

# SECURITIES AND EXCHANGE COMMISSION

## FORM 424B2

Prospectus filed pursuant to Rule 424(b)(2)

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### FILER

#### **GRACE W R & CO /NY/**

CIK: **42872** | IRS No.: **133461988** | State of Incorporation: **NY** | Fiscal Year End: **1231**  
Type: **424B2** | Act: **33** | File No.: **033-50983** | Film No.: **94522203**  
SIC: **2800** Chemicals & allied products

Business Address  
*ONE TOWN CENTER RD  
BOCA RATON FL 33486-1010  
4073622000*

PROSPECTUS SUPPLEMENT  
 (To Prospectus Dated April 7, 1994)  
 \$300,000,000  
 W. R. GRACE & CO.-CONN.  
 MEDIUM-TERM NOTES, SERIES A  
 DUE MORE THAN NINE MONTHS FROM DATE OF ISSUE  
 UNCONDITIONALLY GUARANTEED BY  
 W. R. GRACE & CO.

W. R. Grace & Co.-Conn. ("Company") may offer from time to time pursuant to this Prospectus Supplement its Medium-Term Notes, Series A ("Notes"), with an aggregate issue price of up to \$300,000,000 (or the equivalent thereof, if any of the Notes are denominated other than in U.S. dollars), subject to reduction as a result of the sale of other securities of the Company or W. R. Grace & Co. ("Guarantor"). The Guarantor will guarantee the Notes, and the Notes and such guarantees ("Guarantees") will be unsecured and will rank equally with all other unsecured and unsubordinated indebtedness for borrowed money of the Company and the Guarantor, respectively. See "Description of Notes and Guarantees -- General" herein and "Description of Debt Securities and Guarantees" in the accompanying Prospectus.

The terms of each Note will be established prior to issuance and set forth in one or more pricing supplements to this Prospectus Supplement (each a "Pricing Supplement"). The Notes may bear interest at either fixed or floating rates and will have Maturity Dates more than nine months from their respective dates of issue, as specified in a Pricing Supplement. Interest on each Fixed Rate Note will be payable on May 15 and November 15 of each year, unless otherwise specified in the applicable Pricing Supplement, and at Maturity. Interest on each Floating Rate Note will be payable on the Interest Payment Dates set forth in the applicable Pricing Supplement and at Maturity. A Note may provide that the principal thereof will be amortized over the life of such Note. See "Description of Notes and Guarantees", "Important Currency Exchange Information" and "Currency Risks".

Except as otherwise specified in the applicable Pricing Supplement, Notes will be represented by a Global Note registered in the name of a nominee of The Depository Trust Company, and beneficial interests in Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by such depository and its participants. A beneficial interest in a Global Note may be exchanged for Notes in certificated form only under limited circumstances. See "Description of Notes and Guarantees -- General" herein and "Description of Debt Securities and Guarantees -- Book-Entry Debt Securities" in the accompanying Prospectus.

Unless otherwise specified in the applicable Pricing Supplement, Notes (other than Global Notes) denominated in U.S. dollars will be issued only in registered form in authorized denominations of \$1,000 and integral multiples thereof. See "Description of Notes and Guarantees -- General".

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT, ANY PRICING SUPPLEMENT HERETO OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>  
 <CAPTION>

	PRICE TO PUBLIC(1)	AGENTS' COMMISSION(2)	PROCEEDS TO COMPANY(2)(3)
<S>	<C>	<C>	<C>
Per Note.....	100.000%	.125%-.875%	99.875%-99.125%
Total(4).....	\$300,000,000	\$375,000-\$2,625,000	\$299,625,000-\$297,375,000

<FN>  
 (1) Unless otherwise specified in the applicable Pricing Supplement, the Price to Public will be 100% of the principal amount.  
 (2) The Company will pay to Salomon Brothers Inc, J.P. Morgan Securities Inc. or UBS Securities Inc. (each an "Agent") a commission of from .125% to .875% of the principal amount of each Note sold through such Agent, depending upon the Maturity Date of such Note, except that the commission payable with

respect to a Note with a Maturity Date more than 40 years after its date of issue will be negotiated at the time of issuance.

- (3) Before deducting expenses payable by the Company estimated at \$475,000, including reimbursement of certain expenses of the Agents.
- (4) Or the equivalent thereof, if any of the Notes are denominated other than in U.S. dollars.

</TABLE>

The Notes are being offered on a continuous basis by the Company through the Agents, each of which has agreed to use its reasonable efforts to solicit offers to purchase Notes. The Company may also sell Notes to an Agent for its own account or for resale to investors or other purchasers. In addition, each Agent may offer to other dealers the Notes it has purchased as principal. The Company reserves the right to sell Notes directly on its own behalf in those jurisdictions where it is authorized to do so. Unless otherwise specified in the applicable Pricing Supplement, the Notes will not be listed on any securities exchange. There can be no assurance that any Notes offered by this Prospectus Supplement will be sold or that there will be a secondary market for the Notes. The Company reserves the right to withdraw, cancel or modify the offer made hereby or by a Pricing Supplement without notice. The Company and/or any applicable Agent may reject any order to purchase Notes, whether or not solicited, in whole or in part. See "Plan of Distribution".

SALOMON BROTHERS INC

J.P. MORGAN SECURITIES INC.

UBS SECURITIES INC.

The date of this Prospectus Supplement is April 7, 1994.

IN CONNECTION WITH THE DISTRIBUTION OF THE NOTES, THE AGENTS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

#### GRACE

Grace is primarily engaged in the specialty chemical business on a worldwide basis and in specialized health care activities. In its chemical operations, Grace develops, manufactures and markets specialty chemicals and materials and related application systems. In health care, Grace is primarily engaged in supplying kidney dialysis and home infusion and respiratory therapy services and products.

#### DESCRIPTION OF NOTES AND GUARANTEES

The following description of the terms of the Notes and Guarantees supplements and, to the extent inconsistent therewith, replaces the description of the general terms and provisions of Debt Securities and Guarantees set forth under "Description of Debt Securities and Guarantees" in the accompanying Prospectus, to which reference is hereby made. The following description of the material terms of the Notes and Guarantees does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Indenture and to the specific terms of Notes that are set forth in the applicable Pricing Supplement.

A glossary of certain terms used herein is set forth in Appendix A to this Prospectus Supplement. Capitalized terms used in this Prospectus Supplement that are not defined in the glossary have the meanings given in the Indenture or in the accompanying Prospectus.

THE FOLLOWING DESCRIPTION WILL APPLY TO EACH NOTE AND GUARANTEE UNLESS OTHERWISE SPECIFIED IN THE APPLICABLE PRICING SUPPLEMENT.

#### GENERAL

The Notes offered by this Prospectus Supplement constitute a series of Debt Securities under the Indenture and will be limited to \$300,000,000 aggregate issue price (or, if any Notes are denominated in a Specified Currency other than U.S. dollars, the equivalent thereof, as determined by the Company or its agent ("Exchange Rate Agent") on the basis of the Market Exchange Rate for such Specified Currency on the applicable trade date), subject to reduction as a result of the sale of other Securities of the Company or of securities of the Guarantor covered by the Registration Statement of which this Prospectus Supplement is a part.

The Notes constitute one series of Debt Securities that may be issued by the Company pursuant to the Indenture. At the date of this Prospectus Supplement, an aggregate amount of \$300,000,000 of Debt Securities (none of which were Notes) was outstanding under the Indenture. The Company may issue additional Notes of the same series, medium-term notes of another series or other Debt Securities (in each case unlimited as to principal amount) under the Indenture. The Company may also issue additional medium-term notes or other debt securities under one or more additional indentures.

The Notes will be offered on a continuous basis and will have Maturity Dates more than nine months from their respective dates of issue, as agreed to by the purchaser and the Company. If so specified in the applicable Pricing Supplement, an issue of Notes will be subject to redemption at the option of the Company or repayment at the option of the holder prior to the Maturity Date. The Notes will be subject to defeasance and covenant defeasance as described in the accompanying Prospectus under "Description of Debt Securities and Guarantees -- Defeasance and Covenant Defeasance". The Notes will not be subject to any sinking fund.

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Each Note will bear interest from its date of issue at either (i) a fixed rate (a "Fixed Rate Note"), which may be zero (a "Zero-Coupon Note") or (ii) a floating rate or rates, determined by reference to a Base Rate (a "Floating Rate Note"), which may be adjustable by a Spread and/or a Spread Multiplier.

The Notes will have endorsed thereon Guarantees by which the Guarantor will unconditionally guarantee the due and punctual payment of the principal of (and premium, if any, on) and interest, if any, on the Notes, when and as the same become due and payable, whether at the Maturity Date, upon any redemption or repayment, upon declaration of acceleration or otherwise. See "Description of Debt Securities and Guarantees" in the accompanying Prospectus.

Each Note will be issued in fully registered form without coupons and will be represented either by (i) a global security (a "Global Note") registered in the name of a nominee of DTC or another depository (DTC or such other depository as is specified in the Pricing Supplement is herein referred to as the "Depository") or (ii) a Note issued in certificated form (a "Certificated Note"). Unless otherwise specified in the applicable Pricing Supplement, each Note will be represented by a Global Note and the Depository will be DTC. All Notes issued on the same day and having the same terms may be represented by one or more Global Notes. A beneficial interest in a Global Note will be shown on, and transfers thereof will be effected only through, records maintained by the Depository and its participants. A beneficial interest in a Global Note may be exchanged for Notes in certificated form only in the limited circumstances set forth in the accompanying Prospectus. Except as indicated below, payments of principal of (and premium, if any, on) and interest, if any, on Notes represented by a Global Note will be made by the Company or the Paying Agent to the Depository. See "Payment of Principal and Interest" below and "Description of Debt Securities and Guarantees -- Book-Entry Debt Securities" in the accompanying Prospectus.

The authorized denominations of Notes (other than Global Notes) denominated in U.S. dollars will be \$1,000 and integral multiples thereof. The authorized denominations of any Notes denominated other than in U.S. dollars will be as set forth in the applicable Pricing Supplement.

Reference is made to the Pricing Supplement relating to an issue of Notes for the following:

(1) The aggregate principal amount of such Notes (and, if such Notes are issued other than at par, the percentage of their principal amount at which such Notes will be issued) and the date on which such Notes will be issued.

(2) The Maturity Date of such Notes.

(3) Whether such Notes will be Fixed Rate Notes or Floating Rate Notes; whether any such Notes will be Amortizing Notes; and whether such Notes will be Indexed Notes and, if so, the special terms thereof.

(4) If such Notes will be Fixed Rate Notes, the rate at which such Notes will bear interest, if any; whether any such Notes will be Discount Notes or Zero-Coupon Notes; and whether and in what manner such rate may change prior

to the Maturity Date of such Notes.

(5) If such Notes will be Floating Rate Notes, the Base Rate, the Initial Interest Period and the Initial Interest Rate (or formula for determining the same), the Interest Reset Periods and Interest Reset Dates, the Index Maturity, any Spread or Spread Multiplier, whether any such Spread or Spread Multiplier may change before the Maturity Date of such Notes, the Interest Determination Dates, Calculation Dates and Interest Payment Dates, any Maximum Interest Rate and/or Minimum Interest Rate and any other terms relating to the particular method of calculating the interest rate on such Notes.

(6) Whether such Notes may be redeemed at the option of the Company, or repaid at the option of the holders, prior to their Maturity Date and, if so, the provisions relating to such redemption or repayment.

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(7) Whether the interest rate, Spread or Spread Multiplier on such Notes may be reset upon the occurrence of certain events or at the option of the Company and, if so, the provisions relating to such reset.

(8) The Specified Currency, if other than U.S. dollars, in which such Notes will be denominated or in which the principal of (and premium, if any, on) and interest, if any, on such Notes will be payable.

(9) Any material United States federal income tax consequences of the purchase, ownership and disposition of such Notes (other than or in addition to those set forth below under "United States Taxation").

(10) The use of proceeds from the sale of such Notes, if such use differs materially from that disclosed in the accompanying Prospectus.

(11) Any other terms of such Notes not inconsistent with the provisions of the Indenture.

#### PAYMENT OF PRINCIPAL AND INTEREST

Payments of interest on a Global Note (other than interest payable at Maturity) will be made by the Paying Agent to the Depository in immediately available funds in accordance with existing arrangements between the Paying Agent and the Depository. Payments of principal of (and premium, if any, on) and interest, if any, on a Global Note at Maturity will be made by the Paying Agent by wire transfer in immediately available funds to an account specified by the Depository. Beneficial Owners of a Global Note will be paid in accordance with the procedures of the Depository and the applicable Participant therein, as in effect from time to time. Beneficial Owners of a Global Note denominated in a Specified Currency other than U.S. dollars who elect to receive payments of principal of (or premium, if any, on) or interest, if any, on such Global Note in such Specified Currency (as provided under "Notes Denominated Other Than in U.S. Dollars" below) will be paid directly by the Paying Agent. See "Description of Debt Securities and Guarantees -- Book-Entry Debt Securities" in the accompanying Prospectus.

The Company will pay any administrative costs imposed by banks in connection with making payments on the Notes in immediately available funds, but any tax, assessment or governmental charge imposed upon payments will be borne by the holders of the Notes in respect of which such payments are made.

Any payment required to be made in respect of a Note on a date that is not a Business Day for such Note will be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest will accrue as a result of such delayed payment; provided that, in the case of an Interest Payment Date with respect to a LIBOR Note, if such Business Day would fall in the succeeding calendar month, such payment will be made on the Business Day immediately preceding such Interest Payment Date. If any Note is issued between a Regular Record Date and the related Interest Payment Date, interest for the period beginning on the date of issue of such Note and ending on such Interest Payment Date will be paid on the Interest Payment Date following the next succeeding Regular Record Date to the registered holder on such succeeding Regular Record Date.

The amount of any Discount Note payable in the event of redemption by the Company, repayment at the option of the holder or declaration of acceleration,

in lieu of the stated principal amount due on the Maturity Date, will be the Amortized Face Amount of such Discount Note at the date of such redemption, repayment or acceleration.

In the event that Certificated Notes are initially issued, information concerning payment and other arrangements with respect to such Certificated Notes will be set forth in the applicable Pricing Supplement.

#### NOTES DENOMINATED OTHER THAN IN U.S. DOLLARS

CURRENCY OF PAYMENT. The principal of (and premium, if any, on) and interest, if any, on each Note denominated in a Specified Currency other than U.S. dollars will be paid by the Paying Agent in U.S.

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dollars in the manner described above under "Payment of Principal and Interest" in an amount calculated by the Exchange Rate Agent; provided that, if the applicable Pricing Supplement so indicates, the holder of such a Note may elect to receive all payments in respect thereof in such Specified Currency by delivering a written election to that effect to the Paying Agent in The City of New York on or prior to the applicable Regular Record Date or at least 15 calendar days prior to Maturity, as the case may be. Such election will remain in effect unless and until changed by written notice to the Paying Agent, but (i) the Paying Agent must receive written notice of any such change on or prior to the applicable Regular Record Date or at least 15 calendar days prior to Maturity, as the case may be, and (ii) no such change of election may be made with respect to payments on any Note with respect to which (a) an Event of Default has occurred, (b) the Company has exercised any of its defeasance or covenant defeasance options, (c) the Indenture has been satisfied and discharged pursuant to Article Four thereof, (d) the Company has given a notice of redemption or (e) such holder has exercised its repayment option. All currency exchange costs will be borne by the Company unless any holder of a Note has made the election referred to above in this paragraph, in which case each electing holder of a Note will bear the currency exchange costs related to such Note, if any, by deductions from payments otherwise due such holder.

DETERMINATION OF DOLLAR EQUIVALENT. The amount of U.S. dollar payments in respect of a Note denominated in a Specified Currency other than U.S. dollars ("Exchange Rate") will be determined by the Exchange Rate Agent, based on the indicative quotation in The City of New York selected by such Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date, that yields the largest number of U.S. dollars upon conversion of such Specified Currency. Such selection will be made from the quotations received by the Exchange Rate Agent from no more than three nor less than two recognized foreign exchange dealers (one of which may be the Exchange Rate Agent) in The City of New York, selected by the Exchange Rate Agent and approved by the Company, for the purchase by the quoting dealer of the Specified Currency in exchange for U.S. dollars for settlement on such payment date. If no such bid quotations are available, payments will be made in the Specified Currency unless such Specified Currency is unavailable, in which case the Company will be entitled to make payments in U.S. dollars, all as provided below.

UNAVAILABILITY OF SPECIFIED CURRENCY. If payments on a Note denominated in a Specified Currency other than U.S. dollars are required to be made in such Specified Currency (either because (i) the holder thereof has elected to receive payment in such Specified Currency, as specified above, or (ii) payments in U.S. dollars may not be made due to the unavailability of the Exchange Rate as of any particular payment date) and such Specified Currency is unavailable as of the due date thereof (due to the imposition of exchange controls or other circumstances beyond the Company's control, or because such Specified Currency is no longer used by the government of the country issuing such Specified Currency or for the settlement of transactions by public institutions of or within the international banking community), the Company will be entitled to make all payments due on such due date with respect to such Note in U.S. dollars until such Specified Currency is again available or so used, on the basis of the noon buying rate in The City of New York for cable transfers in the Specified Currency, as certified for customs purposes by the Federal Reserve Bank of New York ("Market Exchange Rate") for such Specified Currency on the second Business Day prior to such date. In the event such Market Exchange Rate is not then available, the Company will be entitled to make payments in U.S. dollars (i) if such Specified Currency is not a composite currency, in an amount determined by the Exchange Agent on the basis of the most recently available Market Exchange

Rate for such Specified Currency or (ii) if such Specified Currency is a composite currency (including, without limitation, the ECU), in an amount determined by the Exchange Rate Agent to be the sum of the amounts obtained by multiplying the appropriate number of units of each component currency comprising such composite currency, as of the most recent date on which such composite currency was used, by the Market Exchange Rate for such component currency on the second Business Day prior to such payment date (or if such Market Exchange Rate is not then available, by the most recently available Market Exchange Rate for such component currency).

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ALTERATION OF UNIT OF COMPONENT CURRENCY. If the official unit of any component currency of a composite currency is altered by way of combination or subdivision, the number of units of that currency as a component will be divided or multiplied in the same proportion. If two or more component currencies are consolidated into a single currency, the amounts of those currencies as components will be replaced by an amount in such single currency equal to the sum of the amounts of the consolidated component currencies expressed in such single currency. If any component currency is divided into two or more currencies, the amount of that currency as a component will be replaced by amounts of such two or more currencies having an aggregate value on the date of division equal to the amount of the former component currency immediately before such division.

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

#### FIXED RATE NOTES

Each Fixed Rate Note will bear interest from and including its date of issue to but excluding the date of Maturity at the interest rate set forth or described in the applicable Pricing Supplement, except that such rate of interest may be subject to adjustment from time to time if and to the extent provided for in such Pricing Supplement. The Interest Payment Dates for each Fixed Rate Note (other than a Zero-Coupon Note) will be each May 15 and November 15 and the date of Maturity. Each payment of interest on a Fixed Rate Note will include interest accrued from and including the date of issue or the last Interest Payment Date to which interest has been paid or duly provided for, as the case may be, to but excluding the next Interest Payment Date or the date of Maturity, as the case may be. Interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

#### FLOATING RATE NOTES

Each Floating Rate Note will bear interest for the period ("Initial Interest Period") from and including its date of issue to but excluding the first Interest Reset Date for such Note at the interest rate set forth or described in the applicable Pricing Supplement ("Initial Interest Rate"). Subsequently, each Floating Rate Note will bear interest for each Interest Reset Period at the interest rate determined by (i) adding to or subtracting from the interest rate basis ("Base Rate") applicable to such Note, the Spread, if any, and/ or (ii) multiplying the Base Rate by the Spread Multiplier, if any, in either case as set forth in the applicable Pricing Supplement. The interest rate for an Interest Reset Period will be the interest rate determined on the immediately preceding Interest Determination Date. The "Interest Reset Period" pertaining to any Interest Reset Date is the period from and including such Interest Reset Date to but excluding the immediately succeeding Interest Reset Date, or the Date of Maturity, as the case may be. The "Interest Reset Date" means the date or dates on which the interest rate on a Floating Rate Note will be reset. The "Spread" is the number of basis points, and the "Spread Multiplier" is the percentage, that in either case may be specified in the applicable Pricing Supplement. The Spread or Spread Multiplier on a Floating Rate Note may be subject to adjustment from time to time, if and to the extent specified in the applicable Pricing Supplement.

One of the following Base Rates will be applicable to a Floating Rate Note: (i) the CD Rate ("CD Rate Notes"), (ii) the Commercial Paper Rate ("Commercial Paper Rate Notes"), (iii) the Federal Funds Rate ("Federal Funds Rate Notes"), (iv) LIBOR ("LIBOR Notes"), (v) the Prime Rate ("Prime Rate Notes"), (vi) the

Treasury Rate ("Treasury Rate Notes") or (vii) another Base Rate, as set forth in the applicable Pricing Supplement.

The interest rate on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually, as specified in the applicable Pricing Supplement. The following table sets forth the

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Interest Reset Dates and Interest Payment Dates with respect to Floating Rate Notes (except that in all instances the interest rate for the ten days immediately prior to Maturity will be the rate in effect on the tenth day prior to Maturity):

<TABLE>  
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FREQUENCY OF INTEREST RATE

RESET	INTEREST RESET DATES	INTEREST PAYMENT DATES
<S> Daily	<C> Each Business Day	<C> Third Wednesday of each month or of each February, May, August and November (as specified in the Pricing Supplement)
Weekly (other than Treasury Rate Notes)	Each Wednesday	Third Wednesday of each month or of each February, May, August and November (as specified in the Pricing Supplement)
Weekly (Treasury Rate Notes)	Each Tuesday (except as provided under "Treasury Rate Notes" below)	Third Wednesday of each month or of each February, May, August and November (as specified in the Pricing Supplement)
Monthly	Third Wednesday of each month	Third Wednesday of each month or of each February, May, August and November (as specified in the Pricing Supplement)
Quarterly	Third Wednesday of each February, May, August and November	Third Wednesday of each February, May, August and November
Semiannually	Third Wednesday of each of two months specified in the Pricing Supplement	Third Wednesday of each of two months specified in the Pricing Supplement
Annually	Third Wednesday of month specified in the Pricing Supplement	Third Wednesday of month specified in the Pricing Supplement

</TABLE>

Notwithstanding the preceding table, if an Interest Reset Date would otherwise be a day that is not a Business Day, such Interest Reset Date will be postponed to the next Business Day, except that, in the case of a LIBOR Note, if such Business Day would fall in the next calendar month, such Interest Reset Date will be the immediately preceding Business Day.

Each payment of interest on a Floating Rate Note will include interest accrued from and including the date of issue or the last Interest Payment Date to which interest has been paid or duly provided for, as the case may be, to but excluding the next Interest Payment Date or the date of Maturity, as the case may be; provided that, in the case of a Floating Rate Note that resets daily or weekly, each payment of interest will include the interest accrued from and including the date of issue or from and excluding the last Regular Record Date to which interest has been paid or duly provided for, as the case may be, to and including the Regular Record Date immediately preceding the applicable Interest Payment Date or to but excluding the date of Maturity, as the case may be.

Accrued interest on a Floating Rate Note will be calculated by multiplying the principal amount of such Note (or, in the case of a Floating Rate Note that is an Indexed Principal Note, the amount designated by the terms thereof) by an accrued interest factor. Such accrued interest factor will be computed by adding the interest factors calculated for each day in the period for which accrued interest is being calculated. The interest factor (expressed as a decimal calculated to seven decimal places, without rounding) for each day in such period will be computed by dividing the applicable interest rate

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by 360 (in the case of CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, LIBOR Notes and Prime Rate Notes) or by the actual number of days in the relevant year (in the case of Treasury Rate Notes).



A Floating Rate Note may provide for either or both of the following (in each case expressed as a rate per annum on a simple interest basis): (i) a maximum limitation on the rate at which interest may accrue during any interest period ("Maximum Interest Rate") and (ii) a minimum limitation on the rate at which interest may accrue during any interest period ("Minimum Interest Rate"). In addition to any Maximum Interest Rate that may be applicable, the interest rate will in no event be higher than the maximum rate permitted by applicable New York and United States federal law. Under applicable New York and United States federal law as of the date of this Prospectus Supplement, the maximum permitted rate of interest on Notes, with certain exceptions, is 25% per annum.

All percentages resulting from any calculation of the interest rate on a Floating Rate Note will be rounded, if necessary, to the nearest 1/100,000 of 1% (.0000001), with five one-millionths of a percentage point rounded upward, and all currency amounts used in or resulting from such calculation on Floating Rate Notes will be rounded to the nearest one-hundredth of a unit (with .005 of a unit being rounded upward).

The "Interest Determination Date" pertaining to an Interest Reset Period (i) for CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes or Prime Rate Notes will be the second Business Day preceding the relevant Interest Reset Date, (ii) for LIBOR Notes will be the second London Banking Day preceding the relevant Interest Reset Date and (iii) for Treasury Rate Notes will be the day of the week in which the relevant Interest Reset Date falls on which treasury bills of the applicable Index Maturity are auctioned. If, as the result of a legal holiday, a treasury bill auction is held on the Friday preceding the Interest Reset Date, such Friday will be the Interest Determination Date.

The "Calculation Date", where applicable, pertaining to an Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day preceding the applicable Interest Payment Date or date of Maturity, as the case may be.

The Company will appoint an agent ("Calculation Agent") to calculate interest rates on Floating Rate Notes. Unless otherwise specified in the applicable Pricing Supplement, NationsBank of Georgia, National Association will be the Calculation Agent for each Floating Rate Note. All determinations of interest by the Calculation Agent will, in the absence of manifest error, be conclusive for all purposes and binding on the Company and the holders of Floating Rate Notes. Upon the request of any registered holder or Beneficial Owner of a Floating Rate Note, the Calculation Agent for such Note will provide the interest rate then in effect and, if determined, the interest rate that will become effective on the next Interest Reset Date with respect to such Note.

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

The "CD Rate" means, with respect to any Interest Determination Date, the rate on such date for negotiable certificates of deposit having the applicable Index Maturity, as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates", or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "CDs (Secondary Market)". If such rate is not published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the CD Rate will be the rate on such Interest Determination Date for negotiable certificates of deposit of the applicable Index Maturity, as published by the Federal Reserve Bank of New York in its daily statistical release, "Composite 3:30 p.m. Quotations for U.S. Government Securities", or any successor publication of the Federal Reserve Bank of New York ("Composite Quotations") under the heading "Certificates of Deposit". If such rate is not published in Composite Quotations by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the CD Rate for such Interest Determination

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Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on such Interest Determination Date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York, selected by the Calculation Agent after consultation with the Company, for negotiable

certificates of deposit of major United States money center banks of the highest credit standing (in the market for negotiable certificates of deposit) with a remaining maturity closest to the applicable Index Maturity in a denomination of \$5,000,000; provided that, if the dealers selected as aforesaid by the Calculation Agent are not quoting such rates, the interest rate for the period commencing on the Interest Reset Date following such Interest Determination Date will be the interest rate borne by such CD Rate Notes on such Interest Determination Date.

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

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

The "Commercial Paper Rate" means, with respect to any Interest Determination Date, the Money Market Yield on such date of the rate for commercial paper having the applicable Index Maturity, as published in H.15(519) under the heading "Commercial Paper". If such rate is not published prior to 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Commercial Paper Rate will be the Money Market Yield on such Interest Determination Date of the rate for commercial paper of the applicable Index Maturity, as published by the Federal Reserve Bank of New York in Composite Quotations under the heading "Commercial Paper". If such rate is not published in Composite Quotations by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Commercial Paper Rate for such Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates as of 11:00 a.m., New York City time, on such Interest Determination Date of three leading dealers of commercial paper in The City of New York, selected by the Calculation Agent after consultation with the Company, for commercial paper of the applicable Index Maturity, placed for industrial issuers whose bond rating (as determined by a nationally recognized rating agency) is "AA" or the equivalent; provided that, if the dealers selected as aforesaid by the Calculation Agent are not quoting such rates, the interest rate for the period commencing on the Interest Reset Date following such Interest Determination Date will be the interest rate borne by such Commercial Paper Rate Notes on such Interest Determination Date.

"Money Market Yield" will be a yield calculated in accordance with the following formula:

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

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

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

The "Federal Funds Rate" means, with respect to any Interest Determination Date, the rate on such date for federal funds, as published in H.15(519) under the heading "Federal Funds (Effective)". If such rate is not published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Federal Funds Rate will be the rate on such Interest Determination Date, as published by the Federal Reserve Bank of New York in Composite Quotations under the heading "Federal Funds/Effective Rate". If such rate is not published in Composite Quotations by 3:00 p.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, then the Federal

Funds Rate for such Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight federal funds arranged by three leading brokers of federal funds transactions in The City of New York, selected by the Calculation

Agent after consultation with the Company, as of 9:00 a.m., New York City time, on such Interest Determination Date; provided that, if the brokers selected as aforesaid by the Calculation Agent are not arranging such transactions, the interest rate for the period commencing on the Interest Reset Date following such Interest Determination Date will be the interest rate borne by such Federal Funds Notes on such Interest Determination Date.

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

"LIBOR" means, with respect to any Interest Determination Date, the rate determined by the Calculation Agent in accordance with either clause (1) or clause (2) below, as specified in the applicable Pricing Supplement:

(1) The rate for deposits in U.S. dollars of the Index Maturity specified in the applicable Pricing Supplement, commencing on the second London Banking Day immediately following such Interest Determination Date, that appears on the Telerate Page 3750 as of 11:00 a.m., London time, on such Interest Determination Date ("LIBOR Telerate"). "Telerate Page 3750" means the display designated as page "3750" on the Telerate Service (or such other page as may replace the page 3750 on that service or such other service or services as may be designated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

(2) The arithmetic mean of the offered rates for deposits in U.S. dollars having the Index Maturity specified in the applicable Pricing Supplement, commencing on the second London Banking Day immediately following such Interest Determination Date, that appear on the Reuters Screen LIBO Page as of 11:00 a.m., London time, on such Interest Determination Date, if at least two such offered rates appear on the Reuters Screen LIBO Page ("LIBOR Reuters"). "Reuters Screen LIBO Page" means the display designated as Page "LIBO" on the Reuters Monitor Money Rate Service (or such other page as may replace the LIBO page on that service for the purpose of displaying London interbank offered rates of major banks).

If neither LIBOR Telerate nor LIBOR Reuters is specified in the applicable Pricing Supplement, LIBOR will be determined as if LIBOR Telerate had been specified.

If (i) in the case where paragraph (1) above applies, no rate appears on the Telerate Page 3750 or (ii) in the case where paragraph (2) above applies, fewer than two offered rates appear on the Reuters Screen LIBO Page, LIBOR in respect of such Interest Determination Date will be determined by the Calculation Agent on the basis of the rates at which deposits in U.S. dollars of the Index Maturity specified in the applicable Pricing Supplement are offered to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such Interest Determination Date by four major banks ("Reference Banks") in the London interbank market, selected by the Calculation Agent, commencing on the second London Banking Day immediately following such Interest Determination Date in a principal amount of not less than \$1,000,000 that is representative for a single transaction in such market at such time. The Calculation Agent will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR for such Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR for such Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on such Interest Determination Date by three major commercial or investment banks (which may include the Agents or any of their respective affiliates) in The City of New York, selected by the Calculation Agent, for U.S. dollar loans of the applicable Index Maturity to leading European banks, commencing on the second London Banking Day immediately following such Interest Determination Date, in a principal amount of not less than \$1,000,000 that is representative for a single transaction in such market at such time; provided that, if the

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banks selected as aforesaid by the Calculation Agent are not quoting such rates, the interest rate for the period commencing on the Interest Reset Date following such Interest Determination Date will be the interest rate borne by such LIBOR Notes on such Interest Determination Date.

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

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

The "Prime Rate" means, with respect to any Interest Determination Date, the rate on such date, as published in H.15(519) under the heading "Bank Prime Loan". If such rate is not published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank named on the "Reuters Screen NYMF Page" as such bank's prime rate or base lending rate as in effect for such Interest Determination Date. "Reuters Screen NYMF Page" means the display designated as page "NYMF" on the Reuters Monitor Money Rates Service (or such other page as may replace the NYMF page on that service for the purpose of displaying prime rates or base lending rates of major United States banks). If fewer than four but more than one such rate appears on the Reuters Screen NYMF Page for such Interest Determination Date, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of the prime rates, quoted on the basis of the actual number of days in the year divided by 360, as of the close of business on such Interest Determination Date by four major money center banks in The City of New York, selected by the Calculation Agent after consultation with the Company. If fewer than two such rates appear on the Reuters Screen NYMF Page, the Prime Rate will be calculated by the Calculation Agent and will be the arithmetic mean of the prime rates in effect for such Interest Determination Date as furnished in The City of New York by at least three substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof, in each case having total equity capital of at least \$500,000,000 and subject to supervision or examination by federal or state authority, selected by the Calculation Agent after consultation with the Company; provided that, if the banks or trust companies selected as aforesaid by the Calculation Agent are not quoting such rates, the interest rate for the period commencing on the Interest Reset Date following such Interest Determination Date will be the interest rate borne by such Prime Rate Notes on such Interest Determination Date.

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

The "Treasury Rate" means, with respect to any Interest Determination Date, the rate for the auction held on such Interest Determination Date of treasury bills of the Index Maturity specified in the applicable Pricing Supplement, as published in H.15(519) under the heading "U.S. Government Securities -- Treasury bills-auction average (investment)". If such rate is not published by 9:00 a.m., New York City time, on the Calculation Date pertaining to such Interest Determination Date, the Prime Rate will be the auction average rate for such Interest Determination Date (expressed as a bond equivalent, rounded to the nearest one-hundredth of a percent, with five one-thousandths of a percent rounded upward, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of treasury bills having the applicable Index Maturity are not published or reported as provided above by 3:00 p.m., New York City time, on such Calculation Date, or if no such auction is held on such Interest Determination Date, then the Treasury Rate will be calculated by the Calculation Agent and will be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on such Interest Determination Date, of three leading primary United States government securities dealers, selected by the Calculation Agent after consultation with the

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Company, for the issue of treasury bills with a remaining maturity closest to the applicable Index Maturity; provided that, if the dealers selected as aforesaid by the Calculation Agent are not quoting such rates, the interest rate for the period commencing on the Interest Reset Date following such Interest Determination Date will be the interest rate borne by such Treasury Rate Notes on such Interest Determination Date.

## AMORTIZING NOTES

The Company may from time to time offer "Amortizing Notes", which are Notes as to which all or a portion of the principal amount is payable prior to the Maturity Date in accordance with a schedule, by application of a formula, or by reference to an Index. The terms and conditions of any Amortizing Notes, including the terms for payment thereof, will be set forth in the applicable Pricing Supplement.

## INDEXED NOTES

The Company may from time to time offer "Indexed Notes", which are Notes as to which all or certain interest payments ("Indexed Rate Notes") and/or the principal amount payable at Maturity ("Indexed Principal Notes") are determined by reference to prices, changes in prices, or differences between prices, of securities, currencies, intangibles, goods, articles or commodities or by such other objective price, economic or other measures as are specified in the applicable Pricing Supplement (each an "Index"). A description of the Index used in any determination of interest and/or principal payments, and the method or formula by which interest or principal payments or both will be determined by reference to such Index, will be set forth in the applicable Pricing Supplement.

If the determination of an Index is calculated or announced by a third party (which may be NationsBank of Georgia, National Association) and such third party either suspends the calculation or announcement of such Index or changes the basis upon which such Index is calculated (other than changes consistent with policies in effect at the time the related Indexed Note was issued and with permitted changes described in the applicable Pricing Supplement), then such Index will be calculated for purposes of such Indexed Note by another third party (which may be NationsBank of Georgia, National Association) selected by the Company, subject to the same conditions and controls as applied to the original third party. If for any reason such Index cannot be calculated on the same basis and subject to the same conditions and controls as applied to the original third party, then any indexed interest payments or indexed principal amount payable with respect to such Indexed Note will be calculated in the manner set forth in the applicable Pricing Supplement. All determinations of such third party will, in the absence of manifest error, be conclusive for all purposes and binding on the Company and the holders of Indexed Notes.

## SUBSEQUENT INTEREST PERIODS -- INTEREST RATE RESET

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

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

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interest rate or such new Spread or Spread Multiplier, as the case may be, will take effect automatically and, except as modified by the Reset Notice and as described in the next paragraph, such Note will have the same terms as prior to the transmittal of such Reset Notice.

Notwithstanding the foregoing, the Company may, at its option, revoke the

interest rate in the case of a Fixed Rate Note, or the Spread or Spread Multiplier in the case of a Floating Rate Note, as provided for in the Reset Notice, and establish an interest rate, Spread or Spread Multiplier that is higher than the interest rate, Spread or Spread Multiplier provided for in the relevant Reset Notice for the Subsequent Interest Period commencing on such Optional Reset Date, by causing the Trustee to mail, not later than 20 days prior to an Optional Reset Date for a Note, notice of such higher interest rate, Spread or Spread Multiplier to the holder of such Note. Such notice will be irrevocable. The Company must notify the Trustee of its intentions to revoke such Reset Notice at least 25 days prior to such Optional Reset Date. Each Note with respect to which the interest rate, Spread or Spread Multiplier is reset on an Optional Reset Date and with respect to which the holder of such Note has not tendered such Note for repayment (or has validly revoked any such tender) pursuant to the next succeeding paragraph will bear such higher interest rate, Spread or Spread Multiplier for the Subsequent Interest Period.

If the Company elects to reset the interest rate, Spread or Spread Multiplier of a Note as described above, the holder of such Note will have the option to elect repayment of such Note by the Company on any Optional Reset Date at a price equal to the aggregate principal amount thereof outstanding on, plus any interest accrued to, such Optional Reset Date. In order for a Note to be so repaid on an Optional Reset Date, the holder thereof must follow the procedures set forth below under "Redemption and Repayment" for optional repayment, except that (i) the period for delivery of such Note or notification to the Trustee will be at least 25 but not more than 35 days prior to such Optional Reset Date and (ii) a holder who has tendered a Note for repayment pursuant to a Reset Notice may, by written notice to the Trustee, revoke any such tender until the close of business on the tenth day prior to such Optional Reset Date.

#### REDEMPTION AND REPAYMENT

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

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

In order for a Note to be repaid at the option of the holder thereof, the Company must receive, at least 30 days but not more than 45 days prior to the repayment date, the Note with the form entitled "Option to Elect Repayment" thereon duly completed. Exercise of the repayment option by the holder of a Note will be irrevocable, except as otherwise described above under "Subsequent Interest Periods -- Interest Rate Reset". The repayment option may be exercised by the holder of a Note for less than the aggregate principal amount of the Note then outstanding, provided that the principal amount of the Note remaining outstanding after repayment is an authorized denomination.

With respect to a Global Note, the Depository's nominee will be the holder of such Global Note and therefore will be the only entity that can exercise a right to repayment. See "Description of Debt Securities and Guarantees -- Book-Entry Debt Securities" in the accompanying Prospectus. In order to ensure that the Depository's nominee will timely exercise a right to repayment with respect to a particular

beneficial interest in a Global Note, the Beneficial Owner of such interest must instruct the broker or other Participant through which it holds a beneficial interest in such Global Note to notify the Depository of its desire to exercise a right to repayment. Each Beneficial Owner should consult the broker or other Participant through which it holds a beneficial interest in a Global Note in order to ascertain the deadline by which such an instruction must be given in

order for notice to be timely delivered by such broker or other Participant to the Depository.

#### REPURCHASE

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

#### IMPORTANT CURRENCY EXCHANGE INFORMATION

Each purchaser of a Note is required to pay for such Note in the Specified Currency thereof. Currently, there are limited facilities in the United States for conversion of U.S. dollars into other Currencies and vice versa, and banks do not generally offer non-U.S. dollar checking or savings account facilities in the United States. However, if requested by a prospective purchaser of Notes denominated in a Specified Currency other than U.S. dollars, the Agent soliciting the offer to purchase may arrange for the conversion of U.S. dollars into such Specified Currency to enable the purchaser to pay for such Notes. Such request must be made on or before the fifth Business Day preceding the date of delivery of the Notes, or by such other date as is determined by the Agent presenting such offer to the Company. Each such conversion will be made by the relevant Agent on such terms and subject to such conditions, limitations and charges as such Agent may from time to time establish in accordance with its regular foreign exchange practice. All costs of any such exchange will be borne by the purchasers of the Notes requesting such conversion.

#### CURRENCY RISKS

##### EXCHANGE RATES AND EXCHANGE CONTROLS

An investment in Notes denominated in a Specified Currency other than U.S. dollars entails significant risks that are not associated with a similar investment in a security denominated in U.S. dollars. Such risks include, without limitation, the possibility of significant changes in rates of exchange between U.S. dollars and such Specified Currency and the possibility of the imposition or modification of foreign exchange controls with respect to such Specified Currency. Such risks generally depend on factors over which the Company has no control, such as economic and political events and the supply of and demand for the relevant currencies. In recent years, rates of exchange between the U.S. dollar and certain currencies have been volatile, and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of any Note. Depreciation of a Specified Currency against the U.S. dollar would result in a decrease in the effective yield of a Note denominated in such Specified Currency below its stated interest rate and, in certain circumstances, could result in a loss to the investor on a U.S. dollar basis.

Governments have imposed from time to time, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of a Specified Currency in respect of Notes denominated in such Currency. There can be no assurance that exchange controls will not restrict or prohibit payments of principal of (or premium, if any, on) or interest, if any, on any Note denominated in such Currency. Even if there are no actual exchange controls, it is possible that such Currency would not be available to the Company when payments on such Note are due because of circumstances beyond the Company's control. In any such event, the Company will make required payments in U.S. dollars on the basis described herein. See "Description of Notes and Guarantees -- Payment Currency".

Any Pricing Supplement relating to Notes denominated in a Specified Currency other than U.S. dollars will contain information concerning historical exchange rates for such Currency against the U.S.

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dollar, a description of such Currency and any exchange controls affecting such Currency. The information therein concerning exchange rates will be furnished as a matter of information only and should not be regarded as indicative of the range of or trends in fluctuations in currency exchange rates that may occur in the future.

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

THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS DO NOT DESCRIBE ALL THE RISKS OF AN INVESTMENT IN NOTES DENOMINATED IN A CURRENCY OTHER THAN U.S. DOLLARS, AND THE COMPANY DISCLAIMS ANY RESPONSIBILITY TO ADVISE PROSPECTIVE INVESTORS OF SUCH RISKS AS THEY EXIST AT THE DATE OF THIS PROSPECTUS SUPPLEMENT OR AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS OF AN INVESTMENT IN SUCH NOTES. SUCH NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR INVESTORS WHO ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY TRANSACTIONS.

#### RISKS OF INDEXED NOTES

An investment in an Indexed Note may entail significant risks that are not associated with a similar investment in a debt instrument that has a fixed principal amount, is denominated in U.S. dollars and bears interest at either a fixed rate or a floating rate determined by reference to nationally published interest rate references. The risks of a particular Indexed Note will depend on the terms of such Indexed Note, but may include, without limitation, the possibility of significant changes in the prices of securities, currencies, intangibles, goods, articles or commodities or of other objective price, economic or other measures making up the relevant Index ("Underlying Assets"). Such risks generally depend on factors over which the Company has no control, such as economic and political events and the supply of and demand for the Underlying Assets. In recent years, currency exchange rates and prices for various Underlying Assets have been highly volatile, and such volatility can be expected to continue in the future. Fluctuations in any such rates or prices that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any Indexed Note.

In considering whether to purchase Indexed Notes, investors should be aware that the calculation of amounts payable in respect of Indexed Notes may involve reference to prices that are published solely by third parties or entities that are not subject to regulation under the laws of the United States.

THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS DO NOT DESCRIBE ALL THE RISKS OF AN INVESTMENT IN INDEXED NOTES, AND THE COMPANY DISCLAIMS ANY RESPONSIBILITY TO ADVISE PROSPECTIVE INVESTORS OF SUCH RISKS AS THEY EXIST AT THE DATE OF THIS PROSPECTUS SUPPLEMENT OR AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. THE RISK OF LOSS AS A RESULT OF THE LINKAGE OF PRINCIPAL OR INTEREST PAYMENTS ON INDEXED NOTES TO AN INDEX AND TO THE UNDERLYING ASSETS CAN BE SUBSTANTIAL. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS OF AN INVESTMENT IN INDEXED NOTES. INDEXED NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR INVESTORS WHO ARE UNSOPHISTICATED WITH RESPECT TO TRANSACTIONS IN THE UNDERLYING ASSETS RELEVANT TO SUCH INDEXED NOTES.

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#### UNITED STATES TAXATION

The following summary of the material United States federal income tax consequences of the purchase, ownership and disposition of a Note is based on the advice of Shearman & Sterling, special tax counsel to the Company. Such advice is based on the United States Internal Revenue Code of 1986, as amended ("Code"), regulations (including proposed regulations and temporary regulations) promulgated thereunder, rulings, official pronouncements and judicial decisions, all as in effect on the date of this Prospectus Supplement and all of which are subject to change, possibly with retroactive effect, or to different interpretations. This summary provides general information only and does not purport to address all of the United States federal income tax consequences that may be applicable to a holder of a Note. It also does not address all of the tax consequences that may be relevant to certain types of holders subject to special treatment under the United States federal income tax law, such as individual retirement and other tax-deferred accounts, dealers in securities or currencies, life insurance companies, tax-exempt organizations, persons holding Notes as a



hedge or hedged against currency risk, as a position in a straddle for tax purposes, as part of a "synthetic security" or other integrated investment comprised of a Note and one or more other investments, or United States persons (as defined below) whose functional currency is other than the U.S. dollar. It also does not discuss the tax consequences to subsequent purchasers of Notes and is limited to investors who hold Notes as a capital asset. The United States federal income tax consequences of purchasing, holding or disposing of a particular Note will depend, in part, on the particular terms of such Note as set forth in the applicable Pricing Supplement. The material United States federal income tax consequences of purchasing, holding or disposing of Amortizing Notes, Floating Rate Notes or Indexed Notes will be set forth in the applicable Pricing Supplement. A person considering the purchase of Notes or making any election under the Code or the regulations with respect to such Notes should consult its own tax advisor concerning the application of the United States federal income tax law to its particular situation, as well as any tax consequences arising under the law of any state, local or non-U.S. tax jurisdiction.

"Single Non-U.S. Currency Note" shall mean a Note as to which all payments a holder is entitled to receive are denominated in or determined by reference to the value of a single Non-U.S. Currency. "Non-U.S. Currency" shall mean a Currency, other than a hyperinflationary Currency or the U.S. dollar.

#### UNITED STATES PERSONS

For purposes of the following discussion, "United States person" means an individual who is a citizen or resident of the United States, an estate or trust subject to United States federal income taxation without regard to the source of its income, or a corporation, partnership or other entity created or organized in or under the law of the United States or any state or the District of Columbia. The following discussion pertains only to a holder of a Note who is a Beneficial Owner of such Note and who is a United States person.

PAYMENTS OF INTEREST ON NOTES OTHER THAN DISCOUNT NOTES. Except as discussed below under "Discount Notes" and "Short-Term Notes", a payment of interest on a Note will be taxable to a holder as ordinary interest income at the time it is accrued or received in accordance with the holder's method of tax accounting. If the payment is denominated in or determined with reference to a single Non-U.S. Currency, the amount required to be included in income by a cash basis holder will be the U.S. dollar value of the amount paid (determined on the basis of the "spot rate" on the date such payment is received), regardless of whether the payment is in fact converted into U.S. dollars. No exchange gain or loss will be recognized with respect to the receipt of such payment.

Except in the case of a Spot Rate Convention Election (as defined below), a holder of a Single Non-U.S. Currency Note who is required to accrue interest income prior to receipt will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest has accrued. The average rate of exchange for an interest accrual period (or partial period) is the simple average of the spot exchange rates for each business day of such period (or an average that is reasonably derived and consistently applied by the holder). Upon receipt of an interest

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payment, such holder will recognize ordinary gain or loss in an amount equal to the difference between (i) the U.S. dollar value of the Non-U.S. Currency received (determined on the basis of the "spot rate" on the date such payment is received) or, in the case of interest received in U.S. dollars rather than in Non-U.S. Currency, the amount so received and (ii) the U.S. dollar value of the interest income that such holder has previously included in income with respect to such payment. Any such gain or loss generally will not be treated as interest income or expense, except to the extent provided by administrative pronouncements of the U.S. Internal Revenue Service ("Service").

A holder may elect to translate accrued interest into U.S. dollars at the "spot rate" on the last day of an accrual period for the interest, or, in the case of an accrual period that spans two taxable years, at the spot rate on the last day of the taxable year (a "Spot Rate Convention Election"). Additionally, if a payment of interest is received within five business days of the last day of the accrual period, an electing holder may instead translate such accrued interest into U.S. dollars at the spot rate on the day of receipt.

For purposes of this discussion, the "spot rate" generally means a rate that reflects a fair market rate of exchange available to the public for currency under a "spot contract" in a free market involving representative amounts. A spot contract is a contract to buy or sell a currency on or before the second Business Day following the date of execution of the contract. If such a spot rate cannot be demonstrated, the Service has the authority to determine the spot rate.

**PURCHASE, SALE, EXCHANGE OR RETIREMENT OF NOTES.** A holder's tax basis in a Note generally will be the U.S. dollar cost of the Note to such holder (which, in the case of a Note purchased with Non-U.S. Currency, will be determined by translating the purchase price at the spot rate on the date of purchase), increased by any original issue discount, market discount or acquisition discount (all as defined below) previously included in the holder's gross income (as described below), and reduced by any amortized premium (as described below) and any principal payments and payments of stated interest that are not payments of fixed periodic interest (as defined below).

Upon the sale, exchange or retirement of a Note, a holder generally will recognize gain or loss equal to the difference between (i) the amount realized on such sale, exchange or retirement (or the U.S. dollar value, at the spot rate on the date of such sale, exchange or retirement, of the amount realized in Non-U.S. Currency), except to the extent such amount is attributable to accrued interest and (ii) the holder's tax basis in the Note. Except with respect to (i) gains or losses attributable to changes in exchange rates (as described in the next paragraph), (ii) gain attributable to market discount (as described below) and (iii) gain on the disposition of a Short-Term Note (as defined below), gain or loss so recognized will be capital gain or loss and will be long-term capital gain or loss if, at the time of the sale, exchange or retirement, the Note was held for more than one year. Under current law, long-term capital gains of individuals are, under certain circumstances, taxed at lower rates than items of ordinary income.

Gain or loss recognized by a holder on the sale, exchange or retirement of a Single Non-U.S. Currency Note that is attributable to changes in exchange rates will be treated as ordinary income or loss and generally will not be treated as interest income or expense, except to the extent provided by administrative pronouncements of the Service. Gain or loss attributable to changes in exchange rates is recognized on the sale, exchange or retirement of a Single Non-U.S. Currency Note only to the extent of the total gain or loss recognized on such sale, exchange or retirement.

**EXCHANGE OF NON-U.S. CURRENCY.** A holder's tax basis in Non-U.S. Currency purchased by the holder generally will be the U.S. dollar value thereof at the spot rate on the date such Non-U.S. Currency is purchased. A holder's tax basis in Non-U.S. Currency received as interest on, or on the sale, exchange or retirement of, a Single Non-U.S. Currency Note will be the U.S. dollar value thereof at the spot rate at the time such Non-U.S. Currency is received. The amount of gain or loss recognized by a holder on a sale, exchange or other disposition of Non-U.S. Currency will be equal to the difference between (i) the amount of U.S. dollars, the U.S. dollar value at the spot rate of the Non-U.S. Currency, or the fair market value in U.S. dollars of the property received by the holder in the sale, exchange or other disposition, and (ii) the holder's tax basis in the Non-U.S. Currency.

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Accordingly, a holder that purchases a Note with Non-U.S. Currency will recognize gain or loss in an amount equal to the difference, if any, between such holder's tax basis in the Non-U.S. Currency and the U.S. dollar value at the spot rate of the Non-U.S. Currency on the date of purchase. Generally, any such gain or loss will be ordinary income or loss and will not be treated as interest income or expense, except to the extent provided by administrative pronouncements of the Service.

**INTEREST RATE RESET.** If so specified in the Pricing Supplement relating to an issue of Notes, the Company may have the option to reset the interest rate, in the case of a Fixed Rate Note, or to reset the Spread or the Spread Multiplier, in the case of a Floating Rate Note. See "Description of Notes and Guarantees -- Subsequent Interest Periods -- Interest Rate Reset". The treatment of a holder of Notes with respect to which such an option has been exercised and who does not elect to have the Company repay such Notes on the applicable Optional Reset Date or Maturity Date will depend on the terms established for

such Notes by the Company pursuant to the exercise of such option ("revised terms"). Depending on the particular circumstances, such holder may be treated as having surrendered such Notes for new Notes with the revised terms in either a taxable exchange or a recapitalization qualifying for nonrecognition of gain or loss.

DISCOUNT NOTES. The following is a summary of the material United States federal income tax consequences to holders of Discount Notes, based on the original issue discount provisions of the Code as in effect on the date hereof and on recently issued regulations promulgated thereunder ("OID Regulations").

For United States federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of each Discount Note over its issue price if such excess is greater than or equal to a DE MINIMIS amount (generally of 1/4 of 1% of the Discount Note's stated redemption price at maturity multiplied by the number of complete years to maturity from the issue date). The issue price of an issue of Discount Notes that is issued for cash will be equal to the first price at which a substantial amount of the Notes in such issue is sold. The stated redemption price at maturity of a Discount Note is the sum of all payments provided by the Discount Note, other than payments of "qualified stated interest". Under the OID Regulations, "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate of interest. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Except as described below with respect to Short-Term Notes, a holder of a Discount Note will be required to include original issue discount in income as it accrues before the receipt of cash attributable to such income, regardless of such holder's method of accounting for tax purposes.

The amount of original issue discount includible in income by the initial holder of a Discount Note is the sum of the daily portions of original issue discount with respect to such Note for each day during the taxable year on which such holder held such Note ("accrued original issue discount"). Generally, the daily portion of the original issue discount is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to such accrual period. Under the OID Regulations, the "accrual periods" for a Discount Note may be selected by each holder, may be of any length, and may vary in length over the term of the Discount Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day or on the final day of an accrual period. The amount of original issue discount allocable to each accrual period is the excess (if any) of (i) the product of a Discount Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and adjusted for the length of such accrual period) over (ii) the amount of the fixed periodic interest, if any, payable on such Discount Note and allocable to such accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period generally is the sum of the issue price of a Discount Note plus the accrued original issue discount allocable for all prior accrual periods, reduced by any prior payment on the Discount Note, other than a payment of fixed periodic interest. Under these rules, a holder of a Discount Note generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

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Original issue discount on a Discount Note that is also a Single Non-U.S. Currency Note will be determined for any accrual period in the applicable Non-U.S. Currency and then translated into U.S. dollars in the same manner as interest income accrued by a holder on the accrual basis, including the application of a Spot Rate Convention Election. See "Payments of Interest on Notes Other Than Discount Notes". Likewise, upon receipt of payment attributable to original issue discount (whether in connection with a payment of interest or the sale, exchange or retirement of a Discount Note), a holder will recognize exchange gain or loss to the extent of the difference between such holder's basis in the accrued original issue discount (determined in the same manner as for accrued interest) and the U.S. dollar value of such payment (determined by translating any Non-U.S. Currency received at the spot rate on the date of payment). Generally, any such exchange gain or loss will be ordinary income or loss and will not be treated as interest income or expense, except to the extent provided in administrative pronouncements of the Service. For this purpose, all payments on a Note will be viewed first as the payment of fixed periodic interest (determined under the original issue discount rules), second as

payments of previously accrued original issue discount (to the extent thereof), with payments considered made for the earliest accrual periods first, and thereafter as the payment of principal.

If the basis of a Discount Note, immediately after its purchase, exceeds its adjusted issue price (the amount of such excess being considered "acquisition premium") but is not greater than its stated redemption price at maturity, the amount includible in income in each taxable year as original issue discount is reduced (but not below zero) by that portion of the excess properly allocable to such year.

If a holder purchases a Discount Note for an amount in excess of the stated redemption price at maturity, the holder does not include any original issue discount in income and generally may be subject to the "bond premium" rules discussed below. See "Amortizable Bond Premium". If a holder has a tax basis in a Discount Note that is less than the adjusted issue price, the difference will be subject to the market discount provisions discussed below. See "Market Discount".

Under the OID Regulations, a holder of a Note may elect to include in gross income all interest that accrues on such Note using the constant yield method. For this purpose, interest includes stated interest, acquisition discount, original issue discount, DE MINIMIS original issue discount, market discount, DE MINIMIS market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. Special rules apply with respect to elections made with respect to Notes issued with amortizable bond premium or market discount. Once made with respect to a Note, the election cannot be revoked without the consent of the Service. A holder considering an election under these rules should consult its own tax advisor.

The Company is required to report annually to the Service the amount of original issue discount accrued on Discount Notes held of record by United States persons, other than corporations and other exempt holders.

**MARKET DISCOUNT.** If a holder purchases a Note (other than a Discount Note) for an amount that is less than its stated redemption price at maturity or purchases a Discount Note for less than its "revised issue price" (as defined under the Code) as of the purchase date, the amount of the difference will be treated as "market discount", unless such difference is less than a specified DE MINIMIS amount. Under the market discount rules of the Code, a holder will be required to treat any partial principal payment (or, in the case of a Discount Note, any payment that does not constitute fixed periodic interest) on, or any gain realized on the sale, exchange or retirement of, a Note as ordinary income to the extent of the market discount that has not previously been included in income and is treated as having accrued on such Note at the time of such payment or disposition. Further, a disposition of a Note by gift (and in certain other circumstances) could result in the recognition of market discount income, computed as if such Note had been sold at its then fair market value. In addition, a holder who purchases a Note with market discount may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the Maturity of the Note or its earlier disposition in a taxable transaction.

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Market discount is considered to accrue ratably during the period from the date of acquisition to the Maturity Date of a Note, unless the holder elects to accrue market discount under the rules applicable to original issue discount. A holder may elect to include market discount in income currently as it accrues, in which case the rules described above regarding the deferral of interest deductions will not apply.

With respect to a Single Non-U.S. Currency Note, market discount is determined in the applicable Non-U.S. Currency. In the case of a holder who does not elect current inclusion, accrued market discount is translated into U.S. dollars at the spot rate on the date of disposition. No part of such accrued market discount is treated as exchange gain or loss. In the case of a holder who elects current inclusion, the amount currently includible in income for a taxable year is the U.S. dollar value of the market discount that has accrued during such year, determined by translating such market discount at the average rate of exchange for the period or periods during which it accrued. Such an electing holder will recognize exchange gain or loss with respect to accrued market discount under the same rules as apply to accrued interest on a Single Non-U.S. Currency Note received by a holder on the accrual basis. See "Payments

of Interest on Notes Other Than Discount Notes".

AMORTIZABLE BOND PREMIUM. Generally, if a holder's tax basis in a Note held as a capital asset exceeds the stated redemption price at maturity of such Note, such excess may constitute amortizable bond premium that the holder may elect to amortize under the constant interest rate method over the period from its acquisition date to the Note's Maturity Date. Under certain circumstances, amortizable bond premium may be determined by reference to an early call date. Special rules apply with respect to Single Non-U.S. Currency Notes.

SHORT-TERM NOTES. In general, an individual or other cash method holder of a Note that matures one year or less from the date of its issuance (a "Short-Term Note") is not required to accrue original issue discount on such Note unless it has elected to do so. Holders who report income for federal income tax purposes under the accrual method, however, and certain other holders, including banks, dealers in securities and electing holders, are required to accrue original issue discount (unless the holder elects to accrue "acquisition discount" in lieu of original issue discount) on such Note. "Acquisition discount" is the excess of the remaining stated redemption price at maturity of the Short-Term Note over the holder's tax basis in the Short-Term Note at the time of the acquisition. In the case of a holder who is not required and does not elect to accrue original issue discount on a Short-Term Note, any gain realized on the sale, exchange or retirement of such Short-Term Note will be ordinary income to the extent of the original issue discount accrued through the date of sale, exchange or retirement. Such a holder will be required to defer, until such Short-Term Note is sold or otherwise disposed of, the deduction of a portion of the interest expense on any indebtedness incurred or continued to purchase or carry such Short-Term Note. Original issue discount or acquisition discount on a Short-Term Note accrues on a straight-line basis unless an election is made to use the constant yield method (based on daily compounding).

In the case of a Short-Term Note that is also a Single Non-U.S. Currency Note, the amount of original issue discount or acquisition discount subject to current accrual and the amount of any exchange gain or loss on a sale, exchange or retirement are determined under the same rules that apply to accrued interest on a Single Non-U.S. Currency Note held by a holder on the accrual basis. See "Payments of Interest on Notes Other Than Discount Notes".

The market discount rules will not apply to a Short-Term Note having market discount.

#### NON-UNITED STATES PERSONS

Subject to the discussion of backup withholding below, payments of principal of (and premium, if any, on) and interest (including original issue discount) on Notes by the Company or its agent (in its capacity as such) to any holder who is a Beneficial Owner of a Note but is not a United States person will not be subject to United States federal withholding tax; provided, in the case of premium, if any, and

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interest (including original issue discount) that (i) such holder does not actually or constructively own 10% of more of the total combined voting power of all classes of stock of the Company or the Guarantor entitled to vote, (ii) such holder is not a controlled foreign corporation for United States tax purposes that is related to the Company through stock ownership, and (iii) either (A) the Beneficial Owner of the Note certifies to the Company or its agent, under penalties of perjury, that it is not a United States person and provides its name and address or (B) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "financial institution") certifies to the Company or its agent, under penalties of perjury, that the certification described in clause (A) hereof has been received from the Beneficial Owner by it or by another financial institution acting for the Beneficial Owner.

If a holder of a Note who is not a United States person is engaged in a trade or business in the United States and premium, if any, or interest (including original issue discount) on the Note is effectively connected with the conduct of such trade or business, such holder, although exempt from United States withholding tax, as discussed in the preceding paragraph (or by reason of the delivery of properly completed Form 4224), will be subject to United States federal income tax on such premium, if any, and interest (including original

issue discount) in the same manner as if it were a United States person.

Subject to the discussion of "backup" withholding below, any capital gain realized upon the sale, exchange or retirement of a Note by a holder who is not a United States person will not be subject to United States federal income or withholding taxes unless (i) such gain is effectively connected with a United States trade or business of the holder, or (ii) in the case of an individual, such holder is present in the United States for 183 days or more in the taxable year of the retirement or disposition and certain other conditions are met.

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

#### BACKUP WITHHOLDING AND INFORMATION REPORTING

"Backup" withholding and information reporting requirements may apply to certain payments of principal of (and premium, if any, on) and interest (including original issue discount) on a Note and to certain payments of proceeds of the sale or retirement of a Note. The Company, its agent, a broker, the Trustee or any Paying Agent, as the case may be, will be required to withhold tax from any payment that is subject to backup withholding at a rate of 31% of such payment if the holder fails to furnish its taxpayer identification number (social security number or employee identification number), to certify that such holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain holders (including, among others, all corporations) are not subject to the backup withholding and reporting requirements.

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

Any amounts withheld under the backup withholding rules from a payment to a holder may be claimed as a credit against such holder's United States federal income tax liability.

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THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE, DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

#### PLAN OF DISTRIBUTION

The Notes are being offered on a continuous basis for sale by the Company through the Agents, each of which has agreed to use its reasonable efforts to solicit offers to purchase the Notes. Unless otherwise specified in the applicable Pricing Supplement, the Company will pay the Agent through which a Note has been sold a commission that, depending on the maturity of such Note, will range from .125% to .875% of the principal amount (or, in the case of a Note issued with original issue discount, the public offering price) of such Note. The commission payable by the Company to the Agents with respect to a Note with a Maturity Date more than 40 years after its date of issue will be negotiated at the time of issuance.

The Company may also sell Notes to an Agent, as principal. Unless otherwise specified in the applicable Pricing Supplement, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof (or, in the case of a Note issued with Original Issue Discount, the public offering price), less a percentage equal to the commission

applicable to an agency sale of a Note of identical maturity. Notes may be resold by an Agent to investors or other purchasers from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined by such Agent at the time of sale, or may be sold to certain dealers as described below. After the initial public offering of Notes to be resold to investors and other purchasers, the public offering price (in the case of Notes to be resold at a fixed offering price), concession and discount may be changed. In addition, any Agent may sell Notes to any dealer at a discount and, unless otherwise specified in the applicable Pricing Supplement, such discount allowed to any dealer will not be in excess of the discount to be received by the Agents from the Company. The Company has agreed to reimburse the Agents for certain expenses. The Company reserves the right to sell Notes directly on its behalf in those jurisdictions where it is authorized to do so. No commission will be allowed or be payable on any sales made directly by the Company.

The Company will have the sole right to accept offers to purchase Notes and may reject any proposed purchase of Notes in whole or in part. An Agent will have the right, in its reasonable discretion, to reject in whole or in part any offer to purchase Notes received by it.

Each Agent may be deemed to be an "underwriter" within the meaning of the Securities Act. The Company has agreed to indemnify the Agents against certain civil liabilities, including liabilities under the Securities Act, or to contribute to payments the Agents may be required to make in respect thereof.

In the ordinary course of their respective businesses, Salomon Brothers Inc, J.P. Morgan Securities Inc. and UBS Securities Inc. and/or their affiliates have engaged, and may in the future engage, in commercial and/or investment banking transactions with the Company and its affiliates.

The Agents have advised the Company that they may from time to time purchase and sell Notes in the secondary market, but the Agents are not obligated to do so. There can be no assurance that there will be a secondary market for the Notes.

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#### APPENDIX A

#### GLOSSARY

Set forth below is a glossary of certain of the terms used in this Prospectus Supplement. Capitalized terms used herein that are not defined in the following glossary have the meanings given in the Indenture or in the accompanying Prospectus. Page references refer to pages of this Prospectus Supplement.

"Amortized Face Amount" of a Discount Note means the amount equal to (a) the issue price of such Discount Note set forth in the applicable Pricing Supplement plus (b) the portion of the difference between the issue price and the stated principal amount of such Discount Note that has accrued at the Yield to Maturity set forth in the Pricing Supplement (computed in accordance with generally accepted United States bond yield computation principles) at the date as of which the Amortized Face Amount is calculated, but in no event will the Amortized Face Amount of such Discount Note exceed its stated principal amount.

"Amortizing Notes" has the meaning set forth on page S-12.

"Base Rate" has the meaning set forth on page S-6.

"Beneficial Owner" of a Global Note means the actual owner of an interest therein.

"Business Day" with respect to any Note or Guarantee means, unless otherwise specified in the applicable Pricing Supplement, any day, other than a Saturday or Sunday, that meets each of the following applicable requirements: the day is (i) not a day on which banking institutions are authorized or required by law or regulation to be closed in The City of New York; (ii) if the Note is denominated in a Specified Currency other than U.S. dollars or ECU, (a) not a day on which banking institutions are authorized or required by law or regulation to close in the principal financial center of the country issuing the Specified Currency and (b) a day on which banking institutions in such principal financial center are carrying out transactions in such Specified Currency; (iii) if the Note is

denominated in ECU, (a) not a day on which banking institutions are authorized or required by law or regulation to close in Luxembourg and (b) an ECU clearing day, as determined by the ECU Banking Association in Paris; and (iv) if such Note is a LIBOR Note, a London Banking Day.

"Calculation Agent" has the meaning set forth on page S-8.

"Calculation Date" has the meaning set forth on page S-8.

"CD Rate" has the meaning set forth on page S-8.

"CD Rate Notes" has the meaning set forth on page S-6.

"Certificated Note" has the meaning set forth on page S-3.

"Commercial Paper Rate" has the meaning set forth on page S-9.

"Commercial Paper Rate Notes" has the meaning set forth on page S-6.

"Composite Quotations" has the meaning set forth on page S-8.

"Currency" means a currency or currencies, a currency unit or currency units, or a composite currency or currencies.

"Depository" has the meaning set forth on page S-3.

"Discount Note" means (i) a Note, including any Zero-Coupon Note, that has been issued at an Issue Price lower, by more than a DE MINIMIS amount (as determined under United States federal income tax rules applicable to original issue discount instruments), than the principal amount thereof and (ii) any other Note that for United States federal income tax purposes would be considered an original issue discount note.

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"DTC" means The Depository Trust Company of New York, New York.

"ECU" means one or more European Currency Units.

"Exchange Rate" has the meaning set forth on page S-5.

"Exchange Rate Agent" has the meaning set forth on page S-2.

"Federal Funds Rate Notes" has the meaning set forth on page S-6.

"Federal Funds Rate" has the meaning set forth on page S-9.

"Fixed Rate Note" has the meaning set forth on page S-3.

"Floating Rate Note" has the meaning set forth on page S-3.

"Global Note" has the meaning set forth on page S-3.

"Guarantees" has the meaning set forth on the cover page.

"H.15(519)" has the meaning set forth on page S-8.

"Index" has the meaning set forth on page S-12.

"Index Maturity" for any Floating Rate Note means the period of maturity of the instrument or obligation from which the Base Rate is calculated.

"Indexed Notes", "Indexed Principal Notes" and "Indexed Rate Notes" have the meanings set forth on page S-12.

"Initial Interest Period" has the meaning set forth on page S-6.

"Initial Interest Rate" has the meaning set forth on page S-6.

"Interest Determination Date" has the meaning set forth on page S-8.

"Interest Payment Date" with respect to any Note means a date (other than at Maturity) on which, under the terms of such Note, regularly scheduled interest will be payable.



"Interest Reset Date" has the meaning set forth on page S-6.

"Interest Reset Period" has the meaning set forth on page S-6.

"LIBOR", "LIBOR Telerate" and "LIBOR Reuters" have the meanings set forth on page S-10.

"LIBOR Notes" has the meaning set forth on page S-6.

"London Banking Day" means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

"Market Exchange Rate" has the meaning set forth on page S-5.

"Maturity" means the date on which the outstanding principal amount of a Note becomes due and payable in full in accordance with its terms, whether at its Maturity Date or by declaration of acceleration, call for redemption, repayment or otherwise.

"Maturity Date" with respect to any Note means the date on which such Note is scheduled to mature, as specified thereon.

"Maximum Interest Rate" has the meaning set forth on page S-8.

"Minimum Interest Rate" has the meaning set forth on page S-8.

"Money Market Yield" has the meaning set forth on page S-9.

"Notes" has the meaning set forth on the cover page.

"Optional Reset Date" has the meaning set forth on page S-12.

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"Prime Rate" has the meaning set forth on page S-11.

"Prime Rate Notes" has the meaning set forth on page S-6.

"Reference Banks" has the meaning set forth on page S-10.

"Regular Record Date" with respect to any Interest Payment Date for a Fixed Rate Note means the first calendar day (whether or not a Business Day) of the month in which such Interest Payment Date occurs; and with respect to any Interest Payment Date for a Floating Rate Note means the date (whether or not a Business Day) 15 calendar days prior to such Interest Payment Date.

"Reset Notice" has the meaning set forth on page S-12.

"Reuters Screen LIBO Page" has the meaning set forth on page S-10.

"Spread" and "Spread Multiplier" have the meanings set forth on page S-6.

"Specified Currency" means the Currency in which a Note is denominated.

"Subsequent Interest Period" has the meaning set forth on page S-12.

"Telerate Page 3750" has the meaning set forth on page S-10.

"Treasury Rate" has the meaning set forth on page S-11.

"Treasury Rate Notes" has the meaning set forth on page S-6.

"Zero Coupon Note" has the meaning set forth on page S-3.

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

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PROSPECTUS

W. R. GRACE & CO.-CONN.

DEBT SECURITIES  
WARRANTS TO PURCHASE DEBT SECURITIES  
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W. R. Grace & Co.-Conn. ("Company"), the principal operating subsidiary of W. R. Grace & Co. ("Guarantor"), may offer from time to time, together or separately, its debt securities ("Debt Securities") and warrants to purchase Debt Securities ("Warrants") on terms to be determined at the time of offering. The Guarantor will unconditionally guarantee the Debt Securities.

By separate prospectus, the Guarantor may offer from time to time certain of its securities. Securities with an aggregate issue price of up to \$750,000,000 (or the equivalent thereof, if any of the securities are denominated other than in U.S. dollars) may be issued, in one or more series, under this Prospectus and such separate prospectus.

The Debt Securities will be unsecured and will rank equally with all other unsecured and unsubordinated indebtedness for borrowed money of the Company, and the guarantees thereon ("Guarantees") will be unsecured and will rank equally with all other unsecured and unsubordinated indebtedness for borrowed money of the Guarantor. See "Description of Debt Securities and Guarantees".

The Debt Securities and/or Warrants proposed to be sold pursuant to this Prospectus and the accompanying prospectus supplement ("Prospectus Supplement") are referred to as the "Offered Securities", and the Offered Securities, together with any Debt Securities issuable upon exercise of Warrants, are referred to as the "Securities".

The Prospectus Supplement sets forth certain terms of each series or issue of Securities in respect of which this Prospectus and the Prospectus Supplement are being delivered, including (where applicable): (1) in the case of Debt Securities (including Debt Securities issuable upon exercise of Warrants), their title, aggregate principal amount, maturity, rate of any interest (or the manner of calculation and time of payment thereof), any redemption or repayment terms, the currency or currencies, currency unit or units or composite currency or currencies ("Currency") in which such Debt Securities will be denominated or payable, any index, formula or other method pursuant to which principal, premium or interest may be determined and the form of such Debt Securities (which may be in global, registered or bearer form); (2) in the case of Warrants, their exercise price, detachability date, expiration date and other terms; and (3) any initial public offering price, the purchase price, the net proceeds to the Company, and the other terms of the offering of the Securities.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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Offered Securities may be sold directly to purchasers or to or through underwriters, dealers or agents. If any underwriters, dealers or agents are involved in the offering of any Offered Securities, their names and any applicable fee, commission or discount arrangements will be set forth in the Prospectus Supplement. See "Plan of Distribution".

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The date of this Prospectus is April 7, 1994.

AVAILABLE INFORMATION

The Guarantor is subject to the informational requirements of the Securities Exchange Act of 1934 ("Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by the Guarantor with the SEC can be inspected and copied at the public reference facilities of the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's New York Regional Office, Seven World Trade Center, New York, New York 10048, and Chicago Regional Office, 500 West Madison Street, Chicago, Illinois 60606. Copies of such material can also be obtained at prescribed rates from the

Public Reference Section of the SEC at its Washington address and can be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, and the Chicago Stock Exchange, Inc., One Financial Place, 440 South LaSalle Street, Chicago, Illinois 60606.

Separate financial information for the Company is not included herein or in reports filed by the Guarantor pursuant to the Exchange Act, as the Guarantor is a holding company that has no substantial operations other than those conducted by the Company and its subsidiaries. The assets and pre-tax income of the Company and its consolidated subsidiaries are substantially equivalent to those of the Guarantor and its consolidated subsidiaries.

This Prospectus constitutes a part of a registration statement (together with all amendments and exhibits, the "Registration Statement") filed by the Company and the Guarantor with the SEC under the Securities Act of 1933 ("Securities Act") with respect to the Securities (and certain other securities offered by the Guarantor and the Company under a separate prospectus). This Prospectus does not contain all of the information in the Registration Statement, certain portions of which have been omitted in accordance with the rules and regulations of the SEC. Reference is made to the Registration Statement and the exhibits thereto, as well as the documents incorporated by reference in this Prospectus, for further information with respect to the Company and the Guarantor, as well as the Securities.

#### DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the SEC are incorporated by reference in this Prospectus:

(1) The Guarantor's Annual Report on Form 10-K (including Exhibit 12, "Computation of Ratio of Earnings to Fixed Charges") for the latest fiscal year for which such a Report has been filed.

(2) All Quarterly Reports on Form 10-Q and Current Reports on Form 8-K (including, where applicable, Exhibit 12, "Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends") filed by the Guarantor since the end of the latest fiscal year for which an Annual Report on Form 10-K has been filed by the Guarantor.

All documents filed by the Guarantor pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of any offering of Securities made by this Prospectus shall be deemed to be incorporated by reference in and to be a part of this Prospectus from the date any such document is filed.

A copy of any document incorporated by reference in this Prospectus (including any exhibit incorporated by reference in any such document or in this Prospectus) may be obtained without charge by contacting Shareholder Services, W. R. Grace & Co., One Town Center Road, Boca Raton, Florida 33486-1010 (407/362-2000).

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#### GRACE

Grace is primarily engaged in the specialty chemical business on a worldwide basis and in specialized health care activities. In its chemical operations, Grace develops, manufactures and markets specialty chemicals and materials and related application systems. In health care, Grace is primarily engaged in supplying kidney dialysis and home infusion and respiratory therapy services and products.

As used in this Prospectus, the term "Company" refers to W. R. Grace & Co.-Conn., a Connecticut corporation wholly owned by W. R. Grace & Co.; the term "Guarantor" refers to W. R. Grace & Co., a New York corporation; and the term "Grace" refers to the Guarantor and/or one or more of its subsidiaries (including the Company). Grace's principal executive offices are located at One Town Center Road, Boca Raton, Florida 33486-1010, and its telephone number is 407/362-2000.

#### USE OF PROCEEDS

Unless otherwise provided in the Prospectus Supplement, the net proceeds

from the sale of the Securities will be used by Grace to repay commercial paper borrowings and/or bank borrowings, with various maturities and bearing interest at various rates, that were incurred to finance capital expenditures and working capital requirements and for other general corporate purposes. The amounts and timing of such repayments will depend upon conditions in the future; pending such use, the proceeds may be temporarily invested. Information concerning Grace's capital expenditures is set forth in the documents incorporated herein by reference and may be set forth in the Prospectus Supplement.

#### GRACE FINANCIAL INFORMATION

Financial information for Grace, including its ratio of earnings to fixed charges, is set forth in the documents incorporated herein by reference and may be set forth in the Prospectus Supplement. See "Documents Incorporated by Reference".

Separate financial information for the Company is not included herein or in the documents incorporated herein by reference, as the Guarantor is a holding company that has no substantial operations other than those conducted by the Company and its subsidiaries. The assets and pre-tax income of the Company and its consolidated subsidiaries are substantially equivalent to those of the Guarantor and its consolidated subsidiaries. See "Available Information".

#### DESCRIPTION OF DEBT SECURITIES AND GUARANTEES

The Company may issue Debt Securities either separately or together with Warrants. The Debt Securities will be issued under an Indenture dated as of January 28, 1993 ("Indenture") among the Company, the Guarantor and NationsBank of Georgia, National Association, Trustee ("Trustee"). The Indenture has been filed as an exhibit to the Registration Statement. The Indenture is subject to and governed by the Trust Indenture Act of 1939 ("TIA"). The following summary of the material provisions of the Indenture does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Indenture, including the definitions of certain terms therein, and to the specific terms of the Offered Debt Securities (as defined below) that are described in the Prospectus Supplement.

#### GENERAL

The Indenture provides that any Debt Securities proposed to be sold pursuant to this Prospectus and the Prospectus Supplement ("Offered Debt Securities") and any Debt Securities issuable upon the exercise of Warrants ("Underlying Debt Securities"), as well as other unsecured and unsubordinated debt securities of the Company issuable under the Indenture, may be issued in one or more series, in each case as authorized from time to time by the Company; the Indenture does not

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limit the aggregate principal amount of debt securities that may be issued thereunder. Reference is made to the Prospectus Supplement relating to the Offered Debt Securities, the Underlying Debt Securities or both, as the case may be, for the following:

(1) The title of such Debt Securities.

(2) The aggregate principal amount of such Debt Securities, the percentage of their principal amount at which such Debt Securities will be issued and the date or dates on which the principal of such Debt Securities will be payable or the method by which such date or dates will be determined or extended.

(3) The rate or rates (which may be fixed or variable) at which such Debt Securities will bear interest, if any, and, if variable, the method by which such rate or rates will be determined.

(4) The date or dates from which any interest will accrue or the method by which such date or dates will be determined, the date or dates on which any interest will be payable (including the Regular Record Dates for such Interest Payment Dates in the case of any Registered Securities) and the basis on which any interest will be calculated if other than on the basis of a 360-day year of twelve 30-day months.

(5) The place or places, if any, other than or in addition to New York

City, where the principal of (and premium, if any, on) and interest, if any, on such Debt Securities will be payable, where any Registered Securities may be surrendered for registration of transfer, where such Debt Securities may be surrendered for exchange and where notices or demands to or upon the Company and the Guarantor in respect of such Debt Securities may be served.

(6) The period or periods within which, the price or prices at which, the Currency in which, and the other terms and conditions upon which, such Debt Securities may be redeemed, in whole or in part, at the option of the Company, if the Company is to have that option.

(7) The obligation, if any, of the Company and the Guarantor to redeem, purchase or repay such Debt Securities, in whole or in part, pursuant to any sinking fund or analogous provision or at the option of a holder thereof, and the period or periods within which, the price or prices at which, the Currency in which, and the other terms and conditions upon which, such Debt Securities will be so redeemed, purchased or repaid.

(8) The Currency, if other than U.S. dollars, in which such Debt Securities will be denominated or in which the principal of (and premium, if any, on) and interest, if any, on such Debt Securities will be payable.

(9) Whether the amount of payments of principal of (and premium, if any, on) and interest, if any, on such Debt Securities may be determined with reference to an index, formula or other method (which index, formula or method may, without limitation, be based on one or more Currencies, commodities or equity or other indices) and the manner in which such amounts will be determined.

(10) Whether the Company, the Guarantor or a holder may elect payment of the principal of (and premium, if any, on) and interest, if any, on such Debt Securities in a Currency other than that in which such 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, and the time and manner of determining the exchange rate between the Currency in which such Debt Securities are denominated or stated to be payable and the Currency in which such Debt Securities are to be so payable.

(11) Any deletions from, modifications of or additions to the Events of Default or covenants of the Company or the Guarantor with respect to such Debt Securities (which Events of Default or covenants may not be consistent with the Events of Default or covenants set forth in the general provisions of the Indenture).

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(12) If other than the entire principal amount thereof, the portion of the principal amount of such Debt Securities that will be payable upon declaration of acceleration of the maturity thereof or the method by which such portion will be determined.

(13) Any provisions in modification of, in addition to or in lieu of any of the provisions concerning defeasance and covenant defeasance contained in the Indenture that will be applicable to such Debt Securities.

(14) Any provisions granting special rights to the holders of such Debt Securities upon the occurrence of such events as may be specified.

(15) If other than the Trustee, the designation of any Paying Agent or Security Registrar for such Debt Securities, and the designation of any transfer or other agents or depositories for such Debt Securities.

(16) The designation of the Exchange Rate Agent, if any.

(17) Whether such Debt Securities are to be issuable as Registered Securities, Bearer Securities or both, any restrictions applicable to the offer, sale or delivery of Bearer Securities and the terms, if any, upon which Bearer Securities may be exchanged for Registered Securities and vice versa (if permitted by applicable laws and regulations).

(18) Whether such Debt Securities will be issuable initially in temporary global form, whether any such Debt Security is to be issuable in permanent global form (a "Global Security") with or without coupons and, if so, whether beneficial owners of interests in any Global Security may

exchange such interests for Debt Securities of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in the Indenture, and, if Registered Securities are to be issuable as a Global Security, the identity of the depository for such Debt Securities.

(19) The person to whom any interest on any Registered Security will be payable, if other than the person in whose name such 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 will 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 Debt Security issued in global form will be paid (if other than as described in "Book-Entry Debt Securities" below).

(20) The denomination or denominations in which such Debt Securities will be issuable, if other than \$1,000 or any integral multiple thereof in the case of Registered Securities and \$5,000 in the case of Bearer Securities.

(21) If such Debt Securities will be issuable upon the exercise of Warrants, the time, manner and place for such Debt Securities to be authenticated and delivered.

(22) Whether and under what circumstances the Company or the Guarantor will pay Additional Amounts, as contemplated by Section 1010 of the Indenture, on such Debt Securities to any holder who is not a United States person (including any modification of the definition of such term as contained in the Indenture) in respect of any tax, assessment or governmental charge and, if so, whether the Company will have the option to redeem such Debt Securities rather than pay such Additional Amounts (and the terms of any such option).

(23) Any other terms, conditions, rights and preferences (or limitations on such rights and preferences) of such Debt Securities not inconsistent with the provisions of the Indenture (Section 301).

If applicable, the Prospectus Supplement will also set forth information concerning any Warrants offered thereby and a discussion of any relevant federal income tax considerations.

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Debt Securities may provide for less than the entire principal amount thereof to be due and payable upon a declaration of acceleration of maturity. A discussion of the federal income tax and other considerations applicable to any Original Issue Discount Securities will be set forth in the Prospectus Supplement relating thereto.

If the terms of any series of Debt Securities provide that the Company or the Guarantor may be required to pay Additional Amounts in respect thereof, for purposes of this Prospectus, any reference to the payment of the principal of (and premium, if any, on) or interest, if any, on such Debt Securities will be deemed to include mention of the payment of the Additional Amounts provided for by the terms of such Debt Securities.

The Debt Securities will be unsecured obligations of the Company and will rank on a parity with all other unsecured and unsubordinated indebtedness for borrowed money of the Company. The Debt Securities will be guaranteed by the Guarantor as provided below.

The Debt Securities referred to on the cover page of this Prospectus, and any additional debt securities issued under the Indenture, are herein collectively referred to, while a single Trustee is acting with respect to all debt securities issued thereunder, as the "Indenture Securities". The Indenture provides that there may be more than one Trustee thereunder, each with respect to one or more series of Indenture Securities. At a time when two or more Trustees are acting under the Indenture, each with respect to only certain series, the term "Indenture Securities" as used herein will mean the series with respect to which each respective Trustee is acting. In the event that there is more than one Trustee under the Indenture, the powers and trust obligations of each Trustee as described herein will extend only to the series of Indenture

Securities for which it is the Trustee. If two or more Trustees are acting under the Indenture, then the Indenture Securities for which each Trustee is acting would be treated as if issued under separate indentures.

The general provisions of the Indenture do not limit the ability of the Company or the Guarantor to incur indebtedness and do not afford holders of Debt Securities protection in the event of highly leveraged or similar transactions involving the Company or the Guarantor. However, the general provisions of the Indenture do provide that neither the Company, the Guarantor nor any Restricted Subsidiary will subject certain of its properties or assets to any mortgage or other encumbrance unless the Indenture Securities outstanding thereunder, the related Guarantees or both, as the case may be, are secured equally and ratably with or prior to such other indebtedness thereby secured. See "Liens" and "Sale and Leaseback Transactions" under the heading "Certain Covenants". Reference is made to the Prospectus Supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or covenants of the Company and the Guarantor that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

If any series of Debt Securities is sold for, payable in or denominated in one or more Currencies other than U.S. dollars, applicable restrictions, elections, terms and other information with respect to such series and such Currencies, and a discussion of the federal income tax and other considerations applicable thereto, will be set forth in the Prospectus Supplement relating thereto.

Under the Indenture, the Company has the ability to issue Indenture Securities with terms different from those of Indenture Securities previously issued thereunder and, without the consent of the holders, to reopen a previous issue of a series of Indenture Securities and issue additional Indenture Securities of such series (unless such reopening was restricted when such series was created) in an aggregate principal amount determined by the Company (Section 301).

There is no requirement that future issues of debt securities of the Company be issued under the Indenture, and the Company will be free to employ other indentures or documentation, possibly containing provisions different from those included in the Indenture or applicable to one or more issues of Indenture Securities, in connection with such future issues.

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#### GUARANTEES

The Debt Securities will have endorsed thereon Guarantees by which the Guarantor will unconditionally guarantee the due and punctual payment of the principal of (and premium, if any, on) and interest, if any, on the Debt Securities, when and as the same become due and payable, whether at Stated Maturity, upon redemption or repayment, upon declaration of acceleration or otherwise.

The Guarantees will be unsecured obligations of the Guarantor and will rank on a parity with all other unsecured and unsubordinated indebtedness for borrowed money of the Guarantor (including any other unsecured and unsubordinated guarantees given by the Guarantor).

The Guarantees will be unconditional obligations of the Guarantor, regardless of the enforceability of the related Debt Securities or the Indenture (Section 1701).

#### FORM AND DENOMINATIONS

Debt Securities of a series may be issuable solely as Registered Securities, solely as Bearer Securities or as both Registered Securities and Bearer Securities. Unless otherwise provided in the applicable Prospectus Supplement, Debt Securities denominated in U.S. dollars (other than Global Securities, which may be of any denomination) are issuable in denominations of \$1,000 and integral multiples of \$1,000 (in the case of Registered Securities) and in the denomination of \$5,000 (in the case of Bearer Securities). The Indenture also provides that Debt Securities of a series may be issuable in global form. See "Book-Entry Debt Securities" below. Unless otherwise indicated in the applicable Prospectus Supplement, Bearer Securities will have interest coupons attached (Sections 201 and 302).

If Debt Securities of a series are issuable solely as Registered Securities, the Company and the Guarantor will be required to maintain an office or agency in each Place of Payment for such series, and may from time to time designate additional offices or agencies, at which the principal of (and premium, if any, on) and interest, if any, on such series will be payable. If so provided in the Prospectus Supplement, the Place of Payment for a series issuable solely as Registered Securities will be New York City, and the Company and the Guarantor will initially designate the office of the agent of the Trustee in New York City as an office where such principal, premium and interest will be payable. If so provided in the Prospectus Supplement, the Company and the Guarantor will also initially designate the corporate trust office of the Trustee in Atlanta, Georgia as an additional office or agency for payment of the Debt Securities of such series. Notwithstanding the foregoing, at the option of the Company or the Guarantor, interest, if any, may be paid on Registered Securities (1) by check mailed to the person entitled thereto at such person's address appearing in the Security Register or (2) by wire transfer to an account located inside the United States maintained by the person entitled thereto as specified in the Security Register (Sections 307 and 1002). Unless otherwise provided in the Prospectus Supplement, payment of any installment of interest on Registered Securities will be made to the person in whose name such Registered Security is registered at the close of business on the Regular Record Date for such interest (Section 307).

If Debt Securities of a series are issuable solely as Bearer Securities or as both Registered Securities and Bearer Securities and if so provided in the applicable Prospectus Supplement, the Company and the Guarantor will be required to maintain an office or agency (1) in each Place of Payment outside the United States at which, subject to any applicable laws and regulations, the principal of (and premium, if any, on) and interest, if any, on such series will be payable and (2) in New York City, for payments with respect to any Registered Securities of such series (and for payments with respect to Bearer Securities of such series in the limited circumstances described below, but not otherwise); provided that, if required in connection with any listing of such Debt Securities on a stock exchange located outside the United States, the Company and the Guarantor will maintain an office or agency for such Debt Securities in any city located outside the United States required by such stock exchange (Section 1002). The initial locations of such offices or agencies will be specified in the applicable Prospectus Supplement. Unless otherwise provided in the Prospectus Supplement, principal of (and premium, if any) and interest, if any, on Bearer Securities may be paid by wire transfer to

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an account maintained by the person entitled thereto with a bank located outside the United States (Sections 307 and 1002). Unless otherwise provided in the Prospectus Supplement, payment of any installment of interest on any Bearer Securities on or before maturity will be made only against surrender of coupons for such interest installments as they severally mature (Section 1001). Unless otherwise provided in the Prospectus Supplement, no payment with respect to any Bearer Security will be made at any office or agency of the Company or the Guarantor 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 that payments of principal of (and premium, if any, on) and interest, if any, on Bearer Securities payable in U.S. dollars will be made at the office or agency of the Company and the Guarantor in New York City if (but only if) payment of the full amount thereof in U.S. dollars at all offices or agencies outside the United States maintained by the Company and the Guarantor is illegal or effectively precluded by exchange controls or other similar restrictions (Section 1002).

The Company and the Guarantor may from time to time designate additional offices or agencies, approve a change in the location of any office or agency and, except as provided above, rescind the designation of any office or agency.

Unless otherwise provided in the Prospectus Supplement, with respect to any series of Debt Securities denominated or payable in one or more Currencies other than U.S. dollars, the Company and the Guarantor will maintain one or more Exchange Rate Agents for the purpose of making any exchange determinations specified in the Prospectus Supplement (Sections 313 and 1002). Unless otherwise provided in the Prospectus Supplement, all payments of principal of (and premium, if any, on) and interest, if any, on any Debt Security that is payable in a Currency other than U.S. dollars will be made in U.S. dollars in the event



that such Currency (1) is a currency, and it ceases to be used both by the government of the country that issued the currency and by a central bank or other public institutions of or within the international banking community for the settlement of transactions, (2) is the ECU, and it ceases to be used both within the European Monetary System and for the settlement of transactions by public institutions of or within the European Communities or (3) is any other currency unit (or composite currency) other than the ECU, and it ceases to be used for the purposes for which it was established (each of the events described in clauses (1) through (3), a "Conversion Event") (Section 312).

All moneys paid by the Company or the Guarantor to the Trustee or a Paying Agent for the payment of principal of (or premium, if any, on) or interest, if any, on any Debt Security that remains unclaimed for two years after such principal, premium or interest becomes due and payable will be repaid to the Company or the Guarantor, as the case may be, and the holder of such Debt Security or any related coupon will (subject to applicable abandoned property or similar laws) thereafter look only to the Company or the Guarantor for payment thereof (Section 1003).

Registered Securities of any series will be exchangeable for other Registered Securities of the same series of any authorized denominations and of a like aggregate principal amount. If (but only if) provided in the Prospectus Supplement, Bearer Securities of any series (with all unmatured coupons, except as provided below, and all matured coupons in default) may be similarly exchanged for Registered Securities of the same series of any authorized denominations. If so provided, Bearer Securities of such series surrendered in exchange for Registered Securities during the period (1) on or after a Regular Record Date and before the opening of business on the relevant Interest Payment Date or (2) on or after a Special Record Date and before the opening of business on the related proposed date for payment of Defaulted Interest, will be surrendered without the coupon relating to such Interest Payment Date or proposed date for payment, and such interest or Defaulted Interest, as the case may be, will not be payable 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 terms of the Indenture. Unless otherwise specified in the Prospectus Supplement, Bearer Securities will not be issued in exchange for Registered Securities (Section 305).

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Registered Securities of a series may be presented for registration of transfer and Debt Securities of a series may be presented for exchange (1) at each office or agency required to be maintained by the Company and the Guarantor for payment of such series, as described above, and (2) at each other office or agency that the Company and the Guarantor may designate from time to time for such purposes. Registration of transfers and exchanges will be effected if the transfer agent is satisfied with the evidence of ownership and identity of the person making the request and, in the case of Registered Securities, if the transfer form thereon is duly executed. No service charge will be made for any registration of transfer or exchange of Debt Securities, but the Company may require payment of any tax or other governmental charge payable in connection therewith (Section 305).

In the event of any redemption in part, the Company will not be required (1) to register the transfer of or exchange Debt Securities of any series during a period beginning at the opening of business 15 days before any selection of Debt Securities of that series to be redeemed and ending at the close of business on the date the relevant notice of redemption is mailed or published, as the case may be, (2) to register the transfer of or exchange any Registered Security or portion thereof called for redemption, except the unredeemed portion, if any, of a Registered Security being redeemed in part, (3) to exchange any Bearer Security called for redemption, except to exchange such Bearer Security for a Registered Security of that series and like tenor that is simultaneously surrendered for redemption or (4) to register the transfer of or exchange any Debt Security that has been surrendered for repayment at the option of the holder, except the portion, if any, of such Debt Security not to be so repaid (Section 305).

#### CONSOLIDATION, MERGER AND SALE OF ASSETS

Neither the Company nor the Guarantor may consolidate with or merge into any other corporation or other entity, or convey or transfer its properties and assets substantially as an entirety to any person, unless each of the following conditions is satisfied:

(1) Immediately thereafter, no Event of Default (or event that with notice or lapse of time, or both, would be such) with respect to the Indenture Securities will have happened and be continuing.

(2) The corporation formed by such consolidation or into which the Company or the Guarantor is merged, or the person to which such properties and assets will have been conveyed or transferred, assumes the Company's obligation as to the due and punctual payment of the principal of (and premium, if any, on) and interest, if any, on the Indenture Securities or the Guarantor's obligations under the Guarantees, as the case may be, and the performance and observance of every covenant to be performed by the Company or the Guarantor, as the case may be, under the Indenture, and will be organized under the laws of the United States, one of the States thereof or the District of Columbia; provided that the requirements of this clause (2) will not apply to a transaction in which the Guarantor consolidates with or merges into the Company.

(3) In the event of any such consolidation, merger, conveyance or transfer, the Indenture provides that, if any Principal Facility or any Restricted Security would thereupon become subject to any Lien, the Indenture Securities (or the related Guarantees, as the case may be) will be secured, as to such Principal Facility or Restricted Security, equally and ratably with (or prior to) the Debt that upon the occurrence of such transaction would become secured by such Lien, unless such Lien could be created under the Indenture without equally and ratably securing such Indenture Securities or Guarantees.

(4) The Company or the Guarantor has delivered to the Trustee an officers' certificate and opinion of counsel, each stating that the transaction complies with these conditions (Sections 801 and 803).

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In the event that any transaction described in and complying with the conditions listed in the immediately preceding paragraph occurs, the Company or the Guarantor would be discharged from all obligations and covenants under the Indenture, and all obligations under the Indenture Securities or the Guarantees, as the case may be, and could be dissolved and liquidated (Section 802).

For the purpose of providing the equal and ratable security referred to in clause (3) above, the principal amount of Indenture Securities outstanding under the Indenture that are Original Issue Discount Securities or Indexed Securities will mean the amount that, at the time of making such provision for such equal and ratable security, would be due and payable pursuant to Section 502 of the Indenture and the terms of such Original Issue Discount Securities or Indexed Securities upon an acceleration thereof (see "Events of Default" below), and the extent of such equal and ratable security will be adjusted, to the extent permitted by law, as and when such amount changes over time pursuant to the terms of such Original Issue Discount Securities or Indexed Securities (Sections 502 and 803).

#### MODIFICATION AND WAIVER

The Indenture permits the Company, the Guarantor and the applicable Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of outstanding Indenture Securities affected thereby, to execute supplemental indentures adding any provisions to or changing or eliminating any provisions of the Indenture or modifying the rights of such holders, except that no such supplemental indenture may, without the consent of the holder of each outstanding Indenture Security affected thereby:

(1) Change the Stated Maturity of the principal of (or premium, if any, on) or any installment of interest on any Indenture Security, or reduce the principal amount thereof (or any premium, if any, thereon) or the rate of interest, if any, thereon, or change any obligation of the Company and the Guarantor to pay Additional Amounts on any Indenture Security as contemplated by Section 1010 of the Indenture, or change any Place of Payment where or the Currency in which any such principal, premium or interest is payable, or reduce the amount of the principal of an Indexed Security or an Original Issue Discount Security that would be due and payable upon an acceleration of maturity thereof or the amount thereof provable in bankruptcy, or adversely affect the right of repayment, if any, at the option of the holder, or impair the right to institute suit for the

enforcement of any such payment on or after the Stated Maturity thereof (or on or after any Redemption Date or Repayment Date).

(2) Reduce the quorum and voting requirements at meetings of holders.

(3) Change in any manner adverse to the interests of the holders of the outstanding Indenture Securities the terms and conditions of the obligations of the Guarantor in respect of the due and punctual payment of the principal of (and premium, if any, on) and interest, if any, on such Indenture Securities.

(4) Reduce the percentage in principal amount of outstanding Indenture Securities (or of outstanding Indenture Securities of any series, as the case may be), the consent of the holders of which is required for any supplemental indenture or to waive certain covenants or Events of Default under the Indenture (Section 902).

The holders of a majority in aggregate principal amount of outstanding Indenture Securities have the right to waive compliance by the Company and the Guarantor with certain covenants contained in the Indenture (Section 1011).

Modification and amendment of the Indenture may be made by the Company, the Guarantor and the Trustee without the consent of any holder, for any of the following purposes: (1) to evidence the succession of another person to the Company or the Guarantor as obligor under the Indenture; (2) to add to the covenants of the Company or the Guarantor for the benefit of the holders of any series of Indenture Securities and any related coupons; (3) to add Events of Default for the benefit of the holders of any such series; (4) to add or change any provisions of the Indenture to facilitate the

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issuance of Bearer Securities; (5) to change or eliminate any provisions of the Indenture, provided that any such change or elimination will become effective only when there is no Indenture Security outstanding thereunder of any series that is entitled to the benefit of such provisions; (6) to secure the Indenture Securities outstanding under the Indenture or the related Guarantees pursuant to the requirements of Section 803 or 1008 of the Indenture, or otherwise; (7) to establish the form or terms of Indenture Securities of any series or the related Guarantees, as permitted by Sections 201 and 301 of the Indenture; (8) to provide for the acceptance of appointment by a successor Trustee or facilitate the administration of the trusts under the Indenture by more than one Trustee; (9) to close the Indenture with respect to the authentication and delivery of additional series of Indenture Securities and to cure any ambiguity or inconsistency in such Indenture, provided such action does not adversely affect in any material respect the interests of holders of Indenture Securities of any series thereunder and related coupons; or (10) to supplement any of the provisions of the Indenture to the extent necessary to permit or facilitate defeasance and discharge of any series of Indenture Securities and the related Guarantees thereof, provided that such action does not adversely affect in any material respect the interests of the holders of the Indenture Securities and related coupons (Section 901).

The Indenture provides that in determining whether the holders of the requisite principal amount of Indenture Securities of a series then outstanding have given any request, demand, authorization, direction, notice, consent or waiver thereunder or whether a quorum is present at a meeting of holders of such Indenture Securities, (1) the principal amount of an Original Issue Discount Security that will be deemed to be outstanding will be the amount of the principal thereof that would be due and payable as of the date of such determination upon acceleration of the maturity thereof, (2) the principal amount of an Indenture Security denominated in a Currency other than U.S. dollars will be the U.S. dollar equivalent, determined as of the date of original issuance of such Indenture Security, of the principal amount thereof (or, in the case of an Original Issue Discount Security, the U.S. dollar equivalent as of such date of original issuance of the amount determined as provided in clause (1) above) and (3) the principal amount of an Indexed Security that may be counted in making such determination or calculation and that will be deemed outstanding for such purpose will be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such Indenture Security pursuant to Section 301 (Section 101).

The Indenture contains provisions for convening meetings of holders of

Indenture Securities of a series if Indenture Securities of that series are issuable as Bearer Securities (Section 1501). A meeting may be called at any time by (1) the Trustee or (2) upon request by the Company, the Guarantor or the holders of at least 10% in aggregate principal amount of the Indenture Securities of such series outstanding, in any such case upon notice given as provided in the Indenture (Section 1502). Except for any consent that must be given by the holder of each Indenture Security affected thereby, as described above, any resolution presented at a meeting (or an adjourned meeting duly reconvened) at which a quorum is present may be adopted by the affirmative vote of the holders of a majority in principal amount of the Indenture Securities of that series; provided that any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that may be made, given or taken only by the holders of a specified percentage, which is less than a majority, in principal amount of Indenture Securities of a series may be adopted at a meeting (or an adjourned meeting duly reconvened) at which a quorum is present by the affirmative vote of the holders of at least such specified percentage. Any resolution passed or decision taken at any meeting of holders of Indenture Securities of a series duly held in accordance with the Indenture will be binding on all holders of Indenture Securities of that series and any related coupons. The quorum at any meeting called to adopt a resolution will be persons holding or representing a majority in principal amount of the outstanding Indenture Securities of a series; provided that, if any action is to be taken at such meeting with respect to a consent or waiver that may only be given by the holders of not less than a specified percentage in principal amount of the outstanding Indenture Securities of a series, the persons entitled to vote such specified percentage will constitute a quorum; and provided further that,

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at the reconvening of any meeting adjourned for lack of a quorum, the holders of 25% in principal amount of the outstanding Indenture Securities of a series at the time will constitute a quorum for the taking of any action set forth in the notice of the original meeting.

Notwithstanding the foregoing, if any action is to be taken at a meeting of holders of Indenture Securities of a series with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that the Indenture expressly provides may be made, given or taken by the holders of a specified percentage in principal amount of all outstanding Indenture Securities affected thereby, or of the holders of that series and one or more additional series, then (1) there will be no minimum quorum requirement for such meeting and (2) the principal amount of the outstanding Indenture Securities of that series that vote in favor of such request, demand, authorization, direction, notice, consent, waiver or other action will be taken into account in determining whether such request, demand, authorization, direction, notice, consent, waiver or other action has been made, given or taken under the Indenture (Section 1504).

#### EVENTS OF DEFAULT

The following are Events of Default with respect to any series of Indenture Securities: (1) default in the payment of any installment of interest upon any Indenture Security of such series when it becomes due and payable, continued for 30 days; (2) default in the payment of the principal of (or premium, if any, on) any Indenture Security of such series at its maturity; (3) failure on the part of the Company or the Guarantor to observe or perform any other covenant or agreement contained in the Indenture (other than a covenant or agreement included in the Indenture solely for the benefit of less than all series of Indenture Securities or a covenant the default in the performance of which would be covered by clause (6) below) for 60 days after written notice of such failure, requiring the Company or the Guarantor to remedy the same, has been given to the Company and the Guarantor by the Trustee or to the Company, the Guarantor and the Trustee by the holders of at least 25% in aggregate principal amount of outstanding Indenture Securities; (4) default under any indenture or instrument under which the Company, the Guarantor or any Restricted Subsidiary (other than a Restricted Subsidiary principally engaged in business outside the United States and Canada) has at the time outstanding indebtedness for borrowed money or guarantees thereof in any individual instance in excess of \$25,000,000 and, if not already matured in accordance with its terms, such indebtedness has been accelerated and such acceleration is not rescinded or annulled within three Business Days after notice thereof has been given to the Company and the Guarantor by the Trustee or to the Company, the Guarantor and the Trustee by the holders of at least 25% in aggregate principal amount of outstanding Indenture

Securities of such series; provided that, if, prior to the entry of judgment in favor of the Trustee for payment of the Indenture Securities of such series, the default under such indenture or instrument has been remedied or cured by the Company, the Guarantor or such Restricted Subsidiary, or waived by the holders of such indebtedness, then the Event of Default under the Indenture will be deemed likewise to have been remedied, cured or waived; (5) certain events in bankruptcy, insolvency or reorganization; and (6) any other Event of Default included in the Indenture for the benefit of Indenture Securities of such series.

If an Event of Default described in clause (1), (2), (4) or (6) above with respect to outstanding Indenture Securities of any series has occurred and is continuing, the Trustee or the holders of not less than 25% in aggregate principal amount of the outstanding Indenture Securities of that series may declare the principal amount (or, if the Indenture Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) of all outstanding Indenture Securities of such series to be immediately due and payable. If an Event of Default described in clause (3) or (5) above has occurred and is continuing, the Trustee or the holders of not less than 25% in principal amount of all the outstanding Indenture Securities may declare the principal amount (or, if any such Indenture Securities are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) of all of the outstanding Indenture Securities to be immediately due and payable. However, at any time after such a declaration of acceleration with respect to outstanding

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Indenture Securities of a series (or of all outstanding Indenture Securities, as the case may be) has been made, but before a judgment has been obtained by the Trustee, the holders of a majority in principal amount of outstanding Indenture Securities of such series (or of all outstanding Indenture Securities, as the case may be) may, subject to certain conditions, rescind and annul such declaration if all Events of Default (other than the nonpayment of accelerated principal, or a specified portion thereof, premium, or interest, if any) with respect to outstanding Indenture Securities of such series (or of all outstanding Indenture Securities, as the case may be) have been cured or waived as provided in the Indenture (Section 502). The holders of not less than a majority in aggregate principal amount of the outstanding Indenture Securities of a series (or of all outstanding Indenture Securities, as the case may be) have the right, subject to certain conditions and exceptions, to waive defaults other than defaults in the payment of the principal of (or premium, if any, on) or interest, if any, on any Indenture Security of such series and defaults in respect of a covenant or provision that cannot be modified or amended without the consent of the holder of each outstanding Indenture Security of such series affected thereby (Sections 502 and 513). Reference is made to the Prospectus Supplement relating to any series of Debt Securities that are Original Issue Discount Securities or Indexed Securities for the particular provisions relating to acceleration of a portion of the principal amount thereof upon the occurrence and the continuation of an Event of Default.

No holder of any Indenture Security of any series will have any right to institute any proceeding with respect to the Indenture, or for any remedy under the Indenture, unless (1) such holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Indenture Securities of such series, (2) the holders of at least 25% in aggregate principal amount of outstanding Indenture Securities of such series in the case of any Event of Default described in clause (1), (2), (4) or (6) above, or the holders of at least 25% in aggregate principal amount of all outstanding Indenture Securities in the case of any Event of Default described in clause (3) or (5) above, have made a written request and offered reasonable security or indemnity to the Trustee to institute such proceeding, (3) the Trustee has failed to institute any such proceeding within 60 days after its receipt of such notice, request and offer and (4) 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 aggregate principal amount of outstanding Indenture Securities of such series (or of all outstanding Indenture Securities, as the case may be). No one or more of such holders will have any right under any provision of the Indenture to affect, disturb or prejudice the rights of any other holders of outstanding Indenture Securities of the same series (in the case of an Event of Default described in clause (1), (2), (4) or (6) above), or holders of all outstanding Indenture Securities (in the case of an Event of Default described in clause (3) or (5) above), or to obtain preference or priority over any other

holders, or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all the holders of outstanding Indenture Securities of the same series (in the case of an Event of Default described in clause (1), (2), (4) or (6) above), or holders of all outstanding Indenture Securities (in the case of an Event of Default described in clause (3) or (5) above) (Section 507).

Subject to provisions relating to the duties of the Trustee in case an Event of Default has occurred and is continuing, the Trustee is under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders unless such holders have offered to the Trustee reasonable security or indemnity (Section 602 and TIA Section 315). Subject to such provision for the indemnification of the Trustee and certain limitations contained in the Indenture, the holders of a majority in principal amount of outstanding Indenture Securities of a series (or of all outstanding Indenture Securities, as the case may be) will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee (Section 512).

The Trustee will, within 90 days after the occurrence of a default actually known to it with respect to the outstanding Indenture Securities of any series, give notice to all holders of such series of all uncured defaults; provided that, except in the case of default in the payment of the principal of (or

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premium, if any, on) or interest, if any, on any outstanding Indenture Security of such series, the Trustee will be protected in withholding such notice if it determines in good faith that the withholding of such notice is in the interests of such holders; and provided further that, in the case of a default with respect to the outstanding Indenture Securities of the character specified in clause (3) of the definition of Events of Default, no such notice will be given until at least 30 days after the occurrence thereof (Section 601).

The Company and the Guarantor will be required to furnish annually to the Trustee a statement as to the fulfillment by the Company and the Guarantor of all of their respective obligations under the Indenture (Section 1004).

#### DEFEASANCE AND COVENANT DEFEASANCE

The Indenture provides that the Company may elect either (1) to defease and be discharged, for itself and the Guarantor, from any and all obligations with respect to all or a portion of the Indenture Securities of any series and any related coupons (except for the obligations (a) to pay Additional Amounts, if any; (b) to register the transfer of or exchange such Indenture Securities and any related coupons; (c) to replace temporary or mutilated, destroyed, lost or stolen Indenture Securities of such series and any related coupons; (d) to maintain an office or agency in respect of such Indenture Securities and any related coupons; and (e) to hold moneys for payment in trust) ("defeasance"); or (2) to be released, for itself and the Guarantor, from its obligations with respect to such outstanding Indenture Securities and any related coupons under Sections 1008 and 1009 of the Indenture (being the restrictions described above under "Liens" and "Sale and Leaseback Transactions", respectively, under the heading "Certain Covenants") or, if so provided in the Prospectus Supplement, its and the Guarantor's obligations with respect to any other covenant, and any omission to comply with such obligations will not constitute a default or an Event of Default with respect to such Indenture Securities and any related coupons ("covenant defeasance"), in the case of either clause (1) or clause (2), upon the irrevocable deposit by the Company or the Guarantor with the Trustee (or other qualifying trustee), in trust, of (i) an amount, in the Currency in which such Indenture Securities and any related coupons are then specified as payable at Stated Maturity, (ii) Government Obligations (as defined below) applicable to such Indenture Securities and any related coupons (with such applicability being determined on the basis of the Currency in which such Indenture Securities are then specified as payable at Stated Maturity) that, through the payment of principal and interest in accordance with their terms, will provide money in an amount, or (iii) a combination thereof in an amount, sufficient to pay the principal of (and premium, if any, on) and interest, if any, on such Indenture Securities and any related coupons, and any mandatory sinking fund or analogous payments thereon, on the scheduled due dates therefor.

Such a trust may only be established if, among other things, the Company has delivered to the Trustee an opinion of counsel to the effect that the holders of such Indenture Securities and any related coupons will not recognize income,

gain or loss for United States federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred, and such opinion, in the case of defeasance under clause (1) above, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law occurring after the date of the Indenture (Article 14).

Unless otherwise provided in the applicable Prospectus Supplement, "Government Obligations" means securities that are (1) direct obligations of the government that issued the Currency in which the Indenture Securities of a series are payable or (2) obligations of a person controlled or supervised by and acting as an agency or instrumentality of such government, the payment of which obligations is unconditionally guaranteed by such government, that, in either case, are full faith and credit obligations of such government payable in such Currency and are not callable or redeemable at the option of the issuer thereof. Such term will also include a depository receipt issued by a bank or trust company

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as custodian with respect to any such Government Obligation or a specific payment of principal of or interest on any such Government Obligation held by such custodian for the account of the holder of a 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 with respect to any amount received by the custodian in respect of the Government Obligation for the specific payment of interest or principal of the Government Obligation evidenced by such depository receipt (Section 101).

Unless otherwise provided in the Prospectus Supplement, if, after the Company or the Guarantor has deposited funds, Government Obligations or both to effect defeasance with respect to any Indenture Securities (1) the holder of such an Indenture Security is entitled to, and does, elect pursuant to the terms of such Indenture Security to receive payment in a Currency other than that in which such deposit has been made or (2) a Conversion Event occurs, the indebtedness represented by such Indenture Security and any related coupons will be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of (and premium, if any, on) and interest, if any, on such Indenture Security as they become due out of the proceeds yielded by converting (from time to time in the case of such an election) the amount so deposited into the Currency in which such Indenture Security becomes payable as a result of such election or such cessation of usage based on the applicable Market Exchange Rate (as defined in the Indenture or in the Prospectus Supplement) for such Currency in effect on the second Business Day prior to each payment date (with respect to such an election) or (as nearly as feasible) in effect at the time of such a cessation of usage (with respect to such a cessation of usage) (Section 1405).

In the event the Company effects covenant defeasance with respect to any Indenture Securities and any related coupons and such Indenture Securities and coupons are declared due and payable because of the occurrence of any Event of Default other than (a) an Event of Default described in clause (3) under "Events of Default" with respect to Sections 1008 and 1009 of the Indenture (which Sections would no longer be applicable to such Indenture Securities or coupons) or (b) an Event of Default described in clause (3) or (6) under "Events of Default" with respect to any other covenant as to which there has been defeasance, the realizable value of the money and Government Obligations on deposit with the Trustee may not be sufficient to pay amounts due on such Debt Securities and coupons at the time of the acceleration resulting from such Event of Default, in that the required deposit with the Trustee is based upon scheduled cash flows rather than market value, which will vary depending upon interest rates and other factors. However, the Company and the Guarantor would remain liable to make payment of such shortfall amounts due at the time of acceleration.

The Prospectus Supplement may further describe the provisions, if any, permitting such defeasance or covenant defeasance, including any modifications to the provisions described above, with respect to the Indenture Securities of or within a particular series, any related coupons and the related Guarantees.

CERTAIN COVENANTS

The Indenture provides that each of the Company and the Guarantor will not itself, and will not permit any of its Restricted Subsidiaries to, create, incur, issue, assume or guarantee any Debt secured by a Lien on any Principal Facility or on any Restricted Security without in any such case effectively providing that the Indenture Securities issued thereunder (in the case of the Company), the related Guarantees (in the case of the Guarantor) or the Indenture Securities and Guarantees (in the case of a Restricted Subsidiary) (and, at the option of the Company or the Guarantor, as the case may be, any other Debt of the Company, the Guarantor or any such Restricted Subsidiary ranking equally with the Indenture Securities or Guarantees or the senior Debt of such Restricted Subsidiary, as the case may be) will be secured equally and ratably with or prior to such secured Debt, except that the foregoing restriction will not apply to:

(1) Liens existing as of the date of the first issuance by the Company of any such Indenture Securities.

(2) Liens on property or assets of, or on any shares of stock or Debt issued by, any corporation existing at the time such corporation becomes a Restricted Subsidiary.

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(3) Liens in favor of the Company, the Guarantor or any Restricted Subsidiary.

(4) Liens on any Principal Facility or Restricted Security existing at the time of acquisition thereof or certain purchase money Liens.

(5) Liens on any Principal Facility to secure all or any part of the cost of exploration, drilling, development, operation, construction, alteration, repair or improvement of all or any part of such Principal Facility or to secure certain Debt incurred for the purpose of financing all or any part of such cost.

(6) Any extension, renewal, substitution or replacement (or successive extensions, renewals, substitutions or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (1) through (5).

Notwithstanding the above, the Company, the Guarantor and any Restricted Subsidiary may, without securing such Indenture Securities, Guarantees or senior Debt, create, incur, issue, assume or guarantee Debt secured by a Lien that would otherwise be subject to the foregoing restrictions, provided that, after giving effect thereto, the aggregate principal amount of such secured Debt then outstanding, whenever created, incurred, issued, assumed or guaranteed (not including Debt secured by Liens permitted or excepted under the foregoing exceptions) plus all Attributable Debt of the Company, the Guarantor and the Restricted Subsidiaries in respect of sale and leaseback transactions involving Principal Facilities, entered into after the date of the first issuance by the Company of any such Indenture Securities (other than sale and leaseback transactions described in clause (2) or (3) of the section entitled "Sale and Leaseback Transactions"), would not exceed 10% of Consolidated Net Tangible Assets (Section 1008).

#### SALE AND LEASEBACK TRANSACTIONS

The Indenture further provides that each of the Company and the Guarantor will not itself, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction (except a lease for a temporary period, including renewals, not exceeding three years and except leases with the Company, the Guarantor or any such Restricted Subsidiary) covering any Principal Facility that has been or is to be sold or transferred by the Company, the Guarantor or such Restricted Subsidiary, unless (1) the Attributable Debt of the Company, the Guarantor and the Restricted Subsidiaries in respect thereof and all other sale and leaseback transactions covering Principal Facilities, whenever entered into (other than such sale and leaseback transactions as are in compliance with the provisions described in clause (2) or (3) of this paragraph), plus the aggregate principal amount of Debt secured by Liens on Principal Facilities or on Restricted Securities then outstanding (other than Debt secured by Liens permitted or excepted without securing the Indenture Securities outstanding thereunder and the related Guarantees and other than Debt if such Indenture Securities are secured equally and ratably with or prior to



such Debt), would not exceed 10% of Consolidated Net Tangible Assets or (2) an amount ("Designated Amount") equal to the greater of the net proceeds of such sale or the fair market value of such Principal Facility (as determined by the Company or the Guarantor, as the case may be) is applied within 120 days after the transaction to the retirement of Funded Debt of the Company or the Guarantor (other than at maturity or pursuant to any mandatory sinking fund payment or mandatory prepayment provision), except that the amount to be applied to retirement of Funded Debt of the Company or the Guarantor will be reduced by (a) the aggregate principal amount of any such Indenture Securities called for redemption by the Company within 120 days after such transaction or delivered within such 120-day period to the Trustee for retirement and cancellation and (b) the aggregate principal amount of Funded Debt, other than such Indenture Securities, voluntarily retired by the Company or the Guarantor within 120 days after such transaction, or (3) the Company, the Guarantor or such Restricted Subsidiary, within a period commencing 12 months prior to and ending 12 months after the date of the sale or transfer in respect of such sale and leaseback transaction, has expended or reasonably expects to expend within such period moneys to acquire or construct any Principal Facility or Facilities, in which case the Company, the Guarantor or such Restricted Subsidiary may enter into such sale and leaseback transaction, but only if the Designated Amount in respect thereof is less than or equal to such moneys expended or to be expended within such period (Section 1009).

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#### DEFINITIONS

"ATTRIBUTABLE DEBT" means, as to any particular lease under which any person is at the time liable, at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such person under such lease during the remaining term thereof (excluding amounts required to be paid on account of maintenance and repairs, services, insurance, taxes, assessments, water rates and similar charges and contingent rents), discounted from the respective due dates thereof at the weighted average of the rates of interest (or Yields to Maturity, in the case of Original Issue Discount Securities) borne by the Indenture Securities then outstanding under the Indenture, compounded annually (Section 101).

"CONSOLIDATED NET TANGIBLE ASSETS" means the aggregate amount of assets of the Guarantor and its consolidated Subsidiaries after deducting therefrom (1) applicable reserves and other properly deductible items, (2) all current liabilities of the Guarantor and its consolidated Subsidiaries (excluding any current liabilities constituting Funded Debt by reason of being renewable or extendable) and (3) all goodwill, trade names, trademarks, patents, organization expenses and other like intangibles of the Guarantor and its consolidated Subsidiaries, all as set forth on the latest available balance sheet of the Guarantor and its consolidated Subsidiaries as of the last day of a calendar quarter (but, in any event, within 150 days of the date of determination), prepared in accordance with generally accepted accounting principles (Section 101).

"DEBT" means notes, bonds, debentures or other similar evidences of indebtedness for money borrowed (Section 101).

"FUNDED DEBT" means all Debt having a maturity of more than 12 months from the date such Debt was incurred or having a maturity of less than 12 months but by its terms being renewable or extendable, at the option of the borrower, beyond 12 months from the date such Debt was incurred (Section 101).

"LIEN" means any pledge, mortgage, lien, encumbrance or security interest (Section 101).

"PRINCIPAL FACILITY" means any manufacturing plant or warehouse, together with the land upon which it is erected and fixtures comprising a part thereof, owned by the Company, the Guarantor or any Restricted Subsidiary and located in the United States, the gross book value of which (without deduction of any depreciation reserves) on the date as of which the determination is being made exceeds 1% of Consolidated Net Tangible Assets, other than any such plant or warehouse or any portion thereof (together with such land and fixtures) that, in the opinion of the Board of Directors of the Guarantor, is not of material importance to the business conducted by the Company, the Guarantor and the Restricted Subsidiaries, taken as a whole (Section 101).

"RESTRICTED SECURITY" means any share of stock or Debt issued by any

"RESTRICTED SUBSIDIARY" means any Subsidiary of the Company and/or the Guarantor, other than an Unrestricted Subsidiary (Section 101).

"SUBSIDIARY" means any corporation or other entity of which at the time of determination the Company and/or the Guarantor, directly and/or indirectly through one or more Subsidiaries, owns Voting Stock sufficient to elect a majority of the directors or comparable officials thereof (Section 101).

"UNRESTRICTED SUBSIDIARY" means (1) any Subsidiary principally engaged in (a) (i) owning, leasing, managing or otherwise operating, or franchising or licensing (A) facilities engaged in the retail sale of goods or services to the general public, or (B) fast food, coffee shop, restaurant or other retail facilities principally engaged in providing food or beverages to the general public, or (ii) providing services to the facilities described in clause (i); (b) owning, leasing, dealing in or developing real property used or to be used principally by persons other than the Company, the Guarantor or any Subsidiary for residential, shopping center, industrial, warehouse or office building purposes; or (c) purchasing or financing accounts receivable, making loans, extending credit or other activities of a character conducted by a finance company; (2) any Subsidiary, that is primarily engaged in the business of developing, testing, manufacturing, marketing or providing products, facilities or services used or useful in connection with, or constituting, the furnishing of medical, dental or veterinary care,

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including kidney dialysis and other intravenous therapy products and services and pharmaceutical products and services; (3) any Subsidiary, the major portion of the assets of which consists of one or more general or limited partnership interests, so long as no such interest represents more than 50% of the total ownership interest in such partnership; and (4) any Subsidiary substantially all of the assets of which consist of capital stock or securities of the Subsidiaries described in clauses (1), (2) and/or (3) of this paragraph. If there is a question as to whether a Subsidiary is an Unrestricted Subsidiary, such matter will be determined by the Board of Directors of the Company or the Guarantor, as the case may be (Section 101).

#### BOOK-ENTRY DEBT SECURITIES

Debt Securities of a series (and the related Guarantees) may be issued in whole or in part in the form of one or more Global Securities that will be deposited with, or on behalf of, a depository identified in the Prospectus Supplement relating to such series. Global Securities may be issued in either registered or bearer form and in either temporary or permanent form. Unless otherwise provided in the Prospectus Supplement, Debt Securities of a series (and the related Guarantees) that are represented by a Global Security may be issued in any denomination, and will be issued in registered form only, without coupons. Payments of principal of (and premium, if any, on) and interest, if any, on Debt Securities of such series represented by a Global Security will be made by the Company or the Trustee to the depository.

The Company anticipates that any Global Securities will be deposited with, or on behalf of, The Depository Trust Company ("DTC"), New York, New York, that such Global Securities will be registered in the name of DTC's nominee, and that the following provisions will apply to the depository arrangements with respect to any such Global Securities. Additional or differing terms of the depository arrangement will be described in the Prospectus Supplement relating to Offered Debt Securities issued in the form of Global Securities.

So long as DTC or its nominee is the registered owner of a Global Security, DTC or its nominee, as the case may be, will be considered the sole holder of the Debt Securities represented by such Global Security for all purposes under the Indenture. Except as described below, owners of beneficial interests in a Global Security will not be entitled to have Debt Securities represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of Debt Securities in certificated form and will not be considered the owners or holders of Debt Securities under the Indenture. The laws of some states require that certain purchasers of securities take physical delivery of such securities in certificated form; accordingly, such laws may limit the transferability of beneficial interests in a Global Security.

If DTC is at any time unwilling or unable to continue as depository and a

successor depository is not appointed by the Company within 90 days following notice to the Company, the Company will issue individual Debt Securities in certificated form in exchange for the Global Securities. In addition, the Company may at any time, and in its sole discretion, determine not to have any Debt Securities of one or more series represented by Global Securities and, in such event, will issue individual Debt Securities of such series in certificated form in exchange for the relevant Global Securities. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery of individual Debt Securities in certificated form equal in principal amount to such beneficial interest and to have such Debt Securities in certificated form registered in its name.

The following is based on information furnished by DTC:

DTC will act as securities depository for the Debt Securities. The Debt Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Debt Security certificate will be issued with respect to each \$150 million of principal amount of the Debt Securities of a series, and an additional certificate will be issued with respect to any remaining principal amount of such series.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("Participants") deposit with DTC.

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DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the SEC.

Purchases of Debt Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Debt Securities on DTC's records. The ownership interest of each actual purchaser of each Debt Security ("Beneficial Owner") is in turn to be recorded on the Participants' records. A Beneficial Owner will not receive written confirmation from DTC of its purchase, but such Beneficial Owner is expected to receive a written confirmation providing details of the transaction, as well as periodic statements of its holdings, from the Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Debt Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Debt Securities, except in the event that use of the book-entry system for the Debt Securities is discontinued.

To facilitate subsequent transfers, the Debt Securities will be registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Debt Securities with DTC and their registration in the name of Cede & Co. will effect no change in beneficial ownership. DTC will have no knowledge of the actual Beneficial Owners of the Debt Securities; DTC records will reflect only the identity of the Direct Participants to whose accounts Debt Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Delivery of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct

and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Debt Securities. Under its usual procedures, DTC mails a proxy (an "Omnibus Proxy") to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Debt Securities are credited on the record date (identified on a list attached to the Omnibus Proxy).

Principal, premium and interest payments on the Debt Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings as shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Company or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Debt Securities at any time by giving reasonable notice to the Company or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not appointed, Debt Security certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources (including DTC) that the Company and the Guarantor believe to be reliable, but the Company and the Guarantor take no responsibility for the accuracy thereof.

Unless stated otherwise in the applicable Prospectus Supplement, the underwriters or agents with respect to Offered Debt Securities issued as Global Securities will be Direct Participants in DTC.

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

#### CONCERNING THE TRUSTEE

NationsBank of Georgia, National Association, Atlanta, Georgia, is the Trustee under the Indenture. The Trustee is expected to serve as warrant agent (see "Description of Warrants"). Grace also maintains customary banking relationships with the Trustee and its banking affiliates, one of which is a party to a revolving credit agreement with Grace.

#### DESCRIPTION OF WARRANTS

The Company may issue Warrants either separately or together with Offered Debt Securities. Each issue of Warrants will be made under a warrant agreement (each a "Warrant Agreement") to be entered into between the Company and the bank or trust company specified in the Prospectus Supplement ("Warrant Agent"). The Warrant Agent is expected to be the Trustee. The form of the Warrant Agreement has been filed with the SEC as an exhibit to the Registration Statement. The following summary of the material provisions of the Warrant Agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Warrant Agreement, including the definitions of certain terms therein, and to the specific terms of the Warrants set forth in the Prospectus

GENERAL

Reference is made to the Prospectus Supplement for the specific terms of the Warrants in respect of which this Prospectus and the Prospectus Supplement are being delivered, including the following:

- (1) The title and aggregate number of such Warrants.
- (2) The offering price of such Warrants.
- (3) The title, aggregate principal amount and terms of the Underlying Debt Securities issuable upon exercise of such Warrants (as specified under "Description of Debt Securities and Guarantees -- General").
- (4) The principal amount of Underlying Debt Securities issuable upon exercise of each such Warrant, and the price, or the manner of determining the price, at which such principal amount may be purchased upon such exercise.
- (5) The time or times at which, or period or periods during which, such Warrants may be exercised and the expiration date of such Warrants.
- (6) The terms of any right of the Company to redeem such Warrants.
- (7) Whether such Warrants are to be issued with any Offered Debt Securities and, if so, the title, aggregate principal amount and terms of such Offered Debt Securities (as specified under "Description of Debt Securities and Guarantees -- General") and the number of such Warrants to be issued with each \$1,000 principal amount of such Offered Debt Securities (or such other principal amount as may be established).
- (8) The date, if any, on and after which such Warrants and such Offered Debt Securities will be separately transferable.

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If applicable, the Prospectus Supplement will also set forth information concerning any Offered Debt Securities offered thereby and a discussion of any relevant federal income tax considerations.

Certificates representing Warrants ("Warrant Certificates") may be issued in registered or bearer form, or both, as set forth in the Prospectus Supplement, and will be exchangeable for new Warrant Certificates of different denominations. No service charge will be made for any permitted transfer or exchange of Warrant Certificates, but the Company may require payment of any tax or other governmental charge payable in connection therewith. Warrants may be exercised at the corporate trust office of the Warrant Agent or any other office indicated in the Prospectus Supplement.

EXERCISE OF WARRANTS

Each Warrant will entitle the holder thereof to purchase such amount of Underlying Debt Securities at the exercise price set forth in, or calculable from, the Prospectus Supplement relating to such Warrants. After the close of business on the applicable expiration date, unexercised Warrants will become void.

Warrants may be exercised by payment to the Warrant Agent of the applicable exercise price and by delivery to the Warrant Agent of the information specified on the Warrant Certificate. Warrants will be deemed to have been exercised upon receipt of the exercise price, subject to the receipt by the Warrant Agent, within five business days thereafter, of the Warrant Certificate or Certificates evidencing such Warrants. Upon receipt of such payment and properly completed Warrant Certificates at the corporate trust office of the Warrant Agent or any other office indicated in the applicable Prospectus Supplement, the Company will, as soon as practicable, deliver the amount of Underlying Debt Securities purchased upon such exercise. If fewer than all of the Warrants represented by any Warrant Certificate are exercised, a new Warrant Certificate will be issued for the unexercised Warrants. The holder of a Warrant will be required to pay any tax or other governmental charge that may be imposed in connection with any transfer involved in the issuance of Underlying Debt Securities purchased upon such exercise.

## MODIFICATIONS

The Warrant Agreement and the terms of the Warrants may be amended by the Company and the Warrant Agent, without the consent of any holder, for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or in any other manner that the Company deems necessary or desirable and that will not materially and adversely affect the interests of the holders of the Warrants.

The Company and the Warrant Agent also may modify or amend the Warrant Agreement and terms of the Warrants with the consent of the holders of not less than a majority in number of the then outstanding unexercised Warrants affected thereby; provided that no such modification or amendment that accelerates the expiration date, increases the exercise price, reduces the number of outstanding Warrants the consent of the holders of which is required for modification or amendment of the Warrant Agreement or the terms of the Warrants, or otherwise materially and adversely affects the rights of the holders of Warrants, may be made without the consent of each holder affected thereby.

## NO RIGHTS AS HOLDERS OF UNDERLYING DEBT SECURITIES

Holders of Warrants are not entitled, by virtue of being such holders, to payment of principal of (or premium, if any, on) or interest, if any, on the related Underlying Debt Securities or to exercise any other rights whatsoever as holders of such Underlying Debt Securities.

## PLAN OF DISTRIBUTION

Offered Securities may be sold directly to one or more purchasers or through underwriters, dealers or agents.

If underwriters are used in an offering of Offered Securities, the name of each managing underwriter and any other underwriters and the terms of the transaction, including any underwriting discounts and other items constituting compensation of the underwriters and dealers, if any, will be set forth in the Prospectus Supplement relating to such offering, and the Offered Securities will be acquired by the underwriters for their own accounts and may be resold from time to time in one or

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more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

Only underwriters named in a Prospectus Supplement will be deemed to be underwriters in connection with the Offered Securities described therein; a firm not so named will have no direct or indirect participation in the underwriting of such Offered Securities, although such firm may participate in the distribution of such Offered Securities under circumstances entitling it to a dealer's commission. It is anticipated that any underwriting agreement pertaining to any Offered Securities will (1) entitle the underwriters to indemnification by the Company against certain civil liabilities under the Securities Act, (2) provide that the obligations of the underwriters will be subject to certain conditions precedent and (3) provide that the underwriters will be obligated to purchase all Offered Securities (other than any subject to Delayed Delivery Contracts) if any are purchased.

If a dealer is used in an offering of Offered Securities, the Company will sell such Offered Securities to the dealer, as principal. The dealer may then resell such Offered Securities to the public at varying prices to be determined by such dealer at the time of resale. The name of the dealer and the terms of the transaction will be set forth in the Prospectus Supplement relating thereto.

If an agent is used in an offering of Offered Securities, the agent will be named, and the terms of the agency will be set forth, in the Prospectus Supplement relating thereto. Unless otherwise indicated in such Prospectus Supplement, an agent will act on a best efforts basis for the period of its appointment.

Dealers and agents named in a Prospectus Supplement may be deemed to be underwriters (within the meaning of the Securities Act) of the Offered

Securities described therein and, under agreements that may be entered into, may be entitled to indemnification by the Company and the Guarantor against certain civil liabilities under the Securities Act. Underwriters, dealers and agents may be customers of, engage in transactions with or perform services for Grace in the ordinary course of business.

Offers to purchase Offered Securities may be solicited, and sales thereof may be made, by the Company directly to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act with respect to any resales thereof. The terms of any such offers will be set forth in the Prospectus Supplement relating thereto.

If so indicated in the Prospectus Supplement, the Company will authorize underwriters or other agents of the Company to solicit offers by certain institutional investors to purchase Offered Securities from the Company pursuant to contracts providing for payment and delivery at a future date. Institutional investors with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such purchasers must be approved by the Company. The obligations of any purchaser under any such contract will not be subject to any conditions except that (1) the purchase of the Offered Securities shall not at the time of delivery be prohibited under the laws of any jurisdiction to which such purchaser is subject and which govern such investment and (2) if the Offered Securities are also being sold to underwriters, the Company shall have sold to such underwriters the Offered Securities not subject to delayed delivery. Underwriters and other agents will not have any responsibility in respect of the validity or performance of such contracts.

The anticipated date of delivery of Offered Securities will be set forth in the Prospectus Supplement relating to each offering.

LEGAL OPINIONS

The validity of the Securities and the Guarantees will be passed upon for the Company and the Guarantor by Robert H. Beber, General Counsel of the Company and the Guarantor, and for the underwriters, dealers and agents, if any, by Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022. Mr. Beber is also an Executive Vice President of the Company and the Guarantor and beneficially owns certain securities of the Guarantor. Shearman & Sterling occasionally represents Grace in corporate transactions and antitrust matters.

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EXPERTS

The audited consolidated financial statements and schedules incorporated in this Prospectus by reference to the Guarantor's filings pursuant to the Exchange Act have been so incorporated in reliance on the reports of Price Waterhouse, independent accountants, given upon the authority of such firm as experts in auditing and accounting.

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

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W. R. GRACE & CO.-CONN.

MEDIUM-TERM NOTES, SERIES A  
 DUE MORE THAN NINE MONTHS  
 FROM DATE OF ISSUE

UNCONDITIONALLY GUARANTEED BY  
 W. R. GRACE & CO.

SALOMON BROTHERS INC

J.P. MORGAN SECURITIES INC.

UBS SECURITIES INC.

PROSPECTUS SUPPLEMENT  
 DATED APRIL 7, 1994