 appearing on page 26 of this Annual Report on Form 10-K, and to the reference to us under the heading "Experts" in such Prospectus.

PricewaterhouseCoopers LLP

Washington, D.C.  
March 25, 1999

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED JANUARY 3, 1999, AND THE CONSOLIDATED BALANCE SHEET AS OF JANUARY 3, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

<S>	<C>
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<CASH>	15,190
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<EPS-PRIMARY>	41.27<F1>
<EPS-DILUTED>	41.10
<FN>	

<F1>The information reported above under "EPS-PRIMARY" represents basic earnings

per share for the year ended January 3, 1999.

</FN>

</TABLE>