**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended March 31, 2007**

**OR**

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

**For the transition period from to**

**Commission file number 1-16483**

# Kraft Foods Inc.

(Exact name of registrant as specified in its charter)

| **Virginia** | **52-2284372** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **Three Lakes Drive, Northfield, Illinois** | **60093** |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code **(847) 646-2000**
Not Applicable
Former name, former address and former fiscal year, if changed since last report

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

At April 30, 2007, there were 1,604,112,203 shares of the registrant's common stock outstanding.

KRAFT FOODS INC.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

Kraft Foods Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in millions of dollars)
(Unaudited)

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 251 | $ 239 |
| Receivables (less allowances of $88 in 2007 and $84 in 2006) | 3,977 | 3,869 |
| Inventories: | | |
| Raw materials | 1,584 | 1,389 |
| Finished product | 2,297 | 2,117 |
| Total inventories | 3,881 | 3,506 |
| Deferred income taxes | 394 | 387 |
| Other current assets | 349 | 253 |
| Total current assets | 8,852 | 8,254 |
| Property, plant and equipment, at cost | 17,373 | 17,050 |
| Less accumulated depreciation | 7,749 | 7,357 |
| Property, plant and equipment — net | 9,624 | 9,693 |
| Goodwill | 25,411 | 25,553 |
| Other intangible assets, net | 10,048 | 10,177 |
| Prepaid pension assets | 1,185 | 1,168 |
| Other assets | 694 | 729 |
| TOTAL ASSETS | $ 55,814 | $ 55,574 |
| LIABILITIES | | |
| Short-term borrowings | $ 2,046 | $ 1,715 |
| Current portion of long-term debt | 1,415 | 1,418 |
| Due to Altria Group, Inc. and affiliates | 449 | 607 |
| Accounts payable | 2,574 | 2,602 |
| Accrued liabilities: | | |
| Marketing | 1,582 | 1,626 |
| Employment costs | 526 | 750 |
| Other | 1,676 | 1,604 |
| Income taxes | 159 | 151 |
| Total current liabilities | 10,427 | 10,473 |
| Long-term debt | 7,081 | 7,081 |
| Deferred income taxes | 3,824 | 3,930 |
| Accrued postretirement health care costs | 3,026 | 3,014 |
| Other liabilities | 2,727 | 2,521 |
| TOTAL LIABILITIES | 27,085 | 27,019 |
| Contingencies (Note 8) | | |
| SHAREHOLDERS' EQUITY | | |
| Class A common stock, no par value (1,735,000,000 shares issued in 2007 and 555,000,000 shares issued in 2006) | | |
| Class B common stock, no par value (1,180,000,000 shares issued and outstanding in 2006) | | |
| Additional paid-in capital | 23,292 | 23,626 |
| Earnings reinvested in the business | 11,633 | 11,128 |
| Accumulated other comprehensive losses (including currency translation of $(722) in 2007 and $(723) in 2006) | (3,013) | (3,069) |
| | 31,912 | 31,685 |
| Less cost of repurchased stock (100,567,107 Class A shares in 2007 and 99,027,355 Class A shares in 2006) | (3,183) | (3,130) |
| TOTAL SHAREHOLDERS' EQUITY | 28,729 | 28,555 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 55,814 | $ 55,574 |

See notes to condensed consolidated financial statements.

Kraft Foods Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings
(in millions of dollars, except per share data)
(Unaudited)

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| Net revenues | $ 8,586 | $ 8,123 |
| Cost of sales | 5,535 | 5,191 |
| Gross profit | 3,051 | 2,932 |
| Marketing, administration and research costs | 1,872 | 1,708 |
| Asset impairment and exit costs | 67 | 202 |
| (Gains) losses on sales of businesses | (12) | 3 |
| Amortization of intangibles | 2 | 2 |
| Operating income | 1,122 | 1,017 |
| Interest and other debt expense, net | 64 | 96 |
| Earnings before income taxes | 1,058 | 921 |
| Provision (benefit) for income taxes | 356 | (85) |
| Net earnings | $ 702 | $ 1,006 |
| Per share data: | | |
| Basic earnings per share | $ 0.43 | $ 0.61 |
| Diluted earnings per share | $ 0.43 | $ 0.61 |
| Dividends declared | $ 0.25 | $ 0.23 |

See notes to condensed consolidated financial statements.

Kraft Foods Inc. and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity
(in millions of dollars, except per share data)
(Unaudited)

| | Class A and B Common Stock | Additional Paid-in Capital | Earnings Reinvested in the Business | Accumulated Other Comprehensive Earnings/(Losses) | | | Cost of Repurchased Stock | Total Share-holders' Equity |
|---|---|---|---|---|---|---|---|---|
| | | | | Currency Translation Adjustments | Other | Total | | |
| Balances, January 1, 2006 | $ – | $ 23,835 | $ 9,453 | $ (1,290) | $ (373) | $ (1,663) | $ (2,032) | $ 29,593 |
| Comprehensive earnings: | | | | | | | | |
| Net earnings | – | – | 3,060 | – | – | – | – | 3,060 |
| Other comprehensive earnings net of income taxes: | | | | | | | | |
| Currency translation adjustments | – | – | – | 567 | – | 567 | – | 567 |
| Additional minimum pension liability | – | – | – | – | 78 | 78 | – | 78 |
| Total other comprehensive earnings | | | | | | | | 645 |
| Total comprehensive earnings | | | | | | | | 3,705 |
| Initial adoption of FASB Statement No. 158, net of income taxes | – | – | – | – | (2,051) | (2,051) | – | (2,051) |
| Exercise of stock options and issuance of other stock awards | – | (209) | 202 | – | – | – | 152 | 145 |
| Cash dividends declared ($0.96 per share) | – | – | (1,587) | – | – | – | – | (1,587) |
| Class A common stock repurchased | – | – | – | – | – | – | (1,250) | (1,250) |
| Balances, December 31, 2006 | – | 23,626 | 11,128 | (723) | (2,346) | (3,069) | (3,130) | 28,555 |
| Comprehensive earnings: | | | | | | | | |
| Net earnings | – | – | 702 | – | – | – | – | 702 |
| Other comprehensive earnings, net of income taxes: | | | | | | | | |
| Currency translation adjustments | – | – | – | 1 | – | 1 | – | 1 |
| Amortization of experience losses and prior service costs | – | – | – | – | 53 | 53 | – | 53 |
| Change in fair value of derivatives accounted for as hedges | – | – | – | – | 2 | 2 | – | 2 |
| Total other comprehensive earnings | | | | | | | | 56 |
| Total comprehensive earnings * | | | | | | | | 758 |
| Initial adoption of FIN 48 (Note 13) | – | – | 213 | – | – | – | – | 213 |
| Exercise of stock options and issuance of other stock awards | – | (120) | – | – | – | – | 133 | 13 |
| Net settlement of employee stock awards with Altria Group, Inc. (Note 6) | – | (179) | – | – | – | – | – | (179) |
| Cash dividends declared ($0.25 per share) | – | – | (410) | – | – | – | – | (410) |
| Class A common stock repurchased | – | – | – | – | – | – | (186) | (186) |
| Other | – | (35) | – | – | – | – | – | (35) |
| Balances, March 31, 2007 | $ – | $ 23,292 | $ 11,633 | $ (722) | $ (2,291) | $ (3,013) | $ (3,183) | $ 28,729 |

* Total comprehensive earnings were $1,103 million for the quarter ended March 31, 2006.

See notes to condensed consolidated financial statements.

Kraft Foods Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in millions of dollars)
(Unaudited)

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Net earnings | $ 702 | $ 1,006 |
| Adjustments to reconcile net earnings to operating cash flows: | | |
| Depreciation and amortization | 220 | 216 |
| Deferred income tax benefit | (69) | (26) |
| (Gains) losses on sales of businesses | (12) | 3 |
| Asset impairment and exit costs, net of cash paid | 31 | 168 |
| Cash effects of changes, net of the effects from acquired and divested companies: | | |
| Receivables, net | (89) | (15) |
| Inventories | (355) | (294) |
| Accounts payable | (91) | (243) |
| Income taxes | (18) | 126 |
| Amounts due to Altria Group, Inc. and affiliates | (45) | (216) |
| Other working capital items | (250) | (247) |
| Change in pension assets and postretirement liabilities, net | 41 | (44) |
| Other | 96 | 46 |
| Net cash provided by operating activities | 161 | 480 |
| CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | | |
| Capital expenditures | (180) | (185) |
| Proceeds from sales of businesses | 200 | 88 |
| Other | 6 | 4 |
| Net cash provided (used in) by investing activities | 26 | (93) |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | | |
| Net issuance of short-term borrowings | 327 | 288 |
| Long-term debt proceeds | 10 | 11 |
| Long-term debt repaid | (16) | (14) |
| Increase in amounts due to Altria Group, Inc. and affiliates | 83 | 34 |
| Repurchase of Class A common stock | (190) | (315) |
| Dividends paid | (409) | (385) |
| Other | 19 | (62) |
| Net cash used in financing activities | (176) | (443) |
| Effect of exchange rate changes on cash and cash equivalents | 1 | 7 |
| Cash and cash equivalents: | | |
| Increase (decrease) | 12 | (49) |
| Balance at beginning of period | 239 | 316 |
| Balance at end of period | $ 251 | $ 267 |

See notes to condensed consolidated financial statements.

**Note 1. Accounting Policies:**

*Basis of Presentation:*

The interim condensed consolidated financial statements of Kraft Foods Inc. ("Kraft"), together with its subsidiaries (collectively referred to as the "Company"), are unaudited. It is the opinion of the Company's management that all adjustments necessary for a fair statement of the interim results presented have been reflected therein. All such adjustments were of a normal recurring nature. Net revenues and net earnings for any interim period are not necessarily indicative of results that may be expected for the entire year.

These statements should be read in conjunction with the Company's consolidated financial statements and related notes, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

On January 31, 2007, the Altria Group, Inc. ("Altria") Board of Directors announced that Altria would spin off all of its remaining interest (89.0%) in the Company on a pro rata basis to Altria stockholders in a tax-free transaction. Effective as of the close of business on March 30, 2007, the separation of Kraft from Altria and the distribution of all Kraft shares owned by Altria to Altria's stockholders was completed (the "Distribution"). The Distribution ratio was calculated by dividing the number of Class A common shares of Kraft held by Altria by the number of Altria shares outstanding on the date of record, March 16, 2007. Based on the number of Altria shares outstanding on the date of record, the distribution ratio was 0.692024 shares of Kraft Class A common stock for every share of Altria common stock outstanding. Prior to the Distribution, Altria converted its Class B shares of Kraft common stock, which carried ten votes per share, into Class A shares of Kraft, which carry one vote per share. Following the Distribution, only Class A common shares of Kraft are outstanding and Altria does not own any shares of Kraft.

*New Accounting Pronouncement:*

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, which will be effective for financial statements issued for fiscal years beginning after November 15, 2007. This statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of this statement is not expected to have a material impact on the Company's financial statements.

*Reclassification:*

Classification of certain prior year statement of earnings amounts related to minority interest in earnings have been reclassified into general corporate expenses to conform with the current year's presentation within marketing, administration and research costs.

**Note 2. Asset Impairment, Exit and Implementation Costs:**

*Restructuring Program:*

In January 2004, the Company announced a three-year restructuring program with the objectives of leveraging the Company's global scale, realigning and lowering its cost structure, and optimizing capacity utilization. In January 2006, the Company announced plans to expand its restructuring efforts through 2008. The entire restructuring program is expected to result in $3.0 billion in pre-tax charges reflecting asset disposals, severance and implementation costs. As part of this program, the Company anticipates the closure of up to 40 facilities and the elimination of approximately 14,000 positions. Approximately $1.9 billion of the $3.0 billion in pre-tax charges are expected to require cash payments. Pre-tax restructuring program charges during 2007 are expected to be approximately $625 million, including $88 million incurred in the first quarter of 2007. Total pre-tax restructuring charges incurred since the inception of the program in January 2004 were $1.7 billion.

During the second quarter of 2006, the Company announced a seven-year, $1.7 billion agreement to receive information technology services from Electronic Data Systems ("EDS"). The agreement, which includes data centers, web hosting, telecommunications and IT workplace services, began on June 1, 2006. The Company reversed pre-tax restructuring costs of $7 million due to lower than anticipated severance costs and incurred implementation costs of $15 million related to the transition for the three months ended March 31, 2007. These amounts were included in the pre-tax restructuring program charges discussed above.

*Restructuring Costs:*

During the first quarter of 2007 and 2006, pre-tax charges under the restructuring program of $67 million and $92 million, respectively, were recorded as asset impairment and exit costs on the condensed consolidated statements of earnings. The first quarter 2007 pre-tax charges resulted from costs relating to renegotiation of supplier contracts, and the continuation of workforce reduction programs associated with the previously announced closing of 27 plants since January 2004. No plants were closed in the first quarter of 2007. Approximately $54 million of the first quarter 2007 pre-tax charges will require cash payments.

Pre-tax restructuring liability activity for the quarter ended March 31, 2007 was as follows:

| | Severance | Asset Write-downs | Other | Total |
|---|---|---|---|---|
| | | (in millions) | | |
| Liability balance, January 1, 2007 | $ 165 | $ – | $ 32 | $ 197 |
| Charges | 18 | 14 | 35 | 67 |
| Cash spent | (28) | 4 | (12) | (36) |
| Charges against assets | (13) | (18) | – | (31) |
| Currency | 1 | – | – | 1 |
| Liability balance, March 31, 2007 | $ 143 | $ – | $ 55 | $ 198 |

Severance costs in the above schedule, which relate to the workforce reduction programs, include the cost of related benefits. Specific programs announced since 2004, as part of the overall restructuring program, will result in the elimination of approximately 9,800 positions. At March 31, 2007, approximately 9,000 of these positions have been eliminated. Asset write-downs relate to the impairment of assets caused by the plant closings and related activity. Other costs incurred relate primarily to renegotiation of supplier contracts, the continuation of workforce reduction programs associated with the plant closings and the termination of leasing agreements. Severance costs taken against assets relate to incremental pension costs, which reduce prepaid pension assets.

*Implementation Costs:*

The Company recorded pre-tax implementation costs of $21 million in the first quarter associated with the restructuring program. These costs include incremental costs related to the closure of facilities and costs related to the EDS transition discussed above. Substantially all implementation costs incurred in 2007 will require cash payments. These costs were recorded on the condensed consolidated statements of earnings as follows:

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| | (in millions) | |
| Cost of sales | $ 5 | $ 6 |
| Marketing, administration and research costs | 16 | 7 |
| Total implementation costs | $ 21 | $ 13 |

*Asset Impairment Charges:*

During the first quarter of 2007, the Company sold its hot cereal assets and trademarks for a pre-tax gain of $12 million. The Company incurred a pre-tax asset impairment charge of $69 million in the fourth quarter of 2006 in recognition of the sale. The charge, which included the write-off of a portion of the associated goodwill, and intangible and fixed assets, was recorded as asset impairment and exit costs on the consolidated statement of earnings. During the third quarter of 2006, the Company sold its pet snacks brand and assets and recorded tax expense of $57 million related to the sale. In addition, the Company incurred a pre-tax asset impairment charge of $86 million in the first quarter of 2006 in recognition of the sale. The charge, which included the write-off of a portion of the associated goodwill and intangible and fixed assets, was recorded as asset impairment and exit costs on the condensed consolidated statement of earnings.

During the first quarter of 2007, the Company completed its annual review of goodwill and intangible assets and no charges resulted from this review. During the first quarter of 2006, the Company completed its annual review of goodwill and intangible assets and recorded non-cash pre-tax charges of $24 million related to an intangible asset impairment for biscuits assets in Egypt and hot cereal assets in the United States. These charges were recorded as asset impairment and exit costs on the condensed consolidated statement of earnings.

*Total:*

The pre-tax asset impairment, exit and implementation costs discussed above, for the three months ended March 31, 2007 and March 31, 2006, were included in the segment operating income of the following segments:

| | For the Three Months Ended March 31, 2007 | | | | |
|---|---|---|---|---|---|
| | Restructuring Costs | Asset Impairment | Total Asset Impairment and Exit Costs | Implementation Costs | Total |
| | | | (in millions) | | |
| North America Beverages | $ 1 | $ – | $ 1 | $ 2 | $ 3 |
| North America Cheese & Foodservice | 10 | – | 10 | 4 | 14 |
| North America Convenient Meals | 10 | – | 10 | 4 | 14 |
| North America Grocery | 3 | – | 3 | 2 | 5 |
| North America Snacks & Cereals | 4 | – | 4 | 4 | 8 |
| European Union | 34 | – | 34 | 3 | 37 |
| Developing Markets(1) | 5 | – | 5 | 2 | 7 |
| Total | $ 67 | $ – | $ 67 | $ 21 | $ 88 |

| | For the Three Months Ended March 31, 2006 | | | | |
|---|---|---|---|---|---|
| | Restructuring Costs | Asset Impairment | Total Asset Impairment and Exit Costs | Implementation Costs | Total |
| | | | (in millions) | | |
| North America Beverages | $ 2 | $ – | $ 2 | $ 1 | $ 3 |
| North America Cheese & Foodservice | 6 | – | 6 | 4 | 10 |
| North America Convenient Meals | 17 | – | 17 | – | 17 |
| North America Grocery | 5 | – | 5 | 1 | 6 |
| North America Snacks & Cereals | 5 | 99 | 104 | 1 | 105 |
| European Union | 18 | – | 18 | 3 | 21 |
| Developing Markets(1) | 39 | 11 | 50 | 3 | 53 |
| Total | $ 92 | $ 110 | $ 202 | $ 13 | $ 215 |

(1) This segment was formerly called Developing Markets, Oceania & North Asia

**Note 3. Related Party Transactions:**

Through the first quarter of 2007, Altria's subsidiary, Altria Corporate Services, Inc. ("ALCS"), provided the Company with various services, including planning, legal, treasury, auditing, insurance, human resources, office of the secretary, corporate affairs, information technology, aviation and tax services. Billings for these services, which were based on the cost to ALCS to provide such services and a 5% management fee based on wages and benefits, were $19 million and $52 million for the three months ended March 31, 2007 and 2006, respectively.

On March 30, 2007, Kraft entered into a Transition Services Agreement (the "Transition Services Agreement") with ALCS pursuant to which ALCS will provide select administrative services to Kraft during 2007 to ensure continuity of activity following the Distribution. These services primarily relate to information technology in anticipation of the transition to EDS.

On March 30, 2007, Kraft entered into an Employee Matters Agreement (the "Employee Matters Agreement") with Altria. The Employee Matters Agreement provides for each company's respective obligations with regard to employee transfers, equity compensation and other employee benefits matters.

On March 30, 2007, Kraft entered into a Tax Sharing Agreement (the "Tax Sharing Agreement") with Altria. The Tax Sharing Agreement generally governs Altria's and Kraft's respective rights, responsibilities and obligations after the Distribution with respect to taxes attributable to Kraft's business, as well as any taxes incurred by Altria or Kraft as a result of the failure of the Distribution to qualify for tax-free treatment under Section 355 of the Internal Revenue Code of 1986, as amended.

At March 31, 2007 and 2006, the Company had short-term amounts payable to Altria Group, Inc. of $449 million and $472 million, respectively. The amounts payable to Altria generally include accrued dividends, taxes and service fees. As discussed in Note 6. *Stock Plans*, the Company reimbursed Altria $179 million for net settlement of employee stock awards. As further discussed in Note 13. *Income Taxes*, the Company's federal income taxes payable and federal income tax contingencies were previously recorded as liabilities on the balance sheet of Altria. Upon the Distribution, Altria reimbursed the Company $304 million for these liabilities, comprising approximately $375 million in contingencies for uncertain tax positions, plus interest before taxes of $77 million, and less $148 million of taxes payable at March 30, 2007. Interest on intercompany borrowings is based on the applicable London Interbank Offered Rate. All intercompany accounts were settled within 30 days of the Distribution date of March 30, 2007.

The net amount payable to Altria at March 31, 2007 was as follows:

| | |
|---|---|
| Accrued dividends | $ 364 |
| Intercompany cash balances | 233 |
| Net settlement of employee stock awards with Altria Group, Inc. (Note 6) | 179 |
| Taxes (Note 13) | (304) |
| Other | (23) |
| Net payable to Altria | $ 449 |

In the first quarter 2007, the Company purchased 1.4 million shares of its Class A common stock at an aggregate cost of $46.5 million from Altria per the provisions of the Distribution agreement. The aggregate cash amount paid by Kraft was based on a per share price of $32.085, which was calculated as the average of the high and the low price of Kraft's Class A common stock on March 1, 2007.

Also, see Note 13. *Income Taxes* regarding the impact to the Company of the closure of an Internal Revenue Service review of Altria's consolidated federal income tax return recorded during the first quarter of 2006.

**Note 4. Acquisition:**

In September 2006, the Company acquired the Spanish and Portuguese operations of United Biscuits ("UB") and rights to all Nabisco trademarks in the European Union, Eastern Europe, the Middle East and Africa, which UB has held since 2000, for a total cost of approximately $1.1 billion. For the three months ended March 31, 2007, these businesses contributed net revenues of approximately $97 million.

**Note 5. Divestitures:**

During the first quarter of 2007, the Company sold its hot cereal assets and trademarks. The aggregate proceeds received from this sale were $200 million, on which the Company recorded a pre-tax gain of $12 million.

During the third quarter of 2006 the Company sold its pet snacks brand and assets. The Company incurred a pre-tax asset impairment charge of $86 million in the first quarter of 2006 in recognition of this sale.

The operating results of the divestitures discussed above, in the aggregate, were not material to the Company's consolidated financial position, results of operations or cash flows in any of the periods presented.

**Note 6. Stock Plans:**

At Distribution, as described in Note 1. *Accounting Policies*, Altria stock awards were modified through the issuance of Kraft stock awards, and accordingly the stock awards were split into two instruments. Holders of Altria stock options received a new Kraft option to acquire shares of Kraft common stock and an adjusted Altria option for the same number of shares of Altria common stock with a reduced exercise price. For each employee stock option outstanding, the aggregate intrinsic value of the option immediately prior to the Distribution was not greater than the aggregate intrinsic value of the option immediately after the Distribution. Holders of Altria restricted stock or stock rights awarded prior to January 31, 2007, retained their existing awards and received restricted stock or stock rights in Kraft common stock. Recipients of Altria stock rights awarded on or after January 31, 2007, did not receive restricted stock or stock rights of Kraft.

Based upon the number of Altria stock awards outstanding at the date of Distribution, the Company issued stock options for approximately 24 million shares of Kraft common stock expiring between 2007 and 2012 at a weighted-average price of $15.75. In addition, the Company issued approximately 3.0 million shares of restricted stock and stock rights, with a market value per restricted share or right of $31.66 on the date of grant. Restrictions on the majority of the stock and rights granted lapse in either the first quarter of 2008 or 2009.

As outlined in Note 3. *Related Party Transactions*, the Company reimbursed Altria $179 million for net settlement of employee stock awards. Altria reimbursed the Company $240 million for the fair value, using the Black-Scholes option valuation model, of the Kraft stock options received by Altria employees. The Company reimbursed Altria $440 million for the fair value, using the Black-Scholes option valuation model, of the Altria stock options received by Kraft employees. Altria paid $33 million to the Company for the fair value of the Kraft restricted stock or stock rights received by holders of Altria restricted stock or stock rights less the value of projected forfeitures. The Company paid $12 million to Altria for the fair value of restricted stock or stock rights received by holders of Kraft restricted stock or stock rights less the value of projected forfeitures.

The total intrinsic value of Kraft stock options exercised during the three months ended March 31, 2007 was $3.3 million. No stock options were exercised during the three months ended March 31, 2006.

In January 2007, the Company issued approximately 5.2 million shares of restricted stock and stock rights to eligible U.S. and non-U.S. employees. Restrictions on these shares and rights lapse in the first quarter of 2010. The market value per restricted share or right was $34.655 on the date of grant. The total number of restricted shares and rights issued in the first quarter of 2007 was 8.2 million, including those issued as a result of the Distribution.

In the first quarter of 2007, approximately 4.3 million shares of restricted stock and stock rights vested at a market value of $144 million. The grant date fair value per share was $32.23.

**Note 7. Earnings Per Share:**

Basic and diluted EPS were calculated using the following:

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| | (in millions) | |
| Net earnings | $ 702 | $ 1,006 |
| Weighted average shares for basic EPS | 1,627 | 1,657 |
| Plus incremental shares from assumed conversions of stock options, restricted stock and stock rights | 9 | 5 |
| Weighted average shares for diluted EPS | 1,636 | 1,662 |

For the quarter ended March 31, 2007, the number of Kraft stock options that were excluded from the calculation of weighted average shares for diluted EPS, because their effects were antidilutive, was immaterial. The stock options and stock rights issued on the date of the Distribution did not have a significant effect on the number of the weighted average shares for diluted EPS. For the quarter ended March 31, 2006, all of the Class A common stock options were excluded from the calculation of weighted average shares for diluted EPS because their effects were antidilutive.

**Note 8. Contingencies:**

Kraft and its subsidiaries are parties to a variety of legal proceedings arising out of the normal course of business, including a few cases in which substantial amounts of damages are sought. While the results of litigation cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

*Third-Party Guarantees:* At March 31, 2007, the Company's third-party guarantees, which are primarily derived from acquisition, divestiture and construction activities, were approximately $25 million, of which approximately $8 million have no specified expiration dates. Substantially all of the remainder expire through 2016, with $1 million expiring by March 31, 2008. The Company is required to perform under these guarantees in the event that a third party fails to make contractual payments or achieve performance measures. The Company has a liability of $19 million on its condensed consolidated balance sheet at March 31, 2007, relating to these guarantees.

**Note 9. Goodwill and Other Intangible Assets, Net:**

Goodwill by reportable segment was as follows:

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| | (in millions) | |
| North America Beverages | $ 1,372 | $ 1,372 |
| North America Cheese & Foodservice | 4,205 | 4,218 |
| North America Convenient Meals | 2,166 | 2,167 |
| North America Grocery | 3,045 | 3,058 |
| North America Snacks & Cereals | 8,588 | 8,696 |
| European Union | 4,990 | 5,004 |
| Developing Markets | 1,045 | 1,038 |
| Total goodwill | $ 25,411 | $ 25,553 |

Intangible assets were as follows:

| | March 31, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| | (in millions) | | (in millions) | |
| Non-amortizable intangible assets | $ 9,943 | $ – | $ 10,150 | $ – |
| Amortizable intangible assets | 156 | 51 | 94 | 67 |
| Total intangible assets | $ 10,099 | $ 51 | $ 10,244 | $ 67 |

Non-amortizable intangible assets consist substantially of brand names purchased through the Nabisco and UB acquisitions. Amortizable intangible assets consist primarily of certain trademark licenses and non-compete agreements. During the quarter, the Company reclassified $80 million from non-amortizable to amortizable intangible assets as part of the UB acquisition, wrote off a fully amortized intangible asset for $18 million, and adjusted goodwill by $85 million upon the adoption of FASB Interpretation No. 48 (see Note 13. *Income Taxes*, for further details). Amortization expense for intangible assets was $2 million for the quarters ended March 31, 2007 and 2006. Amortization expense for each of the next five years is currently estimated to be approximately $10 million or less.

The movement in goodwill and gross carrying amount of intangible assets from December 31, 2006, is as follows:

| | Goodwill | Intangible Assets |
|---|---|---|
| | (in millions) | |
| Balance at December 31, 2006 | $ 25,553 | $ 10,244 |
| Changes due to: | | |
| Currency | (12) | 5 |
| Sale of business | (45) | (132) |
| Other | (85) | (18) |
| Balance at March 31, 2007 | $ 25,411 | $ 10,099 |

**Note 10. Segment Reporting:**

The Company manufactures and markets packaged food products, consisting principally of beverages, cheese, snacks, convenient meals and various packaged grocery products. Kraft manages and reports operating results through two commercial units, Kraft North America and Kraft International. Reportable segments for Kraft North America are organized and managed principally by product category. Kraft North America's segments are North America Beverages; North America Cheese & Foodservice; North America Convenient Meals; North America Grocery; and North America Snacks & Cereals. Kraft International's operations are organized and managed by geographic location. Kraft International's segments are European Union and Developing Markets (this segment was formerly called Developing Markets, Oceania & North Asia).

The Company's management uses segment operating income to evaluate segment performance and allocate resources. Operating income for the reportable segments excludes unallocated general corporate expenses and amortization of intangibles. Management believes it is appropriate to disclose this measure to help investors analyze the business performance and trends of the various business segments. Interest and other debt expense, net, and provision for income taxes are centrally managed and, accordingly, such items are not presented by segment because they are not included in the measure of segment profitability reviewed by management. The Company's assets, which are principally in the United States and Europe, are managed geographically.

Segment data were as follows:

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| | (in millions) | |
| Net revenues: | | |
| North America Beverages | $ 826 | $ 795 |
| North America Cheese & Foodservice | 1,468 | 1,469 |
| North America Convenient Meals | 1,246 | 1,214 |
| North America Grocery | 623 | 632 |
| North America Snacks & Cereals | 1,539 | 1,533 |
| European Union | 1,750 | 1,467 |
| Developing Markets | 1,134 | 1,013 |
| Net revenues | $ 8,586 | $ 8,123 |

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| | (in millions) | |
| Earnings before income taxes: | | |
| Operating income: | | |
| Segment operating income: | | |
| North America Beverages | $ 139 | $ 147 |
| North America Cheese & Foodservice | 193 | 203 |
| North America Convenient Meals | 183 | 200 |
| North America Grocery | 200 | 204 |
| North America Snacks & Cereals | 248 | 142 |
| European Union | 118 | 129 |
| Developing Markets | 93 | 35 |
| Amortization of intangibles | (2) | (2) |
| General corporate expenses | (50) | (41) |
| Operating income | 1,122 | 1,017 |
| Interest and other debt expense, net | (64) | (96) |
| Earnings before income taxes | $ 1,058 | $ 921 |

As discussed in Note 2. *Asset Impairment, Exit and Implementation Costs*, the Company recorded asset impairment, exit and implementation costs of $88 million and $215 million during the first quarter of 2007 and 2006, respectively.

During the first quarter of 2007, the Company sold its hot cereal assets and trademarks and recorded a pre-tax gain of $12 million. This gain is included in the segment operating income of the North America Snacks & Cereals segment.

During the first quarter of 2006, the Company sold a small U.S. biscuit brand, resulting in a pre-tax loss of $2 million. This loss is included in the segment operating income of the North America Snacks & Cereals segment. In addition, the Company sold certain Canadian assets and recorded a pre-tax loss of $1 million. This loss is included in the segment operating income of the North America Grocery segment.

Net revenues by consumer sector, which reflects the separation of Foodservice into sector components, were as follows:

| | For the Three Months Ended March 31, 2007 | | |
|---|---|---|---|
| | Kraft North America | Kraft International | Total |
| | | (in millions) | |
| Consumer Sector: | | | |
| Snacks | $ 1,314 | $ 1,265 | $ 2,579 |
| Beverages | 886 | 970 | 1,856 |
| Cheese & Dairy | 1,190 | 374 | 1,564 |
| Grocery | 1,008 | 186 | 1,194 |
| Convenient Meals | 1,304 | 89 | 1,393 |
| Total net revenues | $ 5,702 | $ 2,884 | $ 8,586 |

| | For the Three Months Ended March 31, 2006 | | |
|---|---|---|---|
| | Kraft North America | Kraft International | Total |
| | | (in millions) | |
| Consumer Sector: | | | |
| Snacks | $ 1,264 | $ 1,008 | $ 2,272 |
| Beverages | 854 | 874 | 1,728 |
| Cheese & Dairy | 1,172 | 358 | 1,530 |
| Grocery | 1,073 | 165 | 1,238 |
| Convenient Meals | 1,280 | 75 | 1,355 |
| Total net revenues | $ 5,643 | $ 2,480 | $ 8,123 |

**Note 11. Financial Instruments:**

During the quarters ended March 31, 2007 and 2006, ineffectiveness related to cash flow hedges was not material. At March 31, 2007, the Company hedged forecasted commodity and foreign currency transactions for periods not exceeding the next 21 and 57 months, respectively. During the first quarter of 2007, the Company began hedging currency exposure resulting from future cash flows associated with new intercompany loans with foreign affiliates.

Hedging activities affected accumulated other comprehensive earnings (losses), net of income taxes, as follows:

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| | (in millions) | |
| Loss as of January 1 | $ (4) | $ (4) |
| Derivative (losses) gains transferred to earnings | (1) | 9 |
| Change in fair value | 3 | (5) |
| Loss as of March 31 | $ (2) | $ – |

**Note 12. Benefit Plans:**

The Company sponsors noncontributory defined benefit pension plans covering substantially all U.S. employees. Pension coverage for employees of the Company's non-U.S. subsidiaries is provided, to the extent deemed appropriate, through separate plans, many of which are governed by local statutory requirements. In addition, the Company's U.S. and Canadian subsidiaries provide health care and other benefits to substantially all retired employees. Health care benefits for retirees outside the United States and Canada are generally covered through local government plans.

*Pension Plans:*

**Components of Net Periodic Benefit Cost**

Net periodic pension cost consisted of the following for the three months ended March 31, 2007 and 2006:

| | U.S. Plans | | Non-U.S. Plans | |
|---|---|---|---|---|
| | For the Three Months Ended March 31, | | For the Three Months Ended March 31, | |
| | 2007 | 2006 | 2007 | 2006 |
| | (in millions) | | | |
| Service cost | $ 40 | $ 44 | $ 24 | $ 23 |
| Interest cost | 91 | 89 | 46 | 41 |
| Expected return on plan assets | (130) | (125) | (59) | (49) |
| Amortization: | | | | |
| Net loss from experience differences | 36 | 48 | 15 | 17 |
| Prior service cost | 2 | 1 | 2 | 2 |
| Net periodic pension cost | $ 39 | $ 57 | $ 28 | $ 34 |

**Employer Contributions**

The Company presently makes, and plans to make, contributions, to the extent that they are tax deductible and do not generate an excise tax liability, to its U.S. and non-U.S. plans. During the first quarter of 2007, $5 million and $40 million of employer contributions were made to U.S. plans and non-U.S. plans, respectively. Currently, the Company anticipates making additional contributions of approximately $11 million during the remainder of 2007 to its U.S. plans and approximately $117 million during the remainder of 2007 to its non-U.S. plans. However, these estimates are subject to change as a result of many factors, including changes in tax and other benefit laws, as well as asset performance significantly above or below the assumed long-term rate of return on pension assets, or significant changes in interest rates. During the first quarter of 2006, $130 million and $25 million of employer contributions were made to U.S. plans and non-U.S. plans, respectively.

*Postretirement Benefit Plans:*

Net postretirement health care costs consisted of the following for the three months ended March 31, 2007 and 2006:

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| | (in millions) | |
| Service cost | $ 13 | $ 13 |
| Interest cost | 46 | 45 |
| Amortization: | | |
| Net loss from experience differences | 17 | 25 |
| Prior service credit | (6) | (6) |
| Net postretirement health care costs | $ 70 | $ 77 |

**Note 13. Income Taxes:**

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. The U.S. accounts of the Company were included in the consolidated federal income tax return of Altria. Income taxes were generally computed on a separate company basis. To the extent that foreign tax credits, capital losses and other credits generated by the Company, which could not be utilized on a separate company basis, were utilized in Altria's consolidated federal income tax return, the benefit was recognized in the calculation of the Company's provision for income taxes. The Company made payments to, or was reimbursed by, Altria for the tax effects resulting from its inclusion in Altria's consolidated federal income tax return, including current taxes payable and net changes in tax provisions. Beginning March 31, 2007, Kraft is no longer a member of the Altria consolidated tax return group and Kraft will file its own federal consolidated income tax return.

Prior to the quarter ended March 31, 2007, federal tax contingencies relating to Kraft were carried on the Altria balance sheet and reported in the Altria financial statements. Due to the spin-off at March 30, 2007, federal tax contingencies relating to Kraft were transferred from Altria to Kraft during the first quarter and totaled $375 million. There were no material changes during the quarter due to settlements with tax authorities or due to the expiration of the statute of limitations. Kraft recognizes accrued interest and penalties associated with uncertain tax positions as part of the tax provision. As of January 1, 2007, Kraft had $125 million of accrued interest and penalties. The change to accrued interest and penalties during the first quarter was not significant.

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for the Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*, ("FIN 48") which became effective for the Company on January 1, 2007. FIN 48 prescribes a recognition threshold and measurement criteria for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Prior to the implementation of FIN 48, the Company established additional provisions for income taxes when, despite the belief that existing tax positions were fully supportable, there remained certain positions that were likely to be challenged and that may not have been sustained on review by tax authorities. The adoption of FIN 48 resulted in an increase to shareholders' equity as of January 1, 2007 of $213 million. This increase to shareholders' equity resulted in a $265 million decrease in the liability for unrecognized tax benefits, comprised of $247 million in tax and $18 million in interest, a reduction in goodwill of $85 million, and an increase to federal and state deferred tax assets of $33 million.

As of January 1, 2007, after the implementation of FIN 48, Kraft's unrecognized tax benefits were $667 million. If all of these benefits were recognized, the net impact on the effective tax rate would be $530 million. It is expected that the amount of unrecognized tax benefits will increase in the next twelve months in an estimated range of $65-$80 million from a variety of federal, state and foreign uncertain tax positions. The change to Kraft's unrecognized tax benefits was not significant to the quarter.

The Company is regularly audited by federal, state and foreign tax authorities, and these audits are at various stages at any given time. In the first quarter of 2006, the United States Internal Revenue Service ("IRS") concluded its examination of Altria's consolidated federal income tax returns for the years 1996 through 1999 that included Kraft. Consequently, Altria reimbursed the Company in cash for unrequired federal tax reserves of $337 million and pre-tax interest of $46 million ($29 million after-tax). The Company also recognized net state tax reversals of $39 million, resulting in a total net earnings benefit of $405 million or $0.24 per diluted share, in the first quarter of 2006. The U.S. federal statute of limitations remains open for the year 2000 and onward with years 2000 to 2003 currently under examination by the IRS. Foreign and U.S. state jurisdictions have statutes of limitations generally ranging from 3 to 5 years. Years still open to examination by foreign tax authorities in major jurisdictions include Germany (1999 onward), Brazil (2001 onward), Canada (2001 onward) and Spain (2001 onward). The Company is currently under examination by taxing authorities in various U.S. state and foreign jurisdictions.

Item 2.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Description of the Company**

Kraft Foods Inc. ("Kraft"), together with its subsidiaries (collectively referred to as the "Company"), manufactures and markets packaged food products, consisting principally of beverages, cheese, snacks, convenient meals and various packaged grocery products. Kraft manages and reports operating results through two commercial units, Kraft North America and Kraft International. Reportable segments for Kraft North America are organized and managed principally by product category. Kraft International's operations are organized and managed by geographic location.

On January 31, 2007, the Altria Group, Inc. ("Altria") Board of Directors announced that Altria would spin off all of its remaining interest (89.0%) in the Company on a pro rata basis to Altria stockholders in a tax-free transaction. Effective as of the close of business on March 30, 2007, the separation of Kraft from Altria and the distribution of all Kraft shares owned by Altria to Altria's stockholders was completed (the "Distribution"). The Distribution ratio was calculated by dividing the number of Class A common shares of Kraft held by Altria by the number of Altria shares outstanding on the date of record, March 16, 2007. Based on the number of Altria shares outstanding on the date of record, the distribution ratio was 0.692024 shares of Kraft Class A common stock for every share of Altria common stock outstanding. Prior to the Distribution, Altria converted its Class B shares of Kraft common stock, which carry ten votes per share, into Class A shares of Kraft, which carry one vote per share. Following the Distribution, only Class A common shares of Kraft are outstanding and Altria does not own any shares of Kraft.

**Executive Summary**

The following executive summary is intended to provide significant highlights of the Discussion and Analysis that follows.

*Consolidated Operating Results for the Quarter ended March 31, 2007* - The changes in the Company's net earnings and diluted earnings per share ("EPS") for the quarter ended March 31, 2007 from the quarter ended March 31, 2006 were due primarily to the following (in millions, except per share data):

| | Net Earnings | Diluted EPS |
|---|---|---|
| For the quarter ended March 31, 2006 | $ 1,006 | $ 0.61 |
| 2007 Asset impairment, exit and implementation costs — restructuring | (56) | (0.03) |
| 2006 Asset impairment, exit and implementation costs — restructuring | 74 | 0.04 |
| 2006 Asset impairments — non-restructuring | 78 | 0.05 |
| 2007 Gains/(Losses) on sales of businesses | (8) | – |
| 2006 (Gains)/Losses on sales of businesses | 2 | – |
| Change in tax rate | (16) | (0.01) |
| Favorable resolution of the Altria Group, Inc. 1996-1999 IRS Tax Audit | (405) | (0.24) |
| Shares outstanding | – | 0.01 |
| Interest from tax reserve transfers from Altria Group, Inc. | 50 | 0.03 |
| Currency | 15 | 0.01 |
| Operations | (38) | (0.02) |
| For the quarter ended March 31, 2007 | $ 702 | $ 0.43* |

* Does not add due to rounding.

*See discussion of events affecting the comparability of statement of earnings amounts in the Consolidated Operating Results section of the following Discussion and Analysis.*

The favorable net impact of asset impairment, exit and implementation costs on earnings and diluted EPS is due primarily to the following:

*Restructuring Program* — The Company announced a three-year restructuring program in January 2004. In January 2006, the Company announced plans to expand its restructuring efforts through 2008. During the first quarters of 2007 and 2006, the Company recorded pre-tax charges of $88 million ($56 million after-tax) and $105 million ($74 million after-tax), respectively, for the restructuring plan, including pre-tax implementation costs of $21 million and $13 million, respectively.

*Asset Impairment Charges* — The Company incurred a pre-tax asset impairment charge of $86 million ($63 million after-tax) million in the first quarter of 2006 in anticipation of the sale of its pet snacks brand and assets. The charge, which included the write-off of a portion of the associated goodwill and intangible and fixed assets, was recorded as asset impairment and exit costs on the condensed consolidated statement of earnings.

In addition, during the first quarter of 2007, the Company completed its annual review of goodwill and intangible assets and no charges resulted from this review. During the first quarter of 2006, the Company completed its annual review of goodwill and intangible assets and recorded non-cash pre-tax charges of $24 million ($15 million after-tax) related to an intangible asset impairment for biscuits assets in Egypt and hot cereal assets in the United States. These charges were recorded as asset impairment and exit costs on the condensed consolidated statement of earnings.

*For further details on the restructuring program or asset impairment and implementation costs, see Note 2 to the Condensed Consolidated Financial Statements and the Business Environment section of the following Discussion and Analysis.*

*Sales of Businesses* —The sales of businesses had an unfavorable impact on earnings due primarily to the $8 million after-tax loss on the sale of the Company's hot cereal assets and trademarks in the first quarter of 2007. This sale resulted in a pre-tax gain of $12 million due to the differing tax bases.

*Income Tax Benefit* — The 2006 tax benefit reflects a reimbursement from Altria in cash for unrequired federal tax reserves of $337 million and pre-tax interest of $46 million ($29 million after-tax), as well as net state tax reversals of $39 million, due to the conclusion of an audit of Altria Group, Inc.'s consolidated federal income tax returns for the years 1996 through 1999. Income taxes also include a benefit of $19 million in 2007 and $48 million in 2006 from the resolution of outstanding items in the Company's international operations.

*Operations* — The $38 million decrease in results from operations was due primarily to the following:

- Lower income in North America Convenient Meals, reflecting unfavorable net costs, partially offset by favorable volume/mix.
- Lower income in European Union, reflecting unfavorable costs, net of lower pricing, partially offset by favorable volume/mix.
- Lower income in North America Beverages, reflecting higher commodity costs and higher marketing, administration, and research costs, partially offset by favorable volume/mix.
- Lower income in North America Cheese & Foodservice, reflecting higher marketing, administration, and research costs, partially offset by higher net pricing and favorable volume/mix.
- Lower income in North America Grocery, reflecting unfavorable volume/mix and higher marketing, administration, and research costs, partially offset by higher pricing.
- Lower income in North America Snacks & Cereals, reflecting the impact of divestitures and higher marketing, administration, and research costs, partially offset by favorable volume/mix and lower commodity costs.

Partially offset by:

- Higher income in Developing Markets, reflecting favorable volume/mix and higher net pricing, partially offset by higher marketing, administration, and research costs.

*For further details, see the Consolidated Operating Results and Operating Results by Business Segment sections of the following Discussion and Analysis.*

*2007 Forecasted Results* — Guidance remains consistent from year-end, when the Company disclosed diluted EPS guidance for 2007 at $1.50 to $1.55. Guidance includes $0.25 per share of charges from the Company's restructuring program and other impairment charges. The Company currently forecasts its 2007 effective income tax rate to average 35.5%. The factors described in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the year ended December 31, 2006 represent continuing risks to these forecasts.

**Discussion and Analysis**

**Business Environment**

The Company is subject to a number of challenges that may adversely affect its businesses. These challenges, which are discussed below and under the "Risk Factors" section of the Company's Annual Report on Form 10-K for the year ended December 31, 2006, include:

- fluctuations in commodity prices;
- movements of foreign currencies;
- competitive challenges in various products and markets, including price gaps with competitor products and the increasing price-consciousness of consumers;
- a rising cost environment and the limited ability to increase prices;
- a trend toward increasing consolidation in the retail trade and consequent pricing pressure and inventory reductions;
- a growing presence of discount retailers, primarily in Europe, with an emphasis on own-label products;
- changing consumer preferences, including diet trends;
- competitors with different profit objectives and less susceptibility to currency exchange rates; and
- concerns and/or regulations regarding food safety, quality and health, including genetically modified organisms, trans-fatty acids and obesity. Increased government regulation of the food industry could result in increased costs to the Company.

In the ordinary course of business, the Company is subject to many influences that can impact the timing of sales to customers, including the timing of holidays and other annual or special events, seasonality of certain products, significant weather conditions, timing of Company or customer incentive programs and pricing actions, customer inventory programs, Company initiatives to improve supply chain efficiency, financial condition of customers and general economic conditions.

Fluctuations in commodity costs can lead to retail price volatility and intense price competition, and can influence consumer and trade buying patterns. During the first quarter of 2007, the Company's commodity costs on average have been higher than those incurred in the first quarter of 2006 (most notably higher coffee and packaging costs, partially offset by lower nut costs). For the first quarter of 2007 the Company's commodity costs were approximately $100 million higher than the first quarter of 2006.

*Restructuring:*

In January 2004, the Company announced a three-year restructuring program (which is discussed further in Note 2. *Asset Impairment, Exit and Implementation Costs*) with the objectives of leveraging the Company's global scale, realigning and lowering its cost structure, and optimizing capacity utilization. In January 2006, the Company announced plans to expand its restructuring efforts through 2008. The entire restructuring program is expected to result in $3.0 billion in pre-tax charges, the closure of up to 40 facilities, the elimination of approximately 14,000 positions and annualized cost savings at the completion of the program of approximately $1.0 billion. Approximately $1.9 billion of the $3.0 billion in pre-tax charges are expected to require cash payments. Pre-tax restructuring program charges during 2007 are expected to be approximately $625 million. Total pre-tax restructuring program charges incurred in the first quarters of 2007 and 2006, were $88 million and $105 million, respectively. Total pre-tax restructuring charges for the program incurred from January 2004 through March 31, 2007 were $1.7 billion and specific programs announced will result in the elimination of approximately 9,800 positions. Approximately 60% of the pre-tax charges are expected to require cash payments.

In addition, the Company expects to incur approximately $550 million in capital expenditures to implement the restructuring program. From January 2004 through March 31, 2007, the Company spent approximately $258 million in capital, including $13 million spent in the first quarter of 2007, to implement the restructuring program. Cumulative annualized cost savings as a result of the restructuring program were approximately $540 million through 2006, and are anticipated to reach approximately $700 million by the end of 2007, all of which are expected to be used in support of brand-building initiatives. Cost savings as a result of the restructuring program totaled approximately $75 million in the first quarter of 2007, resulting in cumulative savings of approximately $615 million to date.

*Acquisitions and Dispositions:*

One element of the Company's growth strategy is to strengthen its brand portfolios and/or expand its geographic reach through a disciplined program of selective acquisitions and divestitures. The Company is constantly reviewing potential acquisition candidates and from time to time sells businesses to accelerate the shift in its portfolio toward businesses — whether global, regional or local — that offer the Company a sustainable competitive advantage. The impact of any future acquisition or divestiture could have a material impact on the Company's consolidated financial position, results of operations or cash flows, and future sales of businesses could in some cases result in losses on sale.

During the third quarter of 2006, the Company acquired the Spanish and Portuguese operations of United Biscuits ("UB"), and rights to all Nabisco trademarks in the European Union, Eastern Europe, the Middle East and Africa, which UB has held since 2000, for a total cost of approximately $1.1 billion. The Spanish and Portuguese operations of UB include its biscuits, dry desserts, canned meats, tomato and fruit juice businesses as well as seven manufacturing facilities and 1,300 employees. From September 2006 to December 31, 2006, these businesses contributed net revenues of approximately $111 million. For the three months ended March 31, 2007, these businesses contributed net revenues of approximately $97 million.

During the first quarter of 2007, the Company sold its hot cereal assets and trademarks. The aggregate proceeds received from this sale were $200 million, on which the Company recorded a pre-tax gain of $12 million.

During the first quarter of 2006, the Company sold certain Canadian assets and a small U.S. biscuit brand, and incurred pre-tax asset impairment charges of $176 million in the fourth quarter of 2005 in recognition of these sales. During the second quarter of 2006, the Company sold its industrial coconut assets. During the third quarter of 2006 the Company sold its pet snacks brand and assets and recorded tax expense of $57 million related to the sale. In addition, the Company incurred a pre-tax asset impairment charge of $86 million in the first quarter of 2006 in recognition of this sale. During the fourth quarter of 2006, the Company sold its rice brand and assets and a U.S. coffee plant. The aggregate proceeds received from these sales were $946 million, on which the Company recorded pre-tax gains of $117 million.

The operating results of the businesses sold, in the aggregate, were not material to the Company's consolidated financial position, results of operations or cash flows in any of the periods presented.

**Consolidated Operating Results**

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| | (in millions, except per share data) | |
| Volume (in pounds) | 4,380 | 4,342 |
| Net revenues | $ 8,586 | $ 8,123 |
| Operating income: | | |
| Segment operating income: | | |
| North America Beverages | $ 139 | $ 147 |
| North America Cheese & Foodservice | 193 | 203 |
| North America Convenient Meals | 183 | 200 |
| North America Grocery | 200 | 204 |
| North America Snacks & Cereals | 248 | 142 |
| European Union | 118 | 129 |
| Developing Markets | 93 | 35 |
| Amortization of intangibles | (2) | (2) |
| General corporate expenses | (50) | (41) |
| Operating income | $ 1,122 | $ 1,017 |
| Net earnings | $ 702 | $ 1,006 |
| Weighted average shares for diluted earnings per share | 1,636 | 1,662 |
| Diluted earnings per share | $ 0.43 | $ 0.61 |

The following events occurred during the first quarter of 2007 and 2006 that affected the comparability of statement of earnings amounts:

- *Income Tax Benefits* — In the first quarter of 2006, the United States Internal Revenue Service concluded its examination of Altria Group, Inc.'s consolidated tax returns for the years 1996 through 1999 and issued a final Revenue Agents Report on March 15, 2006. Consequently, Altria reimbursed the Company in cash for unrequired federal tax reserves of $337 million and pre-tax interest of $46 million ($29 million after-tax). The Company also recognized net state tax reversals of $39 million, resulting in a total net earnings benefit of $405 million or $0.24 per diluted share, in the first quarter of 2006.

- *Asset impairment, exit and implementation costs* — As discussed in Note 2 to the condensed consolidated financial statements, during the first quarter of 2007 and 2006, the Company recorded $67 million and $92 million of pre-tax exit costs, respectively, and $110 million of pre-tax asset impairment in 2006, on its condensed consolidated statements of earnings. Additionally, during the first quarter of 2007 and 2006, the Company recorded pre-tax implementation costs of $21 million and $13 million, respectively. See Note 2. *Asset Impairment, Exit and Implementation Costs* for further details of the Company's restructuring program.

- *Gains on Sales of Businesses* — During the first quarter of 2007, the Company sold its hot cereal assets and trademarks and recorded a pre-tax gain of $12 million. This gain is included in the segment operating income of the North America Snacks & Cereals segment. During the first quarter of 2006, the Company sold certain Canadian assets and recorded a pre-tax loss of $1 million. This loss is included in the segment operating income of the North America Grocery segment. In addition, the Company sold a small U.S. biscuit brand, resulting in a pre-tax loss of $2 million. This loss is included in the segment operating income of the North America Snacks & Cereals segment.

As discussed in Note 10. *Segment Reporting*, the Company's management uses segment operating income to evaluate segment performance and allocate resources. Operating income for the reportable segments excludes unallocated general corporate expenses and amortization of intangibles. Management believes it is appropriate to disclose this measure to help investors analyze the business performance and trends of the various business segments.

*Consolidated Results of Operations for the Three Months Ended March 31, 2007*

The following discussion compares consolidated operating results for the three months ended March 31, 2007 with the three months ended March 31, 2006.

Net revenues increased by $463 million (5.7%), due primarily to favorable volume/mix ($269 million), favorable currency ($172 million), the impact of acquisitions ($97 million) and higher pricing, net of increased promotional spending ($18 million), partially offset by the impact of divestitures ($93 million).

Volume increased 0.9%, due primarily to higher shipments in the European Union and Developing Markets and, in North America, higher shipments of cheese, biscuits, ready-to-drink beverages and pizza, partially offset by the impact of divestitures and lower foodservice shipments.

Operating income increased by $105 million (10.3%), due primarily to lower pre-tax charges for asset impairment and exit costs ($135 million, including the 2006 $13 million hot cereal intangible asset impairment in North America and the $11 million intangible asset impairment charge for biscuits assets in Egypt), favorable volume/mix ($118 million), favorable currency ($22 million), the impact of the UB acquisition ($12 million) and the 2007 gain on the sale of the hot cereal brand and assets ($12 million), partially offset by higher marketing, administration and research costs ($104 million), higher costs, net of higher pricing ($45 million), the impact of divestitures ($35 million) and higher implementation costs related to the restructuring program ($8 million).

Currency movements increased net revenues by $172 million and operating income by $22 million. These increases were due primarily to the continuing weakness of the U.S. dollar against the euro.

Interest and other debt expense, net decreased $32 million (33.3%), due primarily to $77 million of pre-tax interest income associated with the transfer of tax reserves from the Altria in 2007, partially offset by $46 million of pre-tax interest income associated with the conclusion of a tax audit at Altria in 2006.

The Company reported an income tax provision of $356 million in 2007 and an income tax benefit of $85 million in 2006. The 2006 tax benefit reflects a reimbursement from Altria in cash for unrequired federal tax reserves of $337 million and net state tax reversals of $39 million, due to the conclusion of an audit of Altria Group, Inc.'s consolidated federal income tax returns for the years 1996 through 1999. Income taxes also include a benefit of $19 million in 2007 and $48 million in 2006 from the resolution of outstanding items in the Company's international operations. Beginning March 31, 2007, Kraft is no longer a member of the Altria consolidated tax return group and Kraft will file its own federal consolidated income tax return. The Company currently estimates the annual amount of lost tax benefits to be in the range of $50 million to $75 million.

Net earnings of $702 million decreased $304 million (30.2%). Diluted EPS from net earnings, which was $0.43, decreased by 29.5%.

**Operating Results by Business Segment**

The following discussion compares operating results within each of Kraft's reportable segments for the three months ended March 31, 2007 with the three months ended March 31, 2006.

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2007 | 2006 |
| | (in millions) | |
| Volume (in pounds): | | |
| North America Beverages | 755 | 752 |
| North America Cheese & Foodservice | 732 | 745 |
| North America Convenient Meals | 592 | 603 |
| North America Grocery | 438 | 454 |
| North America Snacks & Cereals | 622 | 654 |
| European Union | 601 | 505 |
| Developing Markets(1) | 640 | 629 |
| Volume (in pounds) | 4,380 | 4,342 |
| Net revenues: | | |
| North America Beverages | $ 826 | $ 795 |
| North America Cheese & Foodservice | 1,468 | 1,469 |
| North America Convenient Meals | 1,246 | 1,214 |
| North America Grocery | 623 | 632 |
| North America Snacks & Cereals | 1,539 | 1,533 |
| European Union | 1,750 | 1,467 |
| Developing Markets(1) | 1,134 | 1,013 |
| Net revenues | $ 8,586 | $ 8,123 |
| Operating income: | | |
| Segment operating income: | | |
| North America Beverages | $ 139 | $ 147 |
| North America Cheese & Foodservice | 193 | 203 |
| North America Convenient Meals | 183 | 200 |
| North America Grocery | 200 | 204 |
| North America Snacks & Cereals | 248 | 142 |
| European Union | 118 | 129 |
| Developing Markets(1) | 93 | 35 |
| Amortization of intangibles | (2) | (2) |
| General corporate expenses | (50) | (41) |
| Operating income | $ 1,122 | $ 1,017 |

(1) This segment was formerly called Developing Markets, Oceania & North Asia

***North America Beverages.*** Net revenues increased $31 million (3.9%), due to favorable volume/mix. In coffee, higher commodity-based pricing and favorable mix from premium coffee drove increased net revenues, partially offset by lower mainstream brand coffee shipments. Powdered beverage net revenues increased due to favorable mix from higher single-serve stick beverage shipments. Ready-to-drink beverage net revenues declined due primarily to higher trade spending, partially offset by the impact of higher shipments.

Volume increased 0.4%, due primarily to growth in ready-to-drink beverages and premium coffee, partially offset by lower shipments of powdered beverages and mainstream coffee brands.

Segment operating income decreased $8 million (5.4%), due primarily to unfavorable costs ($19 million, including coffee commodity costs) and higher marketing, administration and research costs ($9 million), partially offset by favorable volume/mix ($18 million).

***North America Cheese & Foodservice.*** Net revenues decreased $1 million (0.1%), due primarily to the impact of divestitures ($6 million), unfavorable volume/mix ($4 million) and unfavorable currency ($2 million), partially offset by higher pricing, net of increased promotional spending ($11 million). In foodservice, net revenues declined due to the discontinuation of certain lower margin product lines, partially offset by higher net pricing. Cheese net revenues increased due to higher shipments of cream cheese, new product introductions and higher net pricing.

Volume decreased by 1.7%, due primarily to the impact of divestitures and the discontinuation of lower margin foodservice product lines, partially offset by higher shipments of cream cheese.

Segment operating income decreased $10 million (4.9%), due primarily to higher marketing, administration and research costs ($17 million) and higher pre-tax charges for asset impairment and exit costs ($4 million), partially offset by higher pricing, net of unfavorable costs ($6 million) and favorable volume/mix ($4 million).

***North America Convenient Meals***. Net revenues increased $32 million (2.6%), due primarily to favorable volume/mix ($52 million) and higher pricing, net of increased promotional spending ($5 million), partially offset by the impact of the divestiture of the rice brand and assets ($25 million). Dinners net revenues increased due to new macaroni and cheese product introductions, quality improvements in base products and higher net pricing. In pizza, higher shipments and new product introductions also drove higher net revenues. Meats net revenues increased due to higher shipments, including new products, and higher net pricing.

Volume decreased 1.8%, due primarily to the impact of divestitures, partially offset by higher shipments of pizza, macaroni and cheese dinners and meats.

Segment operating income decreased $17 million (8.5%), due primarily to unfavorable costs, net of higher pricing ($21 million), the impact of divestitures ($12 million), higher fixed manufacturing costs ($6 million) and higher implementation costs associated with the restructuring program ($4 million), partially offset by favorable volume/mix ($14 million), lower pre-tax charges for asset impairment and exit costs ($7 million) and lower marketing, administration and research costs ($5 million).

***North America Grocery.*** Net revenues decreased $9 million (1.4%), due primarily to the impact of divestitures ($8 million), unfavorable volume/mix ($6 million) and unfavorable currency ($1 million), partially offset by higher pricing, net of increased promotional spending ($6 million). Pourable salad dressings net revenues declined due to lower shipments from category declines and higher trade spending. In spoonable salad dressings, net revenues increased due primarily to higher net pricing. Net revenues increased in ready-to-eat desserts due to new sugar free product introductions.

Volume decreased 3.5%, due primarily to the impact of divestitures and lower shipments of barbeque sauce and pourable salad dressings, partially offset by higher shipments of marshmallows and ready-to-eat desserts.

Segment operating income decreased $4 million (2.0%), due primarily to unfavorable volume/mix ($5 million) and higher marketing, administration and research costs ($5 million), partially offset by higher pricing, net of unfavorable costs ($3 million) and lower pre-tax charges for asset impairment and exit costs ($2 million).

***North America Snacks & Cereals.*** Net revenues increased $6 million (0.4%), due primarily to favorable volume/mix ($71 million), partially offset by the impact of divestitures ($54 million) and higher promotional spending, net of increased pricing ($11 million). Biscuit net revenues increased due to new product introductions in cookies and crackers, partially offset by lower shipments on certain base cookie brands due to price increases.

Volume decreased 4.9%, due primarily to the impact of divestitures. Excluding divestitures, volume increased 2.8%, due primarily to higher shipments of biscuits and snack nuts, partially offset by lower shipments of cereal.

Segment operating income increased $106 million (74.6%), due primarily to lower pre-tax charges for asset impairment and exit costs ($100 million, including the $86 million asset impairment charge related to the 2006 sale of the pet snacks brand and assets, and the $13 million hot cereal intangible asset impairment), favorable volume/mix ($33 million), favorable costs (including nut commodity costs) and the impact of lower net pricing ($15 million) and gain on sale of hot cereal business in 2007 ($12 million), partially offset by the impact of divestitures ($24 million), higher marketing, administration and research costs ($20 million) and higher fixed manufacturing costs ($9 million).

***European Union.*** Net revenues increased $283 million (19.3%), due primarily to favorable currency ($144 million), the impact of the UB acquisition ($97 million) and favorable volume/mix ($71 million), partially offset by lower net pricing ($29 million). Snacks net revenues increased due primarily to higher biscuits shipments resulting from the UB acquisition, growth in chocolate from new product introductions and higher shipments of premium chocolate and favorable currency. In beverages, net revenues grew due to favorable currency and higher shipments of premium coffee, partially offset by the impact of price competition in mainstream coffee. Grocery and convenient meals net revenues increased due to the impact of the UB acquisition and favorable currency. In cheese & dairy, net revenues increased due to favorable currency and favorable volume/mix, partially offset by lower net pricing.

Volume increased 19.0%, due primarily to the UB acquisition for biscuits, convenient meals and grocery and higher shipments of chocolate. Coffee and cheese & dairy shipments increased slightly.

Segment operating income decreased $11 million (8.5%), due primarily to unfavorable costs, net of lower pricing ($41 million), higher marketing, administration and research costs ($22 million) and higher pre-tax charges for asset impairment and exit costs ($16 million), partially offset by favorable volume/mix ($30 million), favorable currency ($18 million), the impact of acquisitions ($12 million) and lower fixed manufacturing costs ($8 million).

***Developing Markets.*** Net revenues increased $121 million (11.9%), due primarily to favorable volume/mix ($54 million), higher pricing, net of increased promotional spending ($36 million) and favorable currency ($31 million). Snacks net revenues increased due primarily to higher shipments of confectionery and biscuits, higher net pricing and favorable currency in Latin America and favorable volume/mix in Eastern Europe, the Middle East & Africa. Beverage net revenues also increased due to favorable mix, higher net pricing and favorable currency for coffee in Eastern Europe, Middle East & Africa. In grocery and cheese & dairy, net revenues increased slightly. Convenient meals net revenues were flat.

Volume increased 1.7%, due primarily to higher shipments in Eastern Europe, Middle East & Africa and Latin America, partially offset by lower shipments in Asia Pacific.

Segment operating income increased $58 million (100%+), due primarily to lower pre-tax charges for asset impairment and exit costs ($45 million, including the $11 million intangible asset impairment charge for biscuits assets in Egypt in 2006), favorable volume/mix ($24 million), higher pricing, net of unfavorable costs ($12 million) and favorable currency ($5 million), partially offset by higher marketing, administration and research costs ($27 million).

**Financial Review**

Net Cash Provided by Operating Activities

During the first quarter of 2007, net cash provided by operating activities was $161 million compared with $480 million in the comparable 2006 period. The decrease in operating cash flows is due primarily to the previously discussed tax reimbursement from Altria in 2006, higher inventories and higher receivables from acquisitions, which was partially offset by increases in accounts payable from acquisitions and amounts due to Altria Group, Inc. and affiliates.

Net Cash (Used in) Provided by Investing Activities

One element of the growth strategy of the Company is to strengthen its brand portfolios and/or expand its geographic reach through disciplined programs of selective acquisitions and divestitures. The Company continually reviews potential acquisition candidates and from time to time sells businesses to accelerate the shift in its portfolio toward businesses — whether global, regional or local — that offer the Company a sustainable competitive advantage. The impact of future acquisitions or divestitures could have a material impact on the Company's cash flows.

During the first quarter of 2007, net cash provided by investing activities was $26 million, compared with net cash used in investing activities of $93 million in the first quarter of 2006. The increase in cash provided by investing activities in the first quarter of 2007 reflects higher cash received from sales of businesses. During the first quarter of 2007, the Company sold its hot cereal assets and trademarks. During the first quarter of 2006, the Company sold certain Canadian assets and a small U.S. biscuit brand.

Capital expenditures for the first quarter of 2007 were $180 million, compared with $185 million in the first quarter of 2006. The Company expects full-year capital expenditures to be flat to 2006 expenditures of $1.2 billion, including capital expenditures required for the restructuring program and systems investment. These expenditures are expected to be funded from operations.

Net Cash Used in Financing Activities

During the first quarter of 2007, net cash used in financing activities was $176 million, compared with $443 million during the first quarter of 2006. The decrease in net cash used in financing activities is due primarily to a decrease in the Company's Class A common stock share repurchases.

Debt and Liquidity

*Debt.* The Company's total debt, including amounts due to Altria and affiliates, was $11.0 billion at March 31, 2007 and $10.8 billion at December 31, 2006. The Company's debt-to-equity ratio was 0.38 at March 31, 2007 and December 31, 2006. The Company's debt-to-capitalization ratio was 0.28 at March 31, 2007 and 0.27 at December 31, 2006.

At March 31, 2007 and December 31, 2006, the Company had short-term amounts payable to Altria and affiliates of $449 million and $607 million, respectively. The amount outstanding at March 31, 2007 was settled within 30 days of the Distribution. The amounts payable to Altria generally include accrued dividends, taxes and service fees. At March 31, 2007 it also included the net settlement of employee stock awards, as discussed in Note 6. *Stock Plans*. Interest on intercompany borrowings is based on the applicable London Interbank Offered Rate. The Company had no long-term amounts payable to Altria and affiliates.

*Credit Lines.* The Company maintains revolving credit facilities that have historically been used to support the issuance of commercial paper. At March 31, 2007, the Company has a $4.5 billion, multi-year revolving credit facility that expires in April 2010 on which no amounts were drawn.

The Company's revolving credit facility requires the maintenance of a minimum net worth of $20.0 billion. At March 31, 2007, the Company's net worth was $28.7 billion. The Company expects to continue to meet this covenant. The revolving credit facility does not include any other financial covenants, any credit rating triggers or any provisions that could require the posting of collateral. The Company expects to refinance long-term and short-term debt from time to time. As approximately $1.4 billion of the Company's long-term debt matures during the next four months, the Company will evaluate whether and how it will refinance these amounts. The nature and amount of the Company's long-term and short-term debt and the proportionate amount of each can be expected to vary as a result of future business requirements, market conditions and other factors.

In addition to the above, certain international subsidiaries of Kraft maintain primarily uncommitted credit lines to meet the short-term working capital needs of the international businesses. These credit lines, amounted to approximately $1.4 billion as of March 31, 2007. At March 31, 2007, borrowings on these lines amounted to approximately $500 million.

*Guarantees.* As discussed in Note 8. *Contingencies*, at March 31, 2007, the Company had third-party guarantees, which are primarily derived from acquisition, divestiture and construction activities, of approximately $25 million, of which approximately $8 million have no specified expiration dates. Substantially all of the remainder expire through 2016, with $1 million expiring by March 31, 2008. The Company is required to perform under these guarantees in the event that a third party fails to make contractual payments or achieve performance measures. The Company has a liability of $19 million on its condensed consolidated balance sheet at March 31, 2007, relating to these guarantees.

In addition, at March 31, 2007, the Company was contingently liable for $211 million of guarantees related to its own performance. These include surety bonds related to dairy commodity purchases and guarantees related to the payment of custom duties and taxes, and letters of credit.

Guarantees do not have, and are not expected to have, a significant impact on the Company's liquidity. The Company believes that its cash from operations and existing credit facility will provide sufficient liquidity to meet its working capital needs (including the cash requirements of the restructuring program), planned capital expenditures, future contractual obligations and payment of its anticipated quarterly dividends.

Equity and Dividends

In February 2007, the Company announced that the Board of Directors authorized a stock repurchase plan to replace the existing $2.0 billion share repurchase plan. Under the new plan, the Company may repurchase shares of the Company's common stock having an aggregate value up to $5.0 billion through March 2009. The new plan became effective immediately following the Distribution. The Company is not obligated to acquire any particular amount of its common stock, and it may be suspended at any time at the Company's discretion.

In December 2004, the Company commenced repurchasing shares under a two-year $1.5 billion Class A common stock repurchase program authorized by its Board of Directors. In March 2006, the Company completed the program, acquiring 49.1 million Class A shares at an average price of $30.57 per share. In March 2006, the Company's Board of Directors authorized a share repurchase program to repurchase up to $2.0 billion of the Company's Class A common stock. During the first quarter of 2006, the Company repurchased 8.5 million shares of its Class A common stock under its $1.5 billion repurchase program at a cost $250 million. In addition, as of March 31, 2006, the Company repurchased 2.0 million shares of its Class A common stock, under its $2.0 billion authority, at an aggregate cost of $62 million, bringing total repurchases for the first quarter of 2006 to 10.5 million shares for $312 million. During the first quarter of 2007, the Company repurchased 4.4 million shares of its Class A common stock under its $2.0 billion repurchase program at a cost of $140 million.

In addition, in March 2007, the Company purchased 1.4 million shares of its Class A common stock at an aggregate cost of $46.5 million from Altria according to the provisions of the Distribution agreement. The aggregate cash amount paid by Kraft was based on a per share price of $32.085, which was calculated as the average of the high and the low price of Kraft's Class A common stock on March 1, 2007.

As discussed in Note 6. *Stock Plans*, based upon the number of Altria stock awards outstanding at the date of Distribution, the Company issued stock options for approximately 24 million shares of Kraft common stock expiring between 2007 and 2012 at a weighted-average price of $15.75. In addition, the Company issued approximately 3.0 million shares of restricted stock and stock rights, and the market value per restricted share or right was $31.66 on the date of grant. Restrictions on the majority of the stock and rights granted lapse in either the first quarter of 2008 or 2009.

In January 2007, the Company issued approximately 5.2 million shares of restricted stock and stock rights to eligible U.S. and non-U.S. employees. Restrictions on these shares and rights lapse in the first quarter of 2010. The market value per restricted share or right was $34.655 on the date of grant. The total number of restricted shares and rights issued in the first quarter of 2007 was 8.2 million, including those issued as a result of the Distribution.

Dividends paid in the first quarter of 2007 and 2006 were $409 million and $385 million, respectively, an increase of 6%, reflecting a higher dividend rate in 2007, partially offset by a lower number of shares outstanding as a result of Class A share repurchases. The present annualized dividend rate is $1.00 per common share. The declaration of dividends is subject to the discretion of Kraft's Board of Directors and will depend on various factors, including the Company's net earnings, financial condition, cash requirements, future prospects and other factors deemed relevant by Kraft's Board of Directors.

**Market Risk**

The Company operates globally, with manufacturing and sales facilities in various locations around the world, and utilizes certain financial instruments to manage its foreign currency and commodity exposures. Derivative financial instruments are used by the Company, principally to reduce exposure to market risks resulting from fluctuations in foreign exchange rates and commodity prices by creating offsetting exposures. The Company is not a party to leveraged derivatives and, by policy, does not use financial instruments for speculative purposes.

During the three months ended March 31, 2007 and 2006, ineffectiveness related to cash flow hedges was not material. At March 31, 2007, the Company hedged forecasted commodity and foreign currency transactions for periods not exceeding the next 21 and 57 months, respectively. During the first quarter of 2007, the Company began hedging currency exposure resulting from future cash flows associated with new intercompany loans with foreign affiliates.

*Foreign exchange rates*. The Company uses forward foreign exchange contracts, foreign currency swaps and foreign currency options to mitigate its exposure to changes in exchange rates from third-party and intercompany actual and forecasted transactions. Substantially all of the Company's derivative financial instruments are effective as hedges. The primary currencies to which the Company is exposed, based on the size and location of its businesses, include the euro, Swiss franc, British pound and Canadian dollar. At March 31, 2007 and December 31, 2006, the Company had forward foreign

exchange contracts, foreign currency swaps and foreign exchange options with aggregate notional amounts of $5.1 billion and $2.6 billion, respectively. The effective portion of unrealized gains and losses associated with forward, swap and option contracts is deferred as a component of accumulated other comprehensive earnings (losses) until the underlying hedged transactions are reported on the Company's consolidated statement of earnings.

*Commodities*. The Company is exposed to price risk related to forecasted purchases of certain commodities used as raw materials by its businesses. Accordingly, the Company uses commodity forward contracts as cash flow hedges, primarily for coffee, milk, sugar and cocoa. Commodity futures and options are also used to hedge the price of certain commodities, including milk, coffee, cocoa, wheat, corn, sugar and soybean oil. In general, commodity forward contracts qualify for the normal purchase exception under SFAS No. 133 and are, therefore, not subject to the provisions of SFAS No. 133. At March 31, 2007 and December 31, 2006, the Company had net long commodity positions of $611 million and $533 million, respectively. Unrealized gains or losses on net commodity positions were immaterial at March 31, 2007 and December 31, 2006. The effective portion of unrealized gains and losses on commodity futures and option contracts is deferred as a component of accumulated other comprehensive earnings (losses) and is recognized as a component of cost of sales in the Company's consolidated statement of earnings when the related inventory is sold.

**New Accounting Standards**

See Notes 1 and 13 to the Condensed Consolidated Financial Statements for a discussion of new accounting standards.

**Contingencies**

See Note 8. *Contingencies* and Part II — Other Information, Item 1. Legal Proceedings for a discussion of contingencies.

**Forward-Looking Statements**

The Company and its representatives may from time to time make written or oral forward-looking statements, including statements contained in the Company's filings with the SEC, in its reports to shareholders and in press releases and investor webcasts. One can identify these forward-looking statements by use of words such as "strategy," "expects," "plans," "anticipates," "believes," "will," "continues," "estimates," "intends," "projects," "goals," "targets" and other words of similar meaning. One can also identify them by the fact that they do not relate strictly to historical or current facts. The Company cannot guarantee that any forward-looking statement will be realized, although it believes that it has been prudent in its plans and assumptions. Achievement of future results is subject to risks, uncertainties, and the possibility of inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Investors should bear this in mind as they consider forward-looking statements and whether to invest in or remain invested in the Company's securities. In connection with the ''safe harbor'' provisions of the Private Securities Litigation Reform Act of 1995, the Company identifies from time to time important factors that could cause actual results and outcomes to differ materially from those contained in any forward-looking statement made by or on behalf of the Company. These factors include the ones discussed in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the year ended December 31, 2006 and the "Business Environment" section in this report preceding the discussion of operating results, as well as other factors discussed in filings made by the Company with the SEC. It is not possible to predict or identify all risk factors. Consequently, the risk factors discussed in this document should not be considered a complete discussion of all potential risks or uncertainties. The Company does not undertake to update any forward-looking statement that it may make from time to time.

Item 4. Controls and Procedures.

a) Disclosure Controls and Procedures

Management, together with the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

b) Changes in Internal Control Over Financial Reporting

The Company's management, together with the Company's Chief Executive Officer and Chief Financial Officer, determined that there were no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is party to a variety of legal proceedings arising out of the normal course of business, including the matters discussed below. While the results of litigation cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

In October 2002, Mr. Mustapha Gaouar and five other family members (collectively "the Gaouars'') filed suit in the Commercial Court of Casablanca against Kraft Foods Maroc and Mr. Omar Berrada claiming damages of approximately $31 million arising from a non-compete undertaking signed by Mr. Gaouar allegedly under duress. The non-compete clause was contained in an agreement concluded in 1986 between Mr. Gaouar and Mr. Berrada acting for himself and for his group of companies, including Les Cafes Ennasr (renamed Kraft Foods Maroc), which was acquired by Kraft Foods International, Inc. from Mr. Berrada in 2001. In June 2003, the court issued a preliminary judgment against Kraft Foods Maroc and Mr. Berrada holding that the Gaouars are entitled to damages for being deprived of the possibility of engaging in coffee roasting from 1986 due to such non-compete undertaking. At that time, the court appointed two experts to assess the amount of damages to be awarded. In December 2003, these experts delivered a report concluding that they could see no evidence of loss suffered by the Gaouars. The Gaouars asked the court that this report be set aside and new court experts be appointed. On April 15, 2004, the court delivered a judgment upholding the defenses of Kraft Foods Maroc and rejecting the claims of the Gaouars. The Gaouars appealed this judgment, and in July 2005, the Court of Appeal gave judgment in favor of Kraft Foods Maroc confirming the decision rendered by the Commercial Court. On November 29, 2005, the Gaouars filed their further appeal to the Moroccan Supreme Court. The Moroccan Supreme Court hearing took place on February 21, 2007. No date has been set for rendering a judgment. As a result, in the event that the Company is ultimately found liable on appeal for damages to plaintiff in this case, the Company believes that it may have claims against Mr. Berrada for recovery of all or a portion of the amount.

Item 1A. Risk Factors.

There were no material changes to the Risk Factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The Company's share repurchase program activity for each of the three months ended March 31, 2007 was as follows:

| Period | Total Number of Shares Purchased (d) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a) |
|---|---|---|---|---|
| January 1-January 31, 2007 | 250,000 | $ 35.59 | 30,496,992 | $ 991,105,664 |
| February 1-February 28, 2007 | 460,000 | $ 32.78 | 30,956,992 | $ 976,024,674 |
| March 1-March 31, 2007 | 3,700,000 | $ 31.40 | 34,656,992 | $ – |
| Pursuant to Publicly Announced Plans or Programs | 4,410,000 | $ 31.78 | | |
| January 1-January 31, 2007 (c) | 1,181 | $ 35.64 | | |
| February 1-February 28, 2007 (c) | 1,312,987 | $ 33.89 | | |
| March 1-March 31, 2007 (c) | 9,776 | $ 33.29 | | |
| For the Quarter Ended March 31, 2007 | 5,733,944 | $ 32.27 | | |

(a) In February 2007, the Company announced that the Board of Directors authorized a stock repurchase plan to replace the existing $2.0 billion share repurchase plan. Under the new plan, the Company may repurchase shares of the Company's common stock having an aggregate value up to $5.0 billion through March 2009. The new plan became effective immediately following the Distribution. As such, there was no remaining authority under the $2.0 billion share repurchase plan, and only the new $5.0 billion share repurchase plan authority remained.

(b) Aggregate number of shares repurchased under the share repurchase programs as of the end of the period presented.

(c) Shares tendered to the Company by employees who vested in restricted stock and rights, and used shares to pay the related taxes.

(d) In addition, in March 2007, the Company purchased 1.4 million shares of its Class A common stock at an aggregate cost of $46.5 million from Altria per the provisions of the Distribution. As this repurchase was made under separate authority, it was not included in the share repurchase program table above.

Item 4. Submission of Matters to a Vote of Security Holders.

The Company's annual meeting of shareholders was held in East Hanover, New Jersey on April 24, 2007. 1,607,679,793 shares of common stock, 98.05% of outstanding shares, were represented in person or by proxy, representing 12,227,679,793 votes, or 99.73% of outstanding votes.

The nine directors listed below were elected to a one-year term expiring in 2007:

| | Number of Votes | |
|---|---|---|
| | For | Withheld |
| Ajay Banga | 12,226,057,616 | 1,622,177 |
| Jan Bennink | 12,225,899,995 | 1,779,798 |
| Louis C. Camilleri | 12,226,798,002 | 881,791 |
| Mark D. Ketchum | 12,227,006,833 | 672,960 |
| Richard A. Lerner, M.D. | 12,227,012,479 | 667,314 |
| John C. Pope | 12,225,435,148 | 2,244,645 |
| Irene B. Rosenfeld | 12,227,005,929 | 673,864 |
| Mary L. Schapiro | 12,226,985,611 | 694,182 |
| Deborah C. Wright | 12,224,934,883 | 2,744,910 |

The selection of PricewaterhouseCoopers LLP as independent auditors was ratified: 12,227,131,189 votes in favor, 470,235 votes against and 138,369 shares abstained.

Item 6. Exhibits.

| | |
|---|---|
| 4.1 | Indenture between Nabisco, Inc. (which was acquired by the Registrant in 2000) and Citibank, N.A., Trustee, dated as of June 5, 1995. |
| 4.2 | Indenture between General Foods Corporation (which was merged into the Registrant in 1989) and Citibank, N.A., Trustee, dated as of June 15, 1981. |
| 12 | Statement regarding computation of ratios of earnings to fixed charges. |
| 31.1 | Certification of the Registrant's Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of the Registrant's Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of the Registrant's Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of the Registrant's Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KRAFT FOODS INC.

/s/ JAMES P. DOLLIVE

James P. Dollive, Executive Vice President and
Chief Financial Officer

May 9, 2007

**EXHIBIT 4.1**

NABISCO, INC.
as the Company

and

CITIBANK, N.A.
as Trustee

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Indenture
Dated as of June 5, 1995

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**TABLE OF CONTENTS**



*Note: The Table of Contents shall not for any purposes be deemed to be a part of the Indenture.

INDENTURE, dated as of June 5, 1995, between Nabisco, Inc., a New Jersey corporation, as the Company, and Citibank, N.A., a national association, as Trustee.

**RECITALS OF THE COMPANY**

WHEREAS, the Company has duly authorized the issue from time to time of its debentures, notes or other evidences of indebtedness to be issued in one or more series (the "Securities") up to such principal amount or amounts as may from time to time be authorized in accordance with the terms of this Indenture and to provide, among other things, for the authentication, delivery and administration thereof, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, all things necessary to make this Indenture a valid indenture and agreement according to its terms have been done;

NOW, THEREFORE:

In consideration of the premises and the purchases of the Securities by the holders thereof, the Company and the Trustee mutually covenant and agree for the equal and proportionate benefit of the respective holders from time to time of the Securities or of any and all series thereof and of the coupons, if any, appertaining thereto as follows:

**ARTICLE 1**

**DEFINITIONS AND INCORPORATION BY REFERENCE**

SECTION 1.1 Definitions.

"Agent" means any Registrar, Paying Agent, transfer agent or Authenticating Agent.

"Attributable Debt" means, when used in connection with a sale and lease-back transaction referred to in Section 4.4, on any date as of which the amount thereof is to be determined, the product of (a) the net proceeds from such sale and lease-back transaction multiplied by (b) a fraction, the numerator of which is the number of full years of the term of the lease relating to the property involved in such sale and lease-back transaction (without regard to any options to renew or extend such term) remaining on the date of the making of such computation and the denominator of which is the number of full years of the term of such lease measured from the first day of such term.

"Authorized Newspaper" means a newspaper (which, in the case of The City of New York, will, if practicable,

be The Wall Street Journal (Eastern Edition) and in the case of London, will, if practicable, be the Financial Times (London Edition) and published in an official language of the country of publication customarily published at least once a day for at least five days in each calendar week and of general circulation in The City of New York or London, as applicable. If it shall be impractical in the opinion of the Trustee to make any publication of any notice required hereby in an Authorized Newspaper, any publication or other notice in lieu thereof which is made or given with the approval of the Trustee shall constitute a sufficient publication of such notice.

"Board Resolution" means one or more resolutions of the board of directors of the Company or any authorized committee thereof, certified by the secretary or an assistant secretary to have been duly adopted and to be in full force and effect on the date of certification, and delivered to the Trustee.

"Business Day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York, with respect to any Security the interest on which is based on the offered quotations in the interbank Eurodollar market for dollar deposits in London, or with respect to Securities denominated in a specified currency other than United States dollars, in the principal financial center of the country of the specified currency.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's capital stock or equity, including, without limitation, all Common Stock and Preferred Stock.

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

"Common Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's common stock, whether now outstanding or issued after the date of this Indenture, including, without limitation, all series and classes of such common stock.

"Company" means the party named as such in the first paragraph of this Indenture until a successor replaces it pursuant to Article 5 of this Indenture and thereafter means the successor.

"Consolidated Net Worth" means, at any date of determination, the consolidated stockholders' equity of the Company, as set forth on the then most recently available consolidated balance sheet of the Company and its consolidated Subsidiaries.

"Corporate Trust Office" means the office of the Trustee at which the corporate trust business of the Trustee shall, at any particular time, be principally administered, which office is, at the date of this Indenture, located at 120 Wall street, New York, New York 10043 Attention: Corporate Trust Administration,

"Default" means any Event of Default as defined in Section 6.1 and any event that is, or after notice or passage of time or both would be, an Event of Default.

"Depositary" means, with respect to the Securities of any series issuable or issued in the form of one or more Registered Global Securities, the Person designated as Depositary by the Company pursuant to Section 2.3 until a successor Depositary shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depositary" shall mean or include each Person who is then a Depositary hereunder, and if at any time there is more than one such Person, "Depositary" as used with respect to the Securities of any such series shall mean the Depositary with respect to the Registered Global Securities of that series.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exempted Debt" means the sum, without duplication, of the following items outstanding as of the date Exempted Debt is being determined: (i) indebtedness of the Company and its Restricted Subsidiaries incurred after the date of this Indenture and secured by liens created or assumed or permitted to exist pursuant to Section 4.3(b), (ii) Attributable Debt of the Company and its Restricted Subsidiaries in respect of all sale and lease-back transactions with regard to any Principal Property entered into pursuant to Section 4.4(b) and (iii) Funded Debt of Restricted Subsidiaries created, assumed or guaranteed pursuant to Section 4.5(b).

"Funded Debt" means all indebtedness for money borrowed, including purchase money indebtedness, having a maturity of more than one year from the date of its creation

or having a maturity of less than one year but by its terms being renewable or extendible, at the option of the obligor in respect thereof, beyond one year from the date of its creation.

"GAAP" means generally accepted accounting principles in the United States of America at the date of any computation required or permitted hereunder.

"Holder" or "Securityholder" means the registered holder of any Security with respect to Registered Securities and the bearer of any Unregistered Security or any coupon appertaining thereto, as the case may be.

"Indenture" means this Indenture as originally executed or as it may be amended or supplemented from time to time by one or more indentures supplemental to this Indenture entered into pursuant to the applicable provisions of this Indenture and shall include the forms and terms of the Securities of each series established as contemplated pursuant to Sections 2.1 and 2.3.

"Officer" means, with respect to the Company, the chairman of the board of directors, the president or chief executive officer, any vice president, the chief financial officer, the treasurer or any assistant treasurer, or the secretary or any assistant secretary.

"Officers' Certificate" means a certificate signed in the name of the Company (i) by the chairman of the board of directors, the president or chief executive officer or a vice president and (ii) by the chief financial officer, the treasurer or any assistant treasurer, or the secretary or any assistant secretary, complying with Section 10.4 and delivered to the Trustee. Each such certificate shall comply with Section 314 of the Trust Indenture Act and include (except as otherwise expressly provided in this Indenture) the statements provided in Section 10.4.

"Opinion of Counsel" means a written opinion signed by legal counsel, who may be an employee of or counsel to the Company, satisfactory to the Trustee and complying with Section 10.4. Each such opinion shall comply with Section 314 of the Trust Indenture Act and include the statements provided in Section 10.4, if and to the extent required thereby.

"original issue date" of any Security (or portion thereof) means the earlier of (a) the date of authentication of such Security or (b) the date of any Security (or portion thereof) for which such Security was issued (directly or indirectly) on registration of transfer, exchange or substitution.

"Original Issue Discount Security" means any Security that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof pursuant to Section 6.2.

"Periodic Offering" means an offering of Securities of a series from time to time, the specific terms of which Securities, including, without limitation, the rate or rates of interest, if any, thereon, the stated maturity or maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company or its agents upon the issuance of such Securities.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Preferred Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's preferred or preference stock, whether now outstanding or issued after the date of the Indenture, including, without limitation, all series and classes of such preferred or preference stock.

"Principal" of a Security means the principal amount of, and, unless the context indicates otherwise, includes any premium payable on, the Security.

"Principal Property" means land, land improvements, buildings and associated factory and laboratory equipment owned or leased pursuant to a capital lease and used by the Company or a Restricted Subsidiary primarily for processing, producing, packaging or storing its products, raw materials, inventories or other materials and supplies and located within the United states of America and having an acquisition cost plus capitalized improvements in excess of 2% of Consolidated Net Worth as of the date of such determination, but shall not include any such property financed through the issuance of tax exempt governmental obligations, or any such property that has been determined by Board Resolution not to be of material importance to the respective business conducted by the Company or such Restricted Subsidiary, effective as of the date such Board Resolution is adopted.

"Registered Global Security" means a Security evidencing all or a part of a series of Registered Securities, issued to the Depositary for such series in

accordance with Section 2.2, and bearing the legend prescribed in Section 2.2.

"Registered Security" means any Security registered on the Security Register (as defined in Section 2.5) .

"Responsible Officer" means, when used with respect to the Trustee, any senior trust officer, any vice president, any trust officer, any assistant trust officer, or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Subsidiary" means any Subsidiary organized and existing under the laws of the United States of America and the principal business of which is carried on within the United States of America which owns or is a lessee pursuant to a capital lease of any Principal Property and in which the investment of the Company and all its Subsidiaries exceeds 5% of Consolidated Net Worth as of the date of such determination other than:

(i) each Subsidiary the major part of whose business consists of finance, banking, credit, leasing, insurance, financial services or other similar operations, or any combination thereof; and

(ii) each Subsidiary formed or acquired after the date hereof for the purpose of acquiring the business or assets of another Person and which does not acquire all or any substantial part of the business or assets of the Company or any Restricted Subsidiary;

provided, however, that any Subsidiary may be declared a Restricted Subsidiary by Board Resolution, effective as of the date such Board Resolution is adopted; provided further, that any such declaration may be rescinded by further Board Resolution, effective as of the date such further Board Resolution is adopted.

"Securities" means any of the securities, as defined in the first paragraph of the recitals hereof, that are authenticated and delivered under this Indenture and, unless the context indicates otherwise, shall include any coupon appertaining thereto.

"Securities Act" means the Securities Act of 1933, as amended.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

"Trustee" means the party named as such in the first paragraph of this Indenture until a successor replaces it in accordance with the provisions of Article 7 and thereafter means such successor.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended (15 U.S. Code §§ 77aaa-77bbbb), as it may be amended from time to time.

"UCC" means the Uniform Commercial Code, as in effect in each applicable jurisdiction.

"United States Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended and as codified in Title 11 of the United States Code, as amended from time to time hereafter, or any successor federal bankruptcy law.

"Unregistered Security" means any Security other than a Registered Security.

"U.S. Government Obligations" means securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Yield to Maturity" means, as the context may require, the yield to maturity (i) on a series of Securities or (ii) if the Securities of a series are issuable from time to time, on a Security of such series, calculated at the time of issuance of such series in the case of clause (i) or at the time of issuance of such Security of such series in the case of clause (ii), or, if applicable, at the most recent redetermination of interest on such series or on such Security, and calculated in accordance with the constant interest method or such other accepted financial practice as is specified in the terms of such Security.

SECTION 1.2 Other Definitions. Each of the following terms is defined in the section set forth opposite such term:

| Term | Section |
|---|---|
| Authenticating Agent | 2.2 |
| cash transaction | 7.3 |
| Dollars | 4.2 |
| Event of Default | 6.1 |
| Judgment Currency | 10.15 |
| mandatory sinking fund payment | 3.5 |
| optional sinking fund payment | 3.5 |
| Paying Agent | 2.5 |
| record date | 2.4 |
| Registrar | 2.5 |
| Required Currency | 10.15 |
| Security Register | 2.5 |
| self-liquidating paper | 7.3 |
| sinking fund payment date | 3.5 |
| tranche | 2.14 |

SECTION 1.3 Incorporation by Reference of Trust Indenture Act. Whenever this Indenture refers to a provision of the Trust Indenture Act, the provision is incorporated by reference in and made a part of this Indenture. The following terms used in this Indenture that are defined by the Trust Indenture Act have the following meanings:

"indenture securities" means the Securities;

"indenture security holder" means a Holder or a Securityholder;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the indenture securities means the Company or any other obligor on the Securities.

All other terms used in this Indenture that are defined by the Trust Indenture Act, defined by reference in the Trust Indenture Act to another statute or defined by a rule of the Commission and not otherwise defined herein have the meanings assigned to them therein.

SECTION 1.4 Rules of Construction. Unless the context otherwise requires:

(i) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(ii) words in the singular include the plural, and words in the plural include the singular;

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

(iv) all references to Sections or Articles refer to Sections or Articles of this Indenture unless otherwise indicated; and

(v) use of masculine, feminine or neuter pronouns should not be deemed a limitation, and the use of any such pronouns should be construed to include, where appropriate, the other pronouns.

## ARTICLE 2

## THE SECURITIES

SECTION 2.1 Form and Dating. The Securities of each series shall be substantially in such form or forms (not inconsistent with this Indenture) as shall be established by or pursuant to one or more Board Resolutions or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law, or with any rules of any securities exchange or usage, all as may be determined by the officers executing such Securities as evidenced by their execution of the Securities. Unless otherwise so established, Unregistered Securities shall have coupons attached.

SECTION 2.2 Execution and Authentication. Two Officers shall execute the Securities (other than coupons) for the Company by facsimile or manual signature in the name

and on behalf of the Company. The seal of the Company, if any, shall be reproduced on the Securities. If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

The Trustee, at the expense of the Company, may appoint an authenticating agent (the "Authenticating Agent") to authenticate Securities (other than coupons). The Authenticating Agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such Authenticating Agent.

A Security (other than coupons) shall not be valid until the Trustee or Authenticating Agent manually signs the certificate of authentication on the Security. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series having attached thereto appropriate coupons, if any, executed by the Company to the Trustee for authentication together with the applicable documents referred to below in this Section, and the Trustee shall thereupon authenticate and deliver such Securities to or upon the written order of the Company. In authenticating any Securities of a series, the Trustee shall be entitled to receive prior to the first authentication of any Securities of such series, and (subject to Article 7) shall be fully protected in relying upon, unless and until such documents have been superseded or revoked:

(1) any Board Resolution and/or executed supplemental indenture referred to in Sections 2.1 and 2.3 by or pursuant to which the forms and terms of the Securities of that series were established;

(2) an Officers' Certificate setting forth the form or forms and terms of the Securities, stating that the form or forms and terms of the Securities of such series have been, or will be when established in accordance with such procedures as shall be referred to therein, established in compliance with this Indenture; and

(3) an Opinion of Counsel substantially to the effect that the form or forms and terms of the Securities of such series have been, or will be when established in accordance with such procedures as shall be referred to therein,

established in compliance with this Indenture and that the supplemental indenture, to the extent applicable, and Securities have been duly authorized and, if executed and authenticated in accordance with the provisions of the Indenture and delivered to and duly paid for by the purchasers thereof on the date of such opinion, would be entitled to the benefits of the Indenture and would be valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws affecting creditors' rights generally, general principles of equity, and such other matters as shall be specified therein.

If the Company shall establish pursuant to Section 2.3 that the Securities of a series or a portion thereof are to be issued in the form of one or more Registered Global Securities, then the Company shall execute and the Trustee shall authenticate and deliver one or more Registered Global Securities that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of all of the Securities of such series issued in such form and not yet cancelled, (ii) shall be registered in the name of the Depositary for such Registered Global Security or Securities or the nominee of such Depositary, (iii) shall be delivered by the Trustee to such Depositary or its custodian or pursuant to such Depositary's instructions and (iv) shall bear a legend substantially to the following effect: "Unless and until it is exchanged in whole or in part for Securities in definitive registered form, this Security may not be transferred except as a whole by the Depositary to the nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary."

SECTION 2.3 Amount Unlimited; Issuable in Series. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series and each such series shall rank equally and pari passu with all other unsecured and unsubordinated debt of the Company. There shall be established in or pursuant to Board Resolution or one or more indentures supplemental hereto, prior to the initial issuance of Securities of any series, subject to the last sentence of this Section 2.3,

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

(2) any limit upon the aggregate principal amount of the Securities of the series that may be authenticated and delivered under this Indenture and any limitation on the ability of the Company to increase such aggregate principal amount after the initial issuance of the Securities of that series (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, or upon redemption of, other Securities of the series pursuant hereto);

(3) the date or dates on which the principal of the Securities of the series is payable (which date or dates may be fixed or extendible);

(4) the rate or rates (which may be fixed or variable) per annum at which the Securities of the series shall bear interest, if any, the date or dates from which such interest shall accrue, on which such interest shall be payable and (in the case of Registered Securities) on which a record shall be taken for the determination of Holders to whom interest is payable and/or the method by which such rate or rates or date or dates shall be determined;

(5) if other than as provided in Section 4.2, the place or places where the principal of and any interest on Securities of the series shall be payable, any Registered Securities of the series may be surrendered for exchange, notices, demands to or upon the Company in respect of the Securities of the series and this Indenture may be served and notice to Holders may be published;

(6) the right, if any, of the Company to redeem Securities of the series, in whole or in part, at its option and the period or periods within which, the price or prices at which and any terms and conditions upon which Securities of the series may be so redeemed, pursuant to any sinking fund or otherwise;

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

redeemed, purchased or repaid, in whole or in part, pursuant to such obligation;

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

(9) if other than the principal amount thereof, the portion of the principal amount of Securities of the series which shall be payable upon declaration of acceleration of the maturity thereof;

(10) if other than the coin or currency in which the Securities of the series are denominated, the coin or currency in which payment of the principal of or interest on the Securities of the series shall be payable or if the amount of payments of principal of and/or interest on the Securities of the series may be determined with reference to an index based on a coin or currency other than that in which the Securities of the series are denominated, the manner in which such amounts shall be determined;

(11) if other than the currency of the United States of America, the currency or currencies, including composite currencies, in which payment of the Principal of and interest on the Securities of the series shall be payable, and the manner in which any such currencies shall be valued against other currencies in which any other Securities shall be payable;

(12) whether the Securities of the series or any portion thereof will be issuable as Registered Securities (and if so, whether such Securities will be issuable as Registered Global Securities) or Unregistered Securities (with or without coupons), or any combination of the foregoing, any restrictions applicable to the offer, sale or delivery of Unregistered Securities or the payment of interest thereon and, if other than as provided herein, the terms upon which Unregistered Securities of any series may be exchanged for Registered Securities of such series and vice versa;

(13) whether and under what circumstances the Company will pay additional amounts on the Securities of the series held by a person who is not a U.S. person in respect of any tax, assessment or governmental charge withheld or deducted and, if so, whether the Company will have the option to redeem such Securities rather than pay such additional amounts;

(14) if the Securities of the series are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Security of such series) only upon receipt of certain certificates or other documents or satisfaction of other conditions, the form and terms of such certificates, documents or conditions;

(15) any trustees, depositaries, authenticating or paying agents, transfer agents or the registrar or any other agents with respect to the Securities of the series;

(16) provisions, if any, for the defeasance of the Securities of the series (including provisions permitting defeasance of less than all Securities of the series), which provisions may be in addition to, in substitution for, or in modification of (or any combination of the foregoing) the provisions of Article 8;

(17) if the Securities of the series are issuable in whole or in part as one or more Registered Global Securities, the identity of the Depositary for such Registered Global Security or Securities;

(18) any other events of default or covenants with respect to the Securities of the series; and

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

All Securities of any one series and coupons, if any, appertaining thereto shall be substantially identical, except in the case of Registered Securities as to date and denomination, except in the case of any Periodic Offering and except as may otherwise be provided by or pursuant to the Board Resolution referred to above or as set forth in any such indenture supplemental hereto. All Securities of any one series need not be issued at the same time and may be issued from time to time, consistent with the terms of this Indenture, if so provided by or pursuant to such Board Resolution or in any such indenture supplemental hereto and any forms and terms of Securities to be issued from time to time may be completed and established from time to time prior to the issuance thereof by procedures described in such Board Resolution or supplemental indenture.

SECTION 2.4 Denomination and Date of Securities: Payments of Interest. The Securities of each series shall be issuable as Registered Securities or Unregistered Securities in denominations established as contemplated by

Section 2.3 or, if not so established with respect to Securities of any series, in denominations of $1,000 and any integral multiple thereof. The Securities of each series shall be numbered, lettered or otherwise distinguished in such manner or in accordance with such plan as the Officers of the company executing the same may determine, as evidenced by their execution thereof.

Each Security shall be dated the date of its authentication. The Securities of each series shall bear interest, if any, from the date, and such interest and shall be payable on the dates, established as contemplated by Section 2.3.

The person in whose name any Registered Security of any series is registered at the close of business on any record date applicable to a particular series with respect to any interest payment date for such series shall be entitled to receive the interest, if any, payable on such interest payment date notwithstanding any transfer or exchange of such Registered Security subsequent to the record date and prior to such interest payment date, except if and to the extent the Company shall default in the payment of the interest due on such interest payment date for such series, in which case the provisions of Section 2.13 shall apply. The term "record date" as used with respect to any interest payment date (except a date for payment of defaulted interest) for the Securities of any series shall mean the date specified as such in the terms of the Registered Securities of such series established as contemplated by Section 2.3, or, if no such date is so established, the fifteenth day next preceding such interest payment date, whether or not such record date is a Business Day.

SECTION 2.5 Registrar and Paying Agent; Agents Generally. The Company shall maintain an office or agency where Securities may be presented for registration, registration of transfer or for exchange (the "Registrar") and an office or agency where Securities may be presented for payment (the "Paying Agent"), which shall be in the Borough of Manhattan, The City of New York. The Company shall cause the Registrar to keep a register of the Registered Securities and of their registration, transfer and exchange (the "Security Register"*)*. The Company may have one or more additional Paying Agents or transfer agents with respect to any series.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture and the Trust Indenture Act that relate to such Agent. The Company shall give prompt written notice to the Trustee of

the name and address of any Agent and any change in the name or address of an Agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such. The Company may remove any Agent upon written notice to such Agent and the Trustee; provided that no such removal shall become effective until (i) the acceptance of an appointment by a successor Agent to such Agent as evidenced by an appropriate agency agreement entered into by the Company and such successor Agent and delivered to the Trustee or (ii) notification to the Trustee that the Trustee shall serve as such Agent until the appointment of a successor Agent in accordance with clause (i) of this proviso. The Company or any affiliate of the Company may act as Paying Agent or Registrar; provided that neither the Company nor an affiliate of the Company shall act as Paying Agent in connection with the defeasance of the Securities or the discharge of this Indenture under Article 8.

The Company initially appoints the Trustee as Registrar, Paying Agent and Authenticating Agent. If, at any time, the Trustee is not the Registrar, the Registrar shall make available to the Trustee ten days prior to each interest payment date and at such other times as the Trustee may reasonably request the names and addresses of the Holders as they appear in the Security Register.

SECTION 2.6 Paying Agent to Hold Money in Trust. Not later than 10:00 a.m. New York City time on each due date of any Principal or interest on any Securities, the Company shall deposit with the Paying Agent money in immediately available funds sufficient to pay such Principal or interest. The Company shall require each Paying Agent other than the Trustee to agree in writing that such Paying Agent shall hold in trust for the benefit of the Holders of such Securities or the Trustee all money held by the Paying Agent for the payment of Principal of and interest on such Securities and shall promptly notify the Trustee of any default by the Company in making any such payment. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any funds disbursed, and the Trustee may at any time during the continuance of any payment default, upon written request to a Paying Agent, require such Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon doing so, the Paying Agent shall have no further liability for the money so paid over to the Trustee. If the Company or any affiliate of the Company acts as Paying Agent, it will, on or before each due date of any Principal of or interest on any Securities, segregate and hold in a separate trust fund for the benefit of the Holders thereof a sum of money sufficient to pay such Principal or interest so becoming due until such sum of money shall be paid to such Holders or otherwise disposed of as provided in

this Indenture, and will promptly notify the Trustee in writing of its action or failure to act as required by this Section.

SECTION 2.7 Transfer and Exchange. Unregistered Securities (except for any temporary global Unregistered Securities) and coupons (except for coupons attached to any temporary global Unregistered Securities) shall be transferable by delivery.

At the option of the Holder thereof, Registered Securities of any series (other than a Registered Global Security, except as set forth below) may be exchanged for a Registered Security or Registered Securities of such series and tenor having authorized denominations and an equal aggregate principal amount, upon surrender of such Registered Securities to be exchanged at the agency of the Company that shall be maintained for such purpose in accordance with Section 2.5 and upon payment, if the Company shall so require, of the charges hereinafter provided. If the Securities of any series are issued in both registered and unregistered form, except as otherwise established pursuant to Section 2.3, at the option of the Holder thereof, Unregistered Securities of any series may be exchanged for Registered Securities of such series and tenor having authorized denominations and an equal aggregate principal amount, upon surrender of such Unregistered Securities to be exchanged at the agency of the Company that shall be maintained for such purpose in accordance with Section 4.2, with, in the case of Unregistered Securities that have coupons attached, all unmatured coupons and all matured coupons in default thereto appertaining, and upon payment, if the Company shall so require, of the charges hereinafter provided. At the option of the Holder thereof, if Unregistered Securities of any series, maturity date, interest rate and original issue date are issued in more than one authorized denomination, except as otherwise established pursuant to Section 2.3, such Unregistered Securities may be exchanged for Unregistered Securities of such series and tenor having authorized denominations and an equal aggregate principal amount, upon surrender of such Unregistered Securities to be exchanged at the agency of the Company that shall be maintained for such purpose in accordance with Section 4.2, with, in the case of Unregistered Securities that have coupons attached, all unmatured coupons and all matured coupons in default thereto appertaining, and upon payment, if the Company shall so require, of the charges hereinafter provided. Registered Securities of any series may not be exchanged for Unregistered Securities of such series. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and

deliver, the Securities which the Holder making the exchange is entitled to receive.

All Registered Securities presented for registration of transfer, exchange, redemption or payment shall be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and the Trustee duly executed by, the holder or his attorney duly authorized in writing.

The Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Securities. No service charge shall be made for any such transaction.

Notwithstanding any other provision of this Section 2.7, unless and until it is exchanged in whole or in part for Securities in definitive registered form, a Registered Global Security representing all or a portion of the Securities of a series may not be transferred except as a whole by the Depositary for such series to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary for such series or a nominee of such successor Depositary.

If at any time the Depositary for any Registered Global Securities of any series notifies the Company that it is unwilling or unable to continue as Depositary for such Registered Global Securities or if at any time the Depositary for such Registered Global Securities shall no longer be eligible under applicable law, the Company shall appoint a successor Depositary eligible under applicable law with respect to such Registered Global Securities. If a successor Depositary eligible under applicable law for such Registered Global Securities is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company will execute, and the Trustee, upon receipt of the Company's order for the authentication and delivery of definitive Registered Securities of such series and tenor, will authenticate and deliver Registered Securities of such series and tenor, in any authorized denominations, in an aggregate principal amount equal to the principal amount of such Registered Global Securities, in exchange for such Registered Global Securities.

The Company may at any time and in its sole discretion determine that any Registered Global Securities of any series shall no longer be maintained in global form. In such event the Company will execute, and the Trustee, upon receipt of the Company's order for the authentication

and delivery of definitive Registered Securities of such series and tenor, will authenticate and deliver, Registered Securities of such series and tenor in any authorized denominations, in an aggregate principal amount equal to the principal amount of such Registered Global Securities, in exchange for such Registered Global Securities.

Any time the Registered Securities of any series are not in the form of Registered Global Securities pursuant to the preceding two paragraphs, the Company agrees to supply the Trustee with a reasonable supply of certificated Registered Securities without the legend required by Section 2.2 and the Trustee agrees to hold such Registered Securities in safekeeping until authenticated and delivered pursuant to the terms of this Indenture.

If established by the Company pursuant to Section 2.3 with respect to any Registered Global Security, the Depositary for such Registered Global Security may surrender such Registered Global Security in exchange in whole or in part for Registered Securities of the same series and tenor in definitive registered form on such terms as are acceptable to the Company and such Depositary. Thereupon, the Company shall execute, and the Trustee shall authenticate and deliver, without service charge,

(i) to the Person specified by such Depositary new Registered Securities of the same series and tenor, of any authorized denominations as requested by such Person, in an aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Registered Global Security; and

(ii) to such Depositary a new Registered Global Security in a denomination equal to the difference, if any, between the principal amount of the surrendered Registered Global Security and the aggregate principal amount of Registered Securities authenticated and delivered pursuant to clause (i) above.

Registered Securities issued in exchange for a Registered Global Security pursuant to this Section 2.7 shall be registered in such names and in such authorized denominations as the Depositary for such Registered Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee or an agent of the Company or the Trustee. The Trustee or such agent shall deliver such Securities to or as directed by the Persons in whose names such Securities are so registered.

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

Notwithstanding anything herein or in the forms or terms of any securities to the contrary, none of the Company, the Trustee or any agent of the Company or the Trustee shall be required to exchange any Unregistered Security for a Registered Security if such exchange would result in adverse Federal income tax consequences to the company (such as, for example, the inability of the Company to deduct from its income, as computed for Federal income tax purposes, the interest payable on the Unregistered Securities) under then applicable United States Federal income tax laws. The Trustee and any such agent shall be entitled to rely on an officers' Certificate or an Opinion of Counsel in determining such result.

The Registrar shall not be required (i) to issue, authenticate, register the transfer of or exchange Securities of any series for a period of 15 days before a selection of such Securities to be redeemed or (ii) to register the transfer of or exchange any Security selected for redemption in whole or in part.

SECTION 2.8 Replacement Securities. If a defaced or mutilated Security of any series is surrendered to the Trustee or if a Holder claims that its Security of any series has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Security of such series and tenor and principal amount bearing a number not contemporaneously outstanding. If required by the Trustee or the Company, an indemnity bond must be furnished that is sufficient in the judgment of both the Trustee and the Company to protect the Company, the Trustee and any Agent from any loss that any of them may suffer if a Security is replaced. The Company may charge such Holder for its expenses and the expenses of the Trustee (including without limitation attorneys' fees and expenses) in replacing a Security. In case any such mutilated, defaced, lost, destroyed or wrongfully taken Security has become or is about to become due and payable, the Company in its discretion may pay such Security instead of issuing a new Security in replacement thereof.

Every replacement Security is an additional obligation of the Company and shall be entitled to the benefits of this Indenture.

To the extent permitted by law, the foregoing provisions of this Section are exclusive with respect to the

replacement or payment of mutilated, destroyed, lost or wrongfully taken Securities.

SECTION 2.9 Outstanding Securities. Securities outstanding at any time are all Securities that have been authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation and those described in this Section as not outstanding.

If a Security is replaced pursuant to Section 2.8, it ceases to be outstanding unless and until the Trustee and the Company receive proof satisfactory to them that the replaced Security is held by a holder in due course.

If the Paying Agent (other than the Company or an affiliate of the Company) holds on the maturity date or any redemption date or date for repurchase of the Securities money sufficient to pay Securities payable or to be redeemed or repurchased on that date, then on and after that date such Securities cease to be outstanding and interest on them shall cease to accrue.

A Security does not cease to be outstanding because the Company or one of its affiliates holds such Security, provided, however, that, in determining whether the Holders of the requisite principal amount of the outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any affiliate of the Company shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities as to which a Responsible Officer of the Trustee has received written notice to be so owned shall be so disregarded. Any Securities so owned which are pledged by the Company, or by any affiliate of the company, as security for loans or other obligations, otherwise than to another such affiliate of the Company, shall be deemed to be outstanding, if the pledgee is entitled pursuant to the terms of its pledge agreement and is free to exercise in its or his discretion the right to vote such securities, uncontrolled by the Company or by any such affiliate.

SECTION 2.10 Temporary Securities. Until definitive Securities of any series are ready for delivery, the company may prepare and the Trustee shall authenticate temporary Securities of such series. Temporary Securities of any series shall be substantially in the form of definitive Securities of such series but may have insertions, substitutions, omissions and other variations determined to be appropriate by the Officers executing the temporary Securities, as evidenced by their execution of

such temporary Securities. If temporary Securities of any series are issued, the company will cause definitive Securities of such series to be prepared without unreasonable delay. After the preparation of definitive Securities of any series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series and tenor upon surrender of such temporary Securities at the office or agency of the Company designated for such purpose pursuant to Section 4.2, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of such series and tenor and authorized denominations. Until so exchanged, the temporary Securities of any series shall be entitled to the same benefits under this Indenture as definitive Securities of such series.

SECTION 2.11 Cancellation. The Company at any time may deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold. The Registrar, any transfer agent and the Paying Agent shall forward to the Trustee any Securities surrendered to them for transfer, exchange or payment. The Trustee shall cancel and destroy all Securities surrendered for transfer, exchange, payment or cancellation and shall deliver a certificate of destruction to the Company. The Company may not issue new Securities to replace Securities it has paid in full or delivered to the Trustee for cancellation.

SECTION 2.12 CUSIP Numbers. The Company in issuing the Securities may use “CUSIP” and “CINS” numbers (if then generally in use), and the Trustee shall use CUSIP numbers or CINS numbers, as the case may be, in notices of redemption or exchange as a convenience to Holders and no representation shall be made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of redemption or exchange.

SECTION 2.13 Defaulted Interest. If the Company defaults in a payment of interest on the Securities, it shall pay, or shall deposit with the Paying Agent money in immediately available funds sufficient to pay, the defaulted interest plus (to the extent lawful) any interest payable on the defaulted interest (as may be specified in the terms thereof, established pursuant to Section 2.3) to the Persons who are Holders on a subsequent special record date, which shall mean the 15th day next

preceding the date fixed by the Company for the payment of defaulted interest, whether or not such day is a Business Day, At least 15 days before such special record date, the Company shall mail to each Holder and to the Trustee a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

SECTION 2.14 Series May Include Tranches. A series of Securities may include one or more tranches (each a "tranche") of Securities, including Securities issued in a Periodic offering. The Securities of different tranches may have one or more different terms, including authentication dates and public offering prices, but all the Securities within each such tranche shall have identical terms, including authentication date and public offering price. Notwithstanding any other provision of this Indenture, with respect to Sections 2.2 (other than the fourth paragraph thereof) through 2.4, 2.7, 2.8, 2.10, 3.1 through 3.5, 4.2, 6.l through 6.14, 8.1 through 8.5 and 9.2, if any series of Securities includes more than one tranche, all provisions of such sections applicable to any series of Securities shall be deemed equally applicable to each tranche of any series of Securities in the same manner as though originally designated a series unless otherwise provided with respect to such series or tranche pursuant to Section 2.3. In particular, and without limiting the scope of the next preceding sentence, any of the provisions of such sections which provide for or permit action to be taken with respect to a series of Securities shall also be deemed to provide for and permit such action to be taken instead only with respect to Securities of one or more tranches within that series (and such provisions shall be deemed satisfied thereby), even if no comparable action is taken with respect to Securities in the remaining tranches of that series.

## ARTICLE 3

## REDEMPTION

SECTION 3.1 Applicability of Article. The provisions of this Article shall be applicable to the Securities of any series which are redeemable before their maturity or to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 2.3 for Securities of such series.

SECTION 3.2 Notice of Redemption; Partial Redemptions. Notice of redemption to the Holders of Registered Securities of any series to be redeemed as a whole or in part at the option of the company shall be given by mailing notice of such redemption by first class mail, postage prepaid, at least 30 days and not more than 60 days

prior to the date fixed for redemption to such Holders of Registered Securities of such series at their last addresses as they shall appear upon the registry books. Notice of redemption to the Holders of Unregistered Securities of any series to be redeemed as a whole or in part who have filed their names and addresses with the Trustee pursuant to Section 313(c)(2) of the Trust Indenture Act, shall be given by mailing notice of such redemption, by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, to such Holders at such addresses as were so furnished to the Trustee (and, in the case of any such notice given by the Company, the Trustee shall make such information available to the Company for such purpose). Notice of redemption to all other Holders of Unregistered Securities of any series to be redeemed as a whole or in part shall be published in an Authorized Newspaper in The City of New York or with respect to any Security the interest on which is based on the offered quotations in the interbank Eurodollar market for dollar deposits in an Authorized Newspaper in London, in each case, once in each of three successive calendar weeks, the first publication to be not less than 30 days nor more than 60 days prior to the date fixed for redemption. Any notice which is mailed or published in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice. Failure to give notice by mail, or any defect in the notice to the Holder of any Security of a series designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security of such series.

The notice of redemption to each such Holder shall specify the principal amount of each Security of such series held by such Holder to be redeemed, the CUSIP numbers of the Securities to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of such Securities and, in the case of Securities with coupons attached thereto, of all coupons appertaining thereto maturing after the date fixed for redemption, that such redemption is pursuant to the mandatory or optional sinking fund, or both, if such be the case, that interest accrued to the date fixed for redemption will be paid as specified in such notice and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. In case any Security of a series is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Security, a new Security or Securities of such series and tenor in principal amount equal to the unredeemed portion thereof will be issued.

The notice of redemption of Securities of any series to be redeemed at the option of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

On or before 10:00 a.m. New York City time on the redemption date specified in the notice of redemption given as provided in this Section, the Company will deposit with the Trustee or with one or more Paying Agents (or, if the Company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 2.6) an amount of money sufficient to redeem on the redemption date all the Securities of such series so called for redemption at the appropriate redemption price, together with accrued interest to the date fixed for redemption. If all of the outstanding Securities of a series are to be redeemed, the Company will deliver to the Trustee at least 10 days prior to the last date on which notice of redemption may be given to Holders pursuant to the first paragraph of this Section 3.2 an Officers' Certificate stating that all such Securities are to be redeemed. If less than all the outstanding Securities of a series are to be redeemed, the Company will deliver to the Trustee at least 15 days prior to the last date on which notice of redemption may be given to Holders pursuant to the first paragraph of this Section 3.2 (or such shorter period as shall be acceptable to the Trustee) an Officers' Certificate stating the aggregate principal amount of such Securities to be redeemed. In case of a redemption at the election of the Company prior to the expiration of any restriction on such redemption, the Company shall deliver to the Trustee, prior to the giving of any notice of redemption to Holders pursuant to this Section, an Officers' Certificate stating that such redemption is not prohibited by such restriction.

If less than all the Securities of a series are to be redeemed, the Trustee shall select, pro rata, by lot or in such manner as it shall deem appropriate and fair, Securities of such series to be redeemed in whole or in part. Securities may be redeemed in part in multiples equal to the minimum authorized denomination for Securities of such series or any multiple thereof. The Trustee shall promptly notify the Company in writing of the Securities of such series selected for redemption and, in the case of any Securities of such series selected for partial redemption, the principal amount thereof to be redeemed. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

SECTION 3.3 Payment of Securities Called for Redemption. If notice of redemption has been given as above provided, the Securities or portions of Securities specified in such notice shall become due and payable on the date and at the place stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption, and on and after such date (unless the Company shall default in the payment of such Securities at the redemption price, together with interest accrued to such date) interest on the Securities or portions of Securities so called for redemption shall cease to accrue, and the unmatured coupons, if any, appertaining thereto shall be void and, except as provided in Sections 7.11 and 8.4, such Securities shall cease from and after the date fixed for redemption to be entitled to any benefit under this Indenture, and the Holders thereof shall have no right in respect of such Securities except the right to receive the redemption price thereof and unpaid interest to the date fixed for redemption. On presentation and surrender of such Securities at a place of payment specified in said notice, together with all coupons, if any, appertaining thereto maturing after the date fixed for redemption, said Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption; provided that payment of interest becoming due on or prior to the date fixed for redemption shall be payable in the case of Securities with coupons attached thereto, to the Holders of the coupons for such interest upon surrender thereof, and in the case of Registered Securities, to the Holders of such Registered Securities registered as such on the relevant record date subject to the terms and provisions of Sections 2.4 and 2.13 hereof.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the date fixed for redemption at the rate of interest or Yield to Maturity (in the case of an Original Issue Discount Security) borne by such Security.

If any Security with coupons attached thereto is surrendered for redemption and is not accompanied by all appurtenant coupons maturing after the date fixed for redemption, the surrender of such missing coupon or coupons may be waived by the Company and the Trustee, if there be furnished to each of them such security or indemnity as they may require to save each of them harmless.

Upon presentation of any Security of any series redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to or on the order of

the Holder thereof, at the expense of the Company, a new Security or Securities of such series and tenor (with any unmatured coupons attached), of authorized denominations, in principal amount equal to the unredeemed portion of the Security so presented.

SECTION 3.4 Exclusion of Certain Securities from Eligibility for Selection for Redemption. Securities shall be excluded from eligibility for selection for redemption if they are identified by registration and certificate number in a written statement signed by an authorized officer of the Company and delivered to the Trustee at least 40 days prior to the last date on which notice of redemption may be given as being owned of record and beneficially by, and not pledged or hypothecated by either (a) the Company or (b) an entity specifically identified in such written statement as directly or indirectly controlling or controlled by or under direct or indirect common control with the Company.

SECTION 3.5 Mandatory and Optional Sinking Funds. The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of the Securities of any series is herein referred to as an "optional sinking fund payment". The date on which a sinking fund payment is to be made is herein referred to as the "sinking fund payment date".

In lieu of making all or any part of any mandatory sinking fund payment with respect to any series of Securities in cash, the Company may at its option (a) deliver to the Trustee Securities of such series theretofore purchased or otherwise acquired (except through a mandatory sinking fund payment) by the company or receive credit for Securities of such series (not previously so credited) theretofore purchased or otherwise acquired (except as aforesaid) by the Company and delivered to the Trustee for cancellation pursuant to Section 2.11, (b) receive credit for optional sinking fund payments (not previously so credited) made pursuant to this Section, or (c) receive credit for Securities of such series (not previously so credited) redeemed by the Company through any optional sinking fund payment. Securities so delivered or credited shall be received or credited by the Trustee at the sinking fund redemption price specified in such Securities.

On or before the sixtieth day next preceding each sinking fund payment date for any series, or such shorter period as shall be acceptable to the Trustee, the Company will deliver to the Trustee an Officers' Certificate (a) specifying the portion of the mandatory sinking fund payment

to be satisfied by payment of cash and the portion to be satisfied by credit of specified Securities of such series and the basis for such credit, (b) stating that none of the specified Securities of such series has theretofore been so credited, (c) stating that no defaults in the payment of interest or Events of Default with respect to such series have occurred (which have not been waived or cured) and are continuing and (d) stating whether or not the Company intends to exercise its right to make an optional sinking fund payment with respect to such series and, if so, specifying the amount of such optional sinking fund payment which the Company intends to pay on or before the next succeeding sinking fund payment date. Any Securities of such series to be credited and required to be delivered to the Trustee in order for the Company to be entitled to credit therefor as aforesaid which have not theretofore been delivered to the Trustee shall be delivered for cancellation pursuant to Section 2.11 to the Trustee with such Officers' Certificate (or reasonably promptly thereafter if acceptable to the Trustee). Such Officers' Certificate shall be irrevocable and upon its receipt by the Trustee the Company shall become unconditionally obligated to make all the cash payments or delivery of securities therein referred to, if any, on or before the next succeeding sinking fund payment date. Failure of the Company, on or before any such sixtieth day, to deliver such Officer's Certificate and Securities specified in this paragraph, if any, shall not constitute a default but shall constitute, on and as of such date, the irrevocable election of the Company (i) that the mandatory sinking fund payment for such series due on the next succeeding sinking fund payment date shall be paid entirely in cash without the option to deliver or credit Securities of such series in respect thereof and (ii) that the Company will make no optional sinking fund payment with respect to such series as provided in this Section.

If the sinking fund payment or payments (mandatory or optional or both) to be made in cash on the next succeeding sinking fund payment date plus any unused balance of any preceding sinking fund payments made in cash shall exceed $50,000 (or a lesser sum if the Company shall so request with respect to the Securities of any series), such cash shall be applied on the next succeeding sinking fund payment date to the redemption of Securities of such series at the sinking fund redemption price thereof together with accrued interest thereon to the date fixed for redemption. If such amount shall be $50,000 (or such lesser sum) or less and the Company makes no such request then it shall be carried over until a sum in excess of $50,000 (or such lesser sum) is available. The Trustee shall select, in the manner provided in Section 3.2, for redemption on such sinking fund payment date a sufficient principal amount of Securities of such series to absorb said cash, as nearly as

may be, and shall (if requested in writing by the Company) inform the Company of the serial numbers of the Securities of such series (or portions thereof) so selected. Securities shall be excluded from eligibility for redemption under this Section if they are identified by registration and certificate number in an Officers' Certificate delivered to the Trustee at least 60 days prior to the sinking fund payment date as being owned of record and beneficially by, and not pledged or hypothecated by either (a) the Company or (b) an entity specifically identified in such Officers' Certificate as directly or indirectly controlling or controlled by or under direct or indirect common control with the Company. The Trustee, in the name and at the expense of the Company (or the Company, if it shall so request the Trustee in writing) shall cause notice of redemption of the Securities of such series to be given in substantially the manner provided in Section 3.2 (and with the effect provided in Section 3.3) for the redemption of Securities of such series in part at the option of the Company. The amount of any sinking fund payments not so applied or allocated to the redemption of Securities of such series shall be added to the next cash sinking fund payment for such series and, together with such payment, shall be applied in accordance with the provisions of this Section. Any and all sinking fund moneys held on the stated maturity date of the Securities of any particular series (or earlier, if such maturity is accelerated), which are not held for the payment or redemption of particular Securities of such series shall be applied, together with other moneys, if necessary, sufficient for the purpose, to the payment of the Principal of, and interest on, the Securities of such series at maturity.

On or before 10:00 a.m. New York City time on each sinking fund payment date, the Company shall pay to the Trustee in cash or shall otherwise provide for the payment of all interest accrued to the date fixed for redemption on Securities to be redeemed on the next following sinking fund payment date.

The Trustee shall not redeem or cause to be redeemed any Securities of a series with sinking fund moneys or mail any notice of redemption of Securities of such series by operation of the sinking fund during the continuance of a Default in payment of interest on such Securities or of any Event of Default except that, where the mailing of notice of redemption of any Securities shall theretofore have been made, the Trustee shall redeem or cause to be redeemed such Securities, provided that it shall have received from the company a sum sufficient for such redemption. Except as aforesaid, any moneys in the sinking fund for such series at the time when any such Default or Event of Default shall occur, and any moneys thereafter paid

into the sinking fund, shall, during the continuance of such default or Event of Default, be deemed to have been collected under Article 6 and held for the payment of all such Securities. In case such Event of Default shall have been waived as provided in Section 6.4 or the Default cured on or before the sixtieth day preceding the sinking fund payment date in any year, such moneys shall thereafter be applied on the next succeeding sinking fund payment date in accordance with this Section to the redemption of such Securities.

## ARTICLE 4

## COVENANTS

SECTION 4.1 Payment of Securities. The Company shall pay the Principal of and interest on the Securities on the dates and in the manner provided in the Securities and this Indenture. The interest on Securities with coupons attached (together with any additional amounts payable pursuant to the terms of such Securities) shall be payable only upon presentation and surrender of the several coupons for such interest installments as are evidenced thereby as they severally mature. The interest on any temporary Unregistered Securities (together with any additional amounts payable pursuant to the terms of such Securities) shall be paid, as to the installments of interest evidenced by coupons attached thereto, if any, only upon presentation and surrender thereof, and, as to the other installments of interest, if any, only upon presentation of such Unregistered Securities for notation thereon of the payment of such interest. The interest on Registered Securities (together with any additional amounts payable pursuant to the terms of such Securities) shall be payable only to the Holders thereof and at the option of the Company may be paid by mailing checks for such interest payable to or upon the written order of such Holders at their last addresses as they appear on the Security Register of the Company.

Notwithstanding any provisions of this Indenture and the Securities of any series to the contrary, if the Company and a Holder of any Registered Security so agree, payments of interest on, and any portion of the Principal of, such Holder's Registered Security (other than interest payable at maturity or on any redemption or repayment date or the final payment of Principal on such Security) shall be made by the Paying Agent, upon receipt from the Company of immediately available funds by 11:00 A.M., New York City time (or such other time as may be agreed to between the Company and the Paying Agent), directly to the Holder of such Security (by Federal funds wire transfer or otherwise) if the Holder has delivered written instructions to the

Trustee 15 days prior to such payment date requesting that such payment will be so made and designating the bank account to which such payments shall be so made and in the case of payments of Principal surrenders the same to the Trustee in exchange for a Security or Securities aggregating the same principal amount as the unredeemed principal amount of the Securities surrendered. The Trustee shall be entitled to rely on the last instruction delivered by the Holder pursuant to this Section 4.1 unless a new instruction is delivered 15 days prior to a payment date. The Company will indemnify and hold each of the Trustee and any Paying Agent harmless against any loss, liability or expense (including attorneys' fees) resulting from any act or omission to act on the part of the company or any such Holder in connection with any such agreement or from making any payment in accordance with any such agreement.

The Company shall pay interest on overdue Principal, and interest on overdue installments of interest, to the extent lawful, at the rate per annum specified in the Securities.

SECTION 4.2 Maintenance of Office or Agency. The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company hereby initially designates the Corporate Trust Office of the Trustee, located in the Borough of Manhattan, The City of New York, as such office or agency of the Company. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 10.2.

The Company will maintain one or more agencies in a city or cities located outside the United States (including any city in which such an agency is required to be maintained under the rules of any stock exchange on which the Securities of any series are listed) where the Unregistered Securities, if any, of each series and coupons, if any, appertaining thereto may be presented for payment. No payment on any Unregistered Security or coupon will be made upon presentation of such Unregistered Security or coupon at an agency of the Company within the United States nor will any payment be made by transfer to an account in, or by mail to an address in, the United states unless, pursuant to applicable United States laws and regulations

then in effect, such payment can be made without adverse tax consequences to the Company. Notwithstanding the foregoing, if full payment in United States Dollars (“Dollars”) at each agency maintained by the Company outside the United States for payment on such Unregistered Securities or coupons appertaining thereto is illegal or effectively precluded by exchange controls or other similar restrictions, payments in Dollars of Unregistered Securities of any series and coupons appertaining thereto which are payable in Dollars may be made at an agency of the Company maintained in the Borough of Manhattan, The City of New York.

The Company may also from time to time designate one or more other offices or agencies where the Securities of any series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 4.3 Negative Pledge. (a) The Company will not, and will not permit any Restricted Subsidiary to, create, incur or suffer to exist any mortgage or pledge, as security for any indebtedness, on or of any shares of stock, indebtedness or other obligations of a Restricted Subsidiary or any Principal Property of the Company or a Restricted Subsidiary, whether such shares of stock, indebtedness or other obligations of a Restricted Subsidiary or Principal Property are owned at the date of this Indenture or hereafter acquired, unless the Company secures or causes such Restricted Subsidiary to secure the outstanding Securities equally and ratably with all indebtedness secured by such mortgage or pledge, so long as such indebtedness shall be so secured; provided, however, that this covenant shall not apply in the case of: (i) the creation of any mortgage, pledge or other lien on any shares of stock, indebtedness or other obligations of a Subsidiary or any Principal Property hereafter acquired (including acquisitions by way of merger or consolidation) by the Company or a Restricted Subsidiary contemporaneously with such acquisition, or within 120 days thereafter, to secure or provide for the payment or financing of any part of the purchase price thereof, or the assumption of any mortgage, pledge or other lien upon any shares of stock, indebtedness or other obligations of a Subsidiary or any Principal Property hereafter acquired existing at the time of such acquisition, or the acquisition of any shares of stock, indebtedness or other obligations of a Subsidiary or any Principal Property subject to any mortgage, pledge or other

lien without the assumption thereof, provided that every such mortgage, pledge or lien referred to in this clause (i) shall attach only to the shares of stock, indebtedness or other obligations of a Subsidiary or any Principal Property so acquired and fixed improvements thereon; (ii) any mortgage, pledge or other lien on any shares of stock, indebtedness or other obligations of a Subsidiary or any Principal Property existing at the date of this Indenture; (iii) any mortgage, pledge or other lien on any shares of stock, indebtedness or other obligations of a Subsidiary or any Principal Property in favor of the Company or any Restricted Subsidiary; (iv) any mortgage, pledge or other lien on any Principal Property being constructed or improved securing loans to finance such construction or improvements; (v) any mortgage, pledge or other lien on shares of stock, indebtedness or other obligations of a Subsidiary or any Principal Property incurred in connection with the issuance of tax-exempt governmental obligations; and (vi) any renewal of or substitution for any mortgage, pledge or other lien permitted by any of the preceding clauses (i) through (v), provided, in the case of a mortgage, pledge or other lien permitted under clause (i), (ii) or (iv), the indebtedness secured is not increased nor the lien extended to any additional assets.

(b) Notwithstanding the provisions of paragraph (a) of this Section, the Company or any Restricted Subsidiary may create or assume liens in addition to those permitted by paragraph (a) of this Section, and renew, extend or replace such liens, provided that at the time of such creation, assumption, renewal, extension or replacement, and after giving effect thereto, Exempted Debt does not exceed 10% of Consolidated Net Worth.

SECTION 4.4 Certain Sale and Lease-back Transactions. (a) The Company will not, and will not permit any Restricted Subsidiary to, sell or transfer, directly or indirectly, except to the Company or a Restricted subsidiary, any Principal Property as an entirety, or any substantial portion thereof, with the intention of taking back a lease of such property, except a lease for a period of three years or less at the end of which it is intended that the use of such property by the lessee will be discontinued; provided that, notwithstanding the foregoing, the Company or any Restricted Subsidiary may sell any such Principal Property and lease it back for a longer period (i) if the Company or such Restricted Subsidiary would be entitled, pursuant to the provisions of Section 4.3(a), to create a mortgage on the property to be leased securing Funded Debt in an amount equal to the Attributable Debt with respect to such sale and lease-back transaction without equally and ratably securing the outstanding Securities or (ii) if (A) the Company promptly

informs the Trustee of such transaction, (B) the net proceeds of such transaction are at least equal to the fair value (as determined by Board Resolution of the Company) of such property and (C) the Company causes an amount equal to the net proceeds of the sale to be applied to the retirement, within 120 days after receipt of such proceeds, of Funded Debt incurred or assumed by the Company or a Restricted Subsidiary (including the Securities); provided further that, in lieu of applying all of or any part of such net proceeds to such retirement, the Company may, within 75 days after such sale, deliver or cause to be delivered to the applicable trustee for cancellation either debentures or notes evidencing Funded Debt of the Company (which may include the Securities) or of a Restricted Subsidiary previously authenticated and delivered by the applicable trustee, and not theretofore tendered for sinking fund purposes or called for a sinking fund or otherwise applied as a credit against an obligation to redeem or retire such notes or debentures, and an Officers' Certificate (which shall be delivered to the Trustee and which need not contain the statements prescribed by Section 10.4) stating that the Company elects to deliver or cause to be delivered such debentures or notes in lieu of retiring Funded Debt as hereinabove provided. If the Company shall so deliver debentures or notes to the applicable trustee and the Company shall duly deliver such Officers' Certificate, the amount of cash which the Company shall be required to apply to the retirement of Funded Debt under this Section 4.4(a) shall be reduced by an amount equal to the aggregate of the then applicable optional redemption prices (not including any optional sinking fund redemption prices) of such debentures or notes, or, if there are no such redemption prices, the principal amount of such debentures or notes; provided, that in the case of debentures or notes which provide for an amount less than the principal amount thereof to be due and payable upon a declaration of the maturity thereof, such amount of cash shall be reduced by the amount of principal of such debentures or notes that would be due and payable as of the date of such application upon a declaration of acceleration of the maturity thereof pursuant to the terms of the indenture pursuant to which such debentures or notes were issued.

(b) Notwithstanding the provisions of paragraph (a) of this Section 4.4, the Company or any Restricted Subsidiary may enter into sale and lease-back transactions in addition to those permitted by paragraph (a) of this Section 4.4 without any obligation to retire any outstanding Securities or other Funded Debt, provided that at the time of entering into such sale and lease-back transactions and after giving effect thereto, Exempted Debt does not exceed 10% of Consolidated Net Worth.

SECTION 4.5 Funded Debt of Restricted Subsidiaries. (a) The Company will not permit any Restricted Subsidiary;

(A) to create, assume or permit to exist any Funded Debt other than (i) Funded Debt secured by a mortgage, pledge or lien which is permitted to such Restricted Subsidiary under the provisions of Section 4.3(a), (ii) Funded Debt owed to the Company or any Restricted Subsidiary, (iii) Funded Debt of a corporation existing at the time it becomes a Restricted Subsidiary, (iv) Funded Debt existing on the date of this Indenture, (v) Funded Debt created in connection with the issuance of tax-exempt governmental obligations, and (vi) renewals, extensions or replacements of the foregoing; or

(B) to guarantee, directly or indirectly through any arrangement which is substantially the equivalent of a guarantee, any Funded Debt except for (i) guarantees existing on the date of this Indenture, (ii) guarantees which, on the date of this Indenture, a Restricted Subsidiary is obligated to give, (iii) guarantees of Funded Debt secured by a mortgage, pledge or lien which is permitted to such Restricted Subsidiary under the provisions of Section 4.3(a), and (iv) renewals, extensions or replacements of the foregoing.

(b) Notwithstanding the provisions of paragraph (a) of this Section 4.5, any Restricted Subsidiary may create, assume or guarantee Funded Debt in addition to that permitted by paragraph (a) of this Section 4.5, and renew, extend or replace such Funded Debt, provided that at the time of such creation, assumption, guarantee, renewal, extension or replacement, and after giving effect thereto, Exempted Debt does not exceed 10% of Consolidated Net Worth.

SECTION 4.6 Certificate to Trustee. The Company will furnish to the Trustee annually, on or before a date not more than four months after the end of its fiscal year (which, on the date hereof, is a calendar year), a brief certificate (which need not contain the statements required by Section 10.4) from its principal executive, financial or accounting officer as to his or her knowledge of the compliance of the Company with all conditions and covenants under this Indenture (such compliance to be determined without regard to any period of grace or requirement of notice provided under this Indenture) which certificate shall comply with the requirements of the Trust Indenture Act.

SECTION 4.7 Reports by the Company. The Company covenants to file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act.

## ARTICLE 5

## SUCCESSOR CORPORATION

SECTION 5.1 When Company May Merge, Etc. The Company shall not consolidate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially as an entirety in one transaction or a series of related transactions) to, any Person (other than a consolidation with or merger with or into a Subsidiary or a sale, conveyance, transfer, lease or other disposition to a Subsidiary) or permit any Person to merge with or into the Company unless:

(i) either (x) the Company shall be the continuing Person or (y) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or that acquired or leased such property and assets of the Company shall be a corporation organized and validly existing under the laws of the United States of America or any jurisdiction thereof and shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee, all of the obligations of the Company on all of the Securities and under this Indenture and the Company shall have delivered to the Trustee an Opinion of Counsel stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with and that such supplemental indenture constitutes the legal, valid and binding obligation of the Company or such successor enforceable against such entity in accordance with its terms, subject to customary exceptions; and

(ii) an Officers' Certificate to the effect that immediately after giving effect to such transaction, no Default shall have occurred and be continuing and an opinion of Counsel as to the matters set forth in Section 5.l(i).

SECTION 5.2 Successor Substituted. Upon any consolidation or merger, or any sale, conveyance, transfer, lease or other disposition of all or substantially all of the property and assets of the Company in accordance with Section 5.1 of this Indenture, the successor Person formed by such consolidation or into which the Company is merged or to which such sale, conveyance, transfer, lease or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein.

## ARTICLE 6

## DEFAULT AND REMEDIES

SECTION 6.1 Events of Default. An "Event of Default" shall occur with respect to the Securities of any series if:

(a) the Company defaults in the payment of the Principal of any Security of such series when the same becomes due and payable at maturity, upon acceleration, redemption or mandatory repurchase, including as a sinking fund installment, or otherwise;

(b) the Company defaults in the payment of interest on any Security of such series when the same becomes due and payable, and such default continues for a period of 30 days;

(c) the Company defaults in the performance of or breaches any other covenant or agreement of the Company in this Indenture with respect to any Security of such series or in the Securities of such series and such default or breach continues for a period of 30 consecutive days after written notice to the Company by the Trustee or to the Company and the Trustee by the Holders of 25% or more in aggregate principal amount of the Securities of all series affected thereby;

(d) an involuntary case or other proceeding shall be commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Company or any Restricted Subsidiary under

the federal bankruptcy laws as now or hereafter in effect;

(e) the Company or any Restricted Subsidiary (A) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (C) effects any general assignment for the benefit of creditors; or

(f) any other Event of Default established pursuant to Section 2.3 with respect to the Securities of such series occurs.

SECTION 6.2 Acceleration. (a) If an Event of Default described in clauses (a) or (b) of Section 6.1 with respect to the Securities of any series then outstanding occurs and is continuing, then, and in each and every such case, except for any series of Securities the principal of which shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities of any such affected series then outstanding hereunder (each such series treated as a separate class) by notice in writing to the Company (and to the Trustee if given by Securityholders), may declare the entire principal (or, if the Securities of any such series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of such series established pursuant to Section 2.3) of all Securities of such affected series, and the interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

(b) If an Event of Default described in clauses (c) or (f) of Section 6.1 with respect to the Securities of one or more but not all series then outstanding, or with respect to the Securities of all series then outstanding, occurs and is continuing, then, and in each and every such case, except for any series of Securities the principal of which shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount (or, if the Securities of any such series are Original Issue Discount Securities, the amount thereof accelerable under this Section) of the Securities of all such affected series then outstanding hereunder (treated as a single class) by notice in writing to the Company (and to

the Trustee if given by Securityholders), may declare the entire principal (or, if the Securities of any such series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of such series established pursuant to Section 2.3) of all Securities of all such affected series, and the interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

(c) If an Event of Default described in clause (d) or (e) of Section 6.1 occurs and is continuing, then the principal amount (or, if any Securities are Original Issue Discount Securities, such portion of the principal as may be specified in the terms thereof established pursuant to Section 2.3) of all the Securities then outstanding and interest accrued thereon, if any, shall be and become immediately due and payable, without any notice or other action by any Holder or the Trustee, to the full extent permitted by applicable law.

The foregoing provisions, however, are subject to the condition that if, at any time after the principal (or, if the Securities are original Issue Discount Securities, such portion of the principal as may be specified in the terms thereof established pursuant to Section 2.3) of the Securities of any series (or of all the Securities, as the case may be) shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Securities of each such series (or of all the Securities, as the case may be) and the principal of any and all Securities of each such series (or of all the Securities, as the case may be) which shall have become due otherwise than by acceleration (with interest upon such principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of each such series to the date of such payment or deposit) and such amount as shall be sufficient to cover all amounts owing the Trustee under Section 7.7, and if any and all Events of Default under the Indenture, other than the non-payment of the principal of Securities which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then and in every such case the Holders of a majority in aggregate principal amount of all the then outstanding Securities of all such series that have been accelerated (voting as a single class), by written notice to the Company and to the

Trustee, may waive all defaults with respect to all such series (or with respect to all the Securities, as the case may be) and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

For all purposes under this Indenture, if a portion of the principal of any Original Issue Discount Securities shall have been accelerated and declared due and payable pursuant to the provisions hereof, then, from and after such declaration, unless such declaration has been rescinded and annulled, the principal amount of such Original Issue Discount Securities shall be deemed, for all purposes hereunder, to be such portion of the principal thereof as shall be due and payable as a result of such acceleration, and payment of such portion of the principal thereof as shall be due and payable as a result of such acceleration, together with interest, if any, thereon and all other amounts owing thereunder, shall constitute payment in full of such Original Issue Discount Securities.

SECTION 6.3 Other Remedies. If a payment default or an Event of Default with respect to the Securities of any series occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Securities of such series or to enforce the performance of any provision of the Securities of such series or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding.

SECTION 6.4 Waiver of Past Defaults. Subject to Sections 6.2, 6.7 and 9.2, the Holders of at least a majority in principal amount (or, if the Securities are Original Issue Discount Securities, such portion of the principal as is then accelerable under Section 6.2) of the outstanding Securities of all series affected (voting as a single class), by notice to the Trustee, may waive an existing Default or Event of Default with respect to the Securities of such series and its consequences, except a Default in the payment of Principal of or interest on any Security as specified in clauses (a) or (b) of Section 6.1 or in respect of a covenant or provision of this Indenture which cannot be modified or amended without the consent of the Holder of each outstanding Security affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default with respect to the Securities of such series arising therefrom shall be deemed to have been cured,

for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

SECTION 6.5 Control by Majority. Subject to Sections 7,1 and 7.2(v), the Holders of at least a majority in aggregate principal amount (or, if any Securities are Original Issue Discount Securities, such portion of the principal as is then accelerable under Section 6.2) of the outstanding Securities of all series affected (voting as a single class) may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Securities of such series by this Indenture; provided, that the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that may involve the Trustee in personal liability or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction; and provided further, that the Trustee may take any other action it deems proper that is not inconsistent with any directions received from Holders of Securities pursuant to this Section 6.5.

SECTION 6.6 Limitation on Suits. No Holder of any Security of any series may institute any proceeding, judicial or otherwise, with respect to this Indenture or the Securities of such series, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(i) such Holder has previously given to the Trustee written notice of a continuing Event of Default with respect to the Securities of such series;

(ii) the Holders of at least 25% in aggregate principal amount of outstanding Securities of all such series affected shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(iii) such Holder or Holders have offered to the Trustee indemnity reasonably satisfactory to the Trustee against any costs, liabilities or expenses to be incurred in compliance with such request;

(iv) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(v) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Securities of all such affected series have

not given the Trustee a direction that is inconsistent with such written request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over such other Holder,

SECTION 6.7 Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of Principal of or interest, if any, on such Holder's Security on or after the respective due dates expressed on such Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.8 Collection Suit by Trustee. If an Event of Default with respect to the Securities of any series in payment of Principal or interest specified in clause (a) or (b) of Section 6.1 occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount (or such portion thereof as specified in the terms established pursuant to Section 2.3 of Original Issue Discount Securities) of Principal of, and accrued interest remaining unpaid on, together with interest on overdue Principal of, and, to the extent that payment of such interest is lawful, interest on overdue installments of interest on, the Securities of such series, in each case at the rate or Yield to Maturity (in the case of Original Issue Discount Securities) specified in such Securities, and such further amount as shall be sufficient to cover all amounts owing the Trustee under Section 7.7.

SECTION 6.9 Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for amounts due the Trustee under Section 7.7) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor on the Securities), its creditors or its property and shall be entitled and empowered to collect and receive any moneys, securities or other property payable or deliverable upon conversion or exchange of the Securities or upon any such claims and to distribute the same, and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it under Section 7.7. Nothing herein contained shall be deemed to

empower the Trustee to authorize or consent to, or accept or adopt on behalf of any Holder, any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10 Application of Proceeds. Any moneys collected by the Trustee pursuant to this Article in respect of the Securities of any series shall be applied in the following order at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of Principal or interest, upon presentation of the several Securities and coupons appertaining to such Securities in respect of which moneys have been collected and noting thereon the payment, or issuing Securities of such series and tenor in reduced principal amounts in exchange for the presented Securities of such series and tenor if only partially paid, or upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 7.7 applicable to the Securities of such series in respect of which moneys have been collected;

SECOND: In case the principal of the Securities of such series in respect of which moneys have been collected shall not have become and be then due and payable, to the payment of interest on the Securities of such series in default in the order of the maturity of the installments of such interest, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in such Securities, such payments to be made ratably to the persons entitled thereto, without discrimination or preference;

THIRD: In case the principal of the Securities of such series in respect of which moneys have been collected shall have become and shall be then due and payable, to the payment of the whole amount then owing and unpaid upon all the Securities of such series for Principal and interest, with interest upon the overdue Principal, and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of such series; and in case such moneys shall be insufficient to pay in full the whole amount so due and

unpaid upon the Securities of such series, then to the payment of such Principal and interest or Yield to Maturity, without preference or priority of Principal over interest or Yield to Maturity, or of interest or Yield to Maturity over Principal, or of any installment of interest over any other installment of interest, or of any Security of such series over any other Security of such series, ratably to the aggregate of such Principal and accrued and unpaid interest or Yield to Maturity; and

FOURTH: To the payment of the remainder, if any, to the company or any other person lawfully entitled thereto.

SECTION 6.11 Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then, and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored to their former positions hereunder and thereafter all rights and remedies of the Company, Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 6.12 Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, in either case in respect to the Securities of any series, a court may require any party litigant in such suit (other than the Trustee) to file an undertaking to pay the costs of the suit, and the court may assess reasonable costs, including reasonable attorneys' fees, against any party litigant (other than the Trustee) in the suit having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.12 does not apply to a suit by a Holder pursuant to Section 6.7 or a suit by Holders of more than 10% in principal amount of the outstanding Securities of such series.

SECTION 6.13 Rights and Remedies Cumulative. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or wrongfully taken Securities in Section 2.8, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of

any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 6.14 Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

## ARTICLE 7

## TRUSTEE

SECTION 7.1 General. The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act and as set forth herein. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article 7.

SECTION 7.2 Certain Rights of Trustee. Subject to Trust Indenture Act Sections 315(a) through (d):

(i) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, Officers' Certificate, Opinion of Counsel (or both), statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(ii) before the Trustee acts or refrains from acting, it may require an Officers' Certificate and/or

an Opinion of Counsel, which shall conform to Section 10.4. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion. Subject to Sections 7.1 and 7.2, whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof;

(iii) the Trustee may act through its attorneys and agents not regularly in its employ and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care;

(iv) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(v) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction;

(vi) the Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers or for any action it takes or omits to take in accordance with the direction of the Holders in accordance with Section 6.5 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(vii) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon; and

(viii) prior to the occurrence of an Event of Default hereunder and after the curing or waiving of all Events of Default, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, Officers' Certificate, Opinion of Counsel, Board Resolution, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing so to do by the Holders of not less than a majority in aggregate principal amount of the Securities of all series affected then outstanding; provided that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to proceeding.

SECTION 7.3 Individual Rights of Trustee. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not the Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Trust Indenture Act Sections 310(b) and 311. For purposes of Trust Indenture Act Section 311(b)(4) and (6), the following terms shall mean:

(a) "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the

sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

SECTION 7.4 Trustee's Disclaimer. The recitals contained herein and in the Securities (except "the Trustee's certificate of authentication) shall be taken as statements of the Company and not of the Trustee and the Trustee assumes no responsibility for the correctness of the same. Neither the Trustee nor any of its agents (i) makes any representation as to the validity or adequacy of this Indenture or the Securities and (ii) shall be accountable for the Company's use or application of the proceeds from the Securities.

SECTION 7.5 Notice of Default. If any Default with respect to the Securities of any series occurs and is continuing and if such Default is known to the actual knowledge of a Responsible officer with the Corporate Trust Department of the Trustee, the Trustee shall give to each Holder of Securities of such series notice of such Default within 90 days after it occurs (i) if any Unregistered Securities of such series are then outstanding, to the Holders thereof, by publication at least once in an Authorized Newspaper in the Borough of Manhattan, The City of New York and at least once in an Authorized Newspaper in London and (ii) to all Holders of Securities of such series in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, unless such Default shall have been cured or waived before the mailing or publication of such notice; provided, however, that, except in the case of a Default in the payment of the Principal of or interest on any Security, the Trustee shall be protected in withholding such notice if the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

SECTION 7.6 Reports by Trustee to Holders. Within 60 days after each May 15, beginning with May 15, 1996, the Trustee shall mail to each Holder as and to the extent provided in Trust Indenture Act Section 313(c) a brief report dated as of such May 15, if required by Trust Indenture Act Section 313(a).

SECTION 7.7 Compensation and Indemnity. The Company shall pay to the Trustee such compensation as shall be agreed upon in writing from time to time for its services. The compensation of the Trustee shall not be limited by any law on compensation of a Trustee of an express trust. The Company shall reimburse the Trustee upon

request for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents, counsel and other persons not regularly in its employ.

The Company shall indemnify the Trustee for, and hold it harmless against, any loss or liability or expense incurred by it without negligence or bad faith on its part arising out of or in connection with the acceptance or administration of this indenture and the Securities or the issuance of the Securities or of series thereof or the trusts hereunder and the performance of duties under this Indenture and the Securities, including the costs and expenses of defending itself against or investigating any claim or liability and of complying with any process served upon it or any of its officers in connection with the exercise or performance of any of its powers or duties under this Indenture and the Securities.

To secure the Company's payment obligations in this Section 7.7, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay Principal of, and interest on particular Securities.

The obligations of the Company under this Section to compensate and indemnify the Trustee and each predecessor Trustee and to pay or reimburse the Trustee and each predecessor Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture or the rejection or termination of this Indenture under bankruptcy law. Such additional indebtedness shall be a senior claim to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of particular Securities or coupons, and the Securities are hereby subordinated to such senior claim. If the Trustee renders services and incurs expenses following an Event of Default under Section 6.1(d) or Section 6.1(e) hereof, the parties hereto and the holders by their acceptance of the Securities hereby agree that such expenses are intended to constitute expenses of administration under any bankruptcy law.

SECTION 7.8 Replacement of Trustee. A resignation or removal of the Trustee as Trustee with respect to the Securities of any series and appointment of a successor Trustee as Trustee with respect to the Securities of any series shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.8.

The Trustee may resign as Trustee with respect to the Securities of any series at any time by so notifying the Company in writing. The Holders of a majority in principal amount of the outstanding Securities of any series may remove the Trustee as Trustee with respect to the Securities of such series by so notifying the Trustee in writing and may appoint a successor Trustee with respect thereto with the consent of the Company. The Company may remove the Trustee as Trustee with respect to the Securities of any series if: (i) the Trustee is no longer eligible under Section 7.10 of this Indenture; (ii) the Trustee is adjudged a bankrupt or insolvent; (iii) a receiver or other public officer takes charge of the Trustee or its property; or (iv) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed as Trustee with respect to the Securities of any series, or if a vacancy exists in the office of Trustee with respect to the Securities of any series for any reason, the Company shall promptly appoint a successor Trustee with respect thereto. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the outstanding Securities of such series may appoint a successor Trustee in respect of such Securities to replace the successor Trustee appointed by the Company. If the successor Trustee with respect to the Securities of any series does not deliver its written acceptance required by the next succeeding paragraph of this Section 7.8 within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the outstanding Securities of such series may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect thereto.

A successor Trustee with respect to the Securities of any series shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately after the delivery of such written acceptance, subject to the lien provided for in Section 7.7, (i) the retiring Trustee shall transfer all property held by it as Trustee in respect of the Securities of such series to the successor Trustee, (ii) the resignation or removal of the retiring Trustee in respect of the Securities of such series shall become effective and (iii) the successor Trustee shall have all the rights, powers and duties of the Trustee in respect of the Securities of such series under this Indenture. A successor Trustee shall mail notice of its succession to each Holder of Securities of such series.

Upon request of any such successor Trustee, the company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor

Trustee all such rights, powers and trusts referred to in the preceding paragraph.

The Company shall give notice of any resignation and any removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee in respect of the Securities of such series to all Holders of Securities of such series. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

Notwithstanding replacement of the Trustee with respect to the Securities of any series pursuant to this Section 7.8, the Company's obligations under Section 7.7 shall continue for the benefit of the retiring Trustee.

SECTION 7.9 Successor Trustee by Merger, Etc. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act shall be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee herein.

SECTION 7.10 Eligibility. This Indenture shall always have a Trustee who satisfies the requirements of Trust Indenture Act Section 310 (a). The Trustee shall have a combined capital and surplus of at least $25,000,000 as set forth in its most recent published annual report of condition.

SECTION 7.11 Money Held in Trust. The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law and except for money held in trust under Article 8 of this Indenture.

## ARTICLE 8

## DISCHARGE OF INDENTURE

SECTION 8.1 Defeasance Within One Year of Payment. Except as otherwise provided in this Section 8.1, the Company may terminate its obligations under the Securities of any series and this Indenture with respect to Securities of such series if:

(i) all Securities of such series previously authenticated and delivered (other than destroyed, lost or wrongfully taken Securities of such series that have been replaced or Securities of such series that are paid pursuant to Section 4.1 or Securities of such series for whose payment money or securities have theretofore been held in trust and thereafter repaid to the Company, as provided in Section 8.5) have been delivered to the Trustee for cancellation and the Company has paid all sums payable by it hereunder; or

(ii) (A) the Securities of such series mature within one year or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption, (B) the Company irrevocably deposits in trust with the Trustee, as trust funds solely for the benefit of the Holders of such Securities for that purpose, money or U.S. Government Obligations or a combination thereof sufficient (unless such funds consist solely of money, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee), without consideration of any reinvestment, to pay Principal of and interest on the Securities of such series to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, and (C) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture with respect to the Securities of such series have been complied with.

With respect to the foregoing clause (i), only the Company's obligations under Section 7.7 in respect of the Securities of such series shall survive. With respect to the foregoing clause (ii), only the Company's obligations in Sections 2.2 through 2.12, 4.2, 7.7, 7.8 and 8.5 in respect of the Securities of such series shall survive until such Securities of such series are no longer outstanding. Thereafter, only the Company's obligations in Sections 7.7 and 8.5 in respect of the Securities of such series shall survive. After any such irrevocable deposit, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under the Securities of such series and this Indenture with respect to the Securities of such series except for those surviving obligations specified above.

SECTION 8.2 Defeasance. Except as provided below, the Company will be deemed to have paid and will be

discharged from any and all obligations in respect of the Securities of any series and the provisions of this Indenture will no longer be in effect with respect to the Securities of such series (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same); provided that the following conditions shall have been satisfied:

(A) the Company has irrevocably deposited in trust with the Trustee as trust funds solely for the benefit of the Holders of the Securities of such series, for payment of the Principal of and interest on the Securities of such series, money or U.S. Government Obligations or a combination thereof sufficient (unless such funds consist solely of money, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee) without consideration of any reinvestment and after payment of all federal, state and local taxes or other charges and assessments in respect thereof payable by the Trustee, to pay and discharge the Principal of and accrued interest on the outstanding Securities of such series to maturity or earlier redemption (irrevocably provided for under arrangements satisfactory to the Trustee), as the case may be;

(B) such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound;

(C) no Default with respect to the Securities of such series shall have occurred and be continuing on the date of such deposit;

(D) the Company shall have delivered to the Trustee (1) either (x) a ruling directed to the Trustee received from the Internal Revenue Service to the effect that the Holders of the Securities of such series will not recognize income, gain or loss for federal income tax purposes as a result of the Company's exercise of its option under this Section 8.2 and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred or (y) an Opinion of Counsel to the same effect as the ruling described in clause (x) above and (2) an Opinion of Counsel to the effect that the Holders of the Securities of such series have a valid security interest in the trust funds subject to no prior liens under the UCC; and

(E) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the defeasance contemplated by this Section 8.2 of the Securities of such series have been complied with.

The Company's obligations in Sections 2.2 through 2.12, 4.2, 7.7, 7.8 and 8.5 with respect to the Securities of such series shall survive until such Securities are no longer outstanding. Thereafter, only the Company's obligations in Sections 7.7 and 8.5 shall survive.

SECTION 8.3 Covenant Defeasance. The Company may omit to comply with any term, provision or condition set forth in Sections 4.3, 4.4 or 4.5 (or any other specific covenant relating to such series provided for in a Board Resolution or supplemental indenture pursuant to Section 2.3 which may by its terms be defeased pursuant to this Section 8.3), and such omission shall be deemed not to be an Event of Default under clauses (c) or (f) of Section 6.1, with respect to the outstanding Securities of a series if:

(i) the Company has irrevocably deposited in trust with the Trustee as trust funds solely for the benefit of the Holders of the Securities of such series, for payment of the Principal of and interest, if any, on the Securities of such series, money or U.S. Government Obligations or a combination thereof in an amount sufficient (unless such funds consist solely of money, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee) without consideration of any reinvestment and after payment of all federal, state and local taxes or other charges and assessments in respect thereof payable by the Trustee, to pay and discharge the Principal of and interest on the outstanding Securities of such series to maturity or earlier redemption (irrevocably provided for under arrangements satisfactory to the Trustee), as the case may be;

(ii) such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound;

(iii) no Default with respect to the Securities of such series shall have occurred and be continuing on the date of such deposit;

(iv) the Company has delivered to the Trustee an Opinion of Counsel to the effect that (A) the Holders of the Securities of such series have a valid security interest in the trust funds subject to no prior liens under the UCC and (B) such Holders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred; and

(v) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the covenant defeasance contemplated by this Section 8.3 of the Securities of such series have been complied with.

SECTION 8.4 Application of Trust Money. Subject to Section 8.5, the Trustee or Paying Agent shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.1, 8.2 or 8.3, as the case may be, in respect of the Securities of any series and shall apply the deposited money and the proceeds from deposited U.S. Government Obligations in accordance with the Securities of such series and this Indenture to the payment of Principal of and interest on the Securities of such series; but such money need not be segregated from other funds except to the extent required by law.

SECTION 8.5 Repayment to Company. Subject to Sections 7.7, 8.1, 8.2 and 8.3, the Trustee and the Paying Agent shall promptly pay to the Company upon request set forth in an Officers' Certificate any money held by them at any time and not required to make payments hereunder and thereupon shall be relieved from all liability with respect to such money. The Trustee and the Paying Agent shall pay to the Company upon written request any money held by them and required to make payments hereunder under this Indenture that remains unclaimed for two years; provided that the Trustee or such Paying Agent before being required to make any payment may cause to be published at the expense of the Company once in an Authorized Newspaper in The City of New York or with respect to any Security the interest on which is based on the offered quotations in the interbank Eurodollar market for dollar deposits in an Authorized Newspaper in London or mail to each Holder entitled to such money at such Holder's address (as set forth in the Security Register) notice that such money remains unclaimed and that after a date specified therein (which shall be at least 30 days from the date of such publication or mailing) any unclaimed balance of such money then remaining will be

repaid to the Company. After payment to the Company, Holders entitled to such money must look to the Company for payment as general creditors unless an applicable law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

## ARTICLE 9

## AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 9.1 Without Consent of Holders. The Company and the Trustee may amend or supplement this Indenture or the Securities of any series without notice to or the consent of any Holder:

(1) to cure any ambiguity, defect or inconsistency in this Indenture; provided that such amendments or supplements shall not materially and adversely affect the interests of the Holders;

(2) to comply with Article 5;

(3) to comply with any requirements of the Commission in connection with the qualification of this Indenture under the Trust Indenture Act;

(4) to evidence and provide for the acceptance of appointment hereunder with respect to the Securities of any or all series by a successor Trustee;

(5) to establish the form or forms or terms of Securities of any series or of the coupons appertaining to such Securities as permitted by Section 2.3;

(6) to provide for uncertificated or Unregistered Securities and to make all appropriate changes for such purpose; and

(7) to make any change that does not materially and adversely affect the rights of any Holder.

SECTION 9.2 With Consent of Holders. Subject to Sections 6.4 and 6.7, without prior notice to any Holders, the Company and the Trustee may amend this Indenture and the Securities of any series with the written consent of the Holders of a majority in principal amount of the outstanding Securities of all series affected by such supplemental indenture (all such series voting as one class), and the Holders of a majority in principal amount of the outstanding Securities of all series affected thereby (all such series voting as one class) by written notice to

the Trustee may waive future compliance by the Company with any provision of this Indenture or the Securities of such series.

Notwithstanding the provisions of this Section 9.2, without the consent of each Holder affected thereby, an amendment or waiver, including a waiver pursuant to Section 6.4, may not:

(i) extend the stated maturity of the Principal of, or any sinking fund obligation or any installment of interest on, such Holder's Security, or reduce the Principal amount thereof or the rate of interest thereon (including any amount in respect of original issue discount), or any premium payable with respect thereto, or adversely affect the rights of such Holder under any mandatory redemption or repurchase provision or any right of redemption or repurchase at the option of such Holder, or reduce the amount of the Principal of an Original Issue Discount Security that would be due and payable upon an acceleration of the maturity thereof pursuant to Section 6.2 or the amount thereof provable in bankruptcy, or change any place of payment where, or the currency in which, any Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the due date therefor;

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

(iii) waive a Default in the payment of Principal of or interest on any Security of such Holder; or

(iv) modify any of the provisions of this Section 9.2, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each outstanding Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of Holders of Securities of such series with respect to such covenant or provision, shall be deemed not to affect the rights under this Indenture of the Holders

of Securities of any other series or of the coupons appertaining to such Securities.

It shall not be necessary for the consent of any Holder under this Section 9.2 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.2 becomes effective, the Company shall give to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. The Company will mail supplemental indentures to Holders upon request. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver.

SECTION 9.3 Revocation and Effect of Consent. Until an amendment or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the Security of the consenting Holder, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to its Security or portion of its Security, Such revocation shall be effective only if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver shall become effective with respect to any Securities affected thereby on receipt by the Trustee of written consents from the requisite Holders of outstanding Securities affected thereby.

The Company may, but shall not be obligated to, fix a record date (which may be not less than 10 nor more than 60 days prior to the solicitation of consents) for the purpose of determining the Holders of the Securities of any series affected entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then, notwithstanding the immediately preceding paragraph, those Persons who were such Holders at such record date (or their duly designated proxies) and only those Persons shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such Persons continue to be such Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

After an amendment, supplement or waiver becomes effective with respect to the Securities of any series affected thereby, it shall bind every Holder of such

Securities unless it is of the type described in any of clauses (i) through (iv) of Section 9.2. In case of an amendment or waiver of the type described in clauses (i) through (iv) of Section 9.2, the amendment or waiver shall bind each such Holder who has consented to it and every subsequent Holder of a Security that evidences the same indebtedness as the Security of the consenting Holder.

SECTION 9.4 Notation on or Exchange of Securities. If an amendment, supplement or waiver changes the terms of any Security, the Trustee may require the Holder thereof to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder and the Trustee may place an appropriate notation on any Security of such series thereafter authenticated. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security of the same series and tenor that reflects the changed terms.

SECTION 9.5 Trustee to Sign Amendments, Etc. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article 9 is authorized or permitted by this Indenture, stating that all requisite consents have been obtained or that no consents are required and stating that such supplemental indenture constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to customary exceptions. Subject to the preceding sentence, the Trustee shall sign such amendment, supplement or waiver if the same does not adversely affect the rights of the Trustee. The Trustee may, but shall not be obligated to, execute any such amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.6 Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article 9 shall conform to the requirements of the Trust Indenture Act as then in effect.

## ARTICLE 10

## MISCELLANEOUS

SECTION 10.1 Trust Indenture Act of 1939. This Indenture shall incorporate and be governed by the provisions of the Trust Indenture Act that are required to

be part of and to govern indentures qualified under the Trust Indenture Act.

SECTION 10.2 Notices. Any notice or communication shall be sufficiently given if written and (a) if delivered in person when received or (b) if mailed by first class mail 5 days after mailing, or (c) as between the Company and the Trustee if sent by facsimile transmission, when transmission is confirmed, in each case addressed as follows:

if to the Company:

Nabisco, Inc.
7 Campus Drive
Parsippany, New Jersey 07054
Telecopy: (201) 682-6598
Attention: General Counsel

if to the Trustee:

Citibank, N.A.
120 Wall Street, 13th Floor
New York, New York 10043
Telecopy: (212) 480-1614
Attention: Corporate Trust Administration

The Company or the Trustee by written notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication shall be sufficiently given to Holders of any Unregistered Securities, by publication at least once in an Authorized Newspaper in The city of New York, or with respect to any Security the interest on which is based on the offered quotations in the interbank Eurodollar market for dollar deposits at least once in an Authorized Newspaper in London, and by mailing to the Holders thereof who have filed their names and addresses with the Trustee pursuant to Section 313(c)(2) of the Trust Indenture Act at such addresses as were so furnished to the Trustee and to Holders of Registered Securities by mailing to such Holders at their addresses as they shall appear on the Security Register. Notice mailed shall be sufficiently given if so mailed within the time prescribed. Copies of any such communication or notice to a Holder shall also be mailed to the Trustee and each Agent at the same time.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. Except as otherwise provided in this Indenture, if a notice or communication is mailed in

the manner provided in this Section 10.2, it is duly given, whether or not the addressee receives it.

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

In case it shall be impracticable to give notice as herein contemplated, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 10.3 Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(i) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(ii) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 10.4 Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

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

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

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

(iv) a statement as to whether or not, in the opinion of each such person, such condition or covenant

has been complied with; provided, however, that, with respect to matters of fact, an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

SECTION 10.5 Evidence of Ownership. The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the Holder of any Unregistered Security and the Holder of any coupon as the absolute owner of such Unregistered Security or coupon (whether or not such Unregistered Security or coupon shall be overdue) for the purpose of receiving payment thereof or on account thereof and for all other purposes, and neither the Company, the Trustee, nor any agent of the Company or the Trustee shall be affected by any notice to the contrary. The fact of the holding by any Holder of an Unregistered Security, and the identifying number of such Security and the date of his holding the same, may be proved by the production of such Security or by a certificate executed by any trust company, bank, banker or recognized securities dealer wherever situated satisfactory to the Trustee, if such certificate shall be deemed by the Trustee to be satisfactory. Each such certificate shall be dated and shall state that on the date thereof a Security bearing a specified identifying number was deposited with or exhibited to such trust company, bank, banker or recognized securities dealer by the person named in such certificate. Any such certificate may be issued in respect of one or more Unregistered Securities specified therein. The holding by the person named in any such certificate of any Unregistered Securities specified therein shall be presumed to continue for a period of one year from the date of such certificate unless at the time of any determination of such holding (1) another certificate bearing a later date issued in respect of the same Securities shall be produced or (2) the Security specified in such certificate shall be produced by some other Person, or (3) the Security specified in such certificate shall have ceased to be outstanding. Subject to Article 7, the fact and date of the execution of any such instrument and the amount and numbers of Securities held by the Person so executing such instrument may also be proven in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in any other manner which the Trustee may deem sufficient.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the person in whose name any Registered Security shall be registered upon the Security Register for such series as the absolute owner of such Registered Security (whether or not such Registered Security shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the Principal of and,

subject to the provisions of this Indenture, interest on such Registered Security and for all other purposes; and neither the Company nor the Trustee nor any agent of the Company or the Trustee shall be affected by any notice to the contrary.

SECTION 10.6 Rules by Trustee, Paying Agent or Registrar. The Trustee may make reasonable rules for action by or at a meeting of Holders. The Paying Agent or Registrar may make reasonable rules for its functions.

SECTION 10.7 Payment Date Other Than a Business Day. If any date for payment of Principal or interest on any Security shall not be a Business Day at any place of payment, then payment of Principal of or interest on such Security, as the case may be, need not be made on such date, but may be made on the next succeeding Business Day at any place of payment with the same force and effect as if made on such date and no interest shall accrue in respect of such payment for the period from and after such date.

SECTION 10.8 Governing Law. The laws of the State of New York shall govern this Indenture and the Securities.

SECTION 10.9 No Adverse Interpretation of Other Agreements. This Indenture may not be used to interpret another indenture or loan or debt agreement of the Company or any Subsidiary of the Company. Any such indenture or agreement may not be used to interpret this Indenture.

SECTION 10.10 Successors. All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 10.11 Duplicate Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 10.12 Separability. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 10.13 Table of Contents, Headings. Etc. The Table of Contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms and provisions hereof.

SECTION 10.14 Incorporators, Stockholders, Officers and Directors of Company Exempt from Individual Liability. No recourse under or upon any obligation, covenant or agreement contained in this Indenture or any indenture supplemental hereto, or in any Security or any coupons appertaining thereto, or because of any indebtedness evidenced thereby, shall be had against any incorporator, as such or against any past, present or future stockholder, officer, director or employee, as such, of the Company or of any successor, either directly or through the Company or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities and the coupons appertaining thereto by the holders thereof and as part of the consideration for the issue of the Securities and the coupons appertaining thereto.

SECTION 10.15 Judgment Currency. The Company agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the Principal of or interest on the Securities of any series (the "Required Currency") into a currency in which a judgment will be rendered (the "Judgment Currency"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the day on which final unappealable judgment is entered, unless such day is not a Business Day, then, to the extent permitted by applicable law, the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The city of New York the Required Currency with the Judgment Currency on the Business Day preceding the day on which final unappealable judgment is entered and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the date first written above.

(SEAL)
Attest:

/s/ Suzanne P. Jenney
Name: Suzanne P. Jenney
Title: Assistant Secretary

NABISCO, INC.
as the Company

By: /s/ Francis X. Suozzi
Name: Francis X. Suozzi
Title: Vice President and Treasurer

(SEAL)
Attest:

/s/ Wafaa Orfy
Name: Wafaa Orfy
Title: Senior Trust Officer

CITIBANK, N.A.
as Trustee

By: /s/ Robert T. Kirchner
Name: Robert T. Kirchner
Title: Vice President

STATE OF NEW YORK )
)
COUNTY OF NEW YORK )

BEFORE ME, the undersigned authority, on this 2nd day of June, 1995, personally appeared Francis X. Suozzi, Vice President and Treasurer of Nabisco, Inc., a New Jersey corporation, known to me (or proved to me by introduction upon the oath of a person known to me) to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same as the act of such corporation for the purposes and consideration herein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL THIS 2ND DAY OF JUNE, 1995.

(SEAL)

/s/ So-Ok Kim
NOTARY PUBLIC, STATE OF NEW YORK
Print Name: So-Ok Kim
Commission Expires: January 18, 1996

STATE OF NEW YORK )
)
COUNTY OF NEW YORK )

BEFORE ME, the undersigned authority, on this 1st day of June, 1995, personally appeared Robert T. Kirchner, Vice President of Citibank, N.A., a national association, known to me (or proved to me by introduction upon the oath of a person known to me) to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same as the act of such trust for the purposes and consideration herein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL THIS 1ST DAY OF JUNE, 1995.

(SEAL)

/s/ Jeffrey Berger
NOTARY PUBLIC, STATE OF NEW YORK
Print Name: Jeffrey Berger
Commission Expires: July 26, 1995

NABISCO, INC.
as the Company

and

CITIBANK, N.A.
as Trustee

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# FIRST SUPPLEMENTAL INDENTURE

Dated as of June 5, 1995

(Supplemental to Indenture Dated as of June 5, 1995)

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FIRST SUPPLEMENTAL INDENTURE dated as of June 5, 1995 between Nabisco, Inc., a New Jersey corporation (hereinafter called the "Company") and Citibank, N.A., a national association, as Trustee (hereinafter called the "Trustee").

WHEREAS, the Company executed and delivered an Indenture dated as of June *5,* 1995 (hereinafter called the "Original Indenture") between the Company and the Trustee providing for the issue from time to time of its debentures, notes or other evidences of indebtedness in one or more series (hereinafter called the "Securities"); and

WHEREAS, Section 9.1(5) of the Original Indenture provides that the Original Indenture may be amended without the consent of the holders of the Securities in order to establish the form or forms or terms of Securities of any series or of the coupons appertaining to such Securities pursuant to Section 2.3 of the Original Indenture; and

WHEREAS, all conditions and requirements necessary to make this First Supplemental Indenture a valid and binding instrument in accordance with its terms and the terms of the Original Indenture have been satisfied.

NOW, THEREFORE, this First Supplemental Indenture

WITNESSETH:

That in consideration of the premises and of the mutual covenants herein contained, and in order to provide for payment of the principal of (and premium, if any) and

interest on all of the Securities, according to their tenor, the Company and the Trustee hereby covenant and agree:

SECTION 1. For all purposes of this First Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires, all capitalized terms used and not defined herein that are defined in the Original Indenture shall have the meanings assigned to them in the Original Indenture.

SECTION 2. Pursuant to Sections 2.1 and 2.3 of the Original Indenture, the Company shall issue the following series of Securities, the form of each Security of each series to be substantially in the form set forth in Exhibits A1 through A13:

(a) A series of notes under the Original Indenture designated as the 8.30% Notes due April 15, 1999 (the "8.30% Notes"). The series of 8.30% Notes will be limited to $600,000,000 aggregate principal amount and will mature on April 15, 1999. The 8.30% Notes will be issuable in denominations of $1,000 or integral multiples thereof. Each 8.30% Note will bear interest from April 15, 1995 at the rate of 8.30% per annum, payable semi-annually (to holders of record at the close of business on the April 1 or October l immediately preceding the interest payment date) on April 15 and October 15 of each year beginning October 15, 1995. The 8.30% Notes will not be redeemable at the option of the Company prior to maturity. The 8.30% Notes will be issued as Registered Securities only and all or a

portion of the 8.30% Notes may be issued as one or more Registered Global Securities for which the Depositary will be the Depository Trust Company.

(b) A series of notes under the Original Indenture designated as the 8⅝% Sinking Fund Debentures due March 15, 2017 (the "8⅝% Sinking Fund Debentures"). The series of 8⅝% Sinking Fund Debentures will be limited to $440,650,000 aggregate principal amount and will mature on March 15, 2017. The 8⅝% Sinking Fund Debentures will be issuable in denominations of $1,000 or integral multiples thereof. Each 8⅝% Sinking Fund Debenture will bear interest from March 15, 1995 at the rate of 8⅝% per annum payable semi-annually (to holders of record at the close of business on the March 1 or September l immediately preceding the interest payment date) on March 15 and September 15 of each year beginning September 15, 1995, The 8⅝% Sinking Fund Debentures will be redeemable at the option of the Company at any time, in whole or in part, upon 30 days' notice, at the following redemption prices (which are expressed in percentages of principal amount), in each case together with accrued interest to the date fixed for redemption:

| If redeemed during the 12 months beginning March 15, | |
|---|---|
| 1995 | 105.175 |
| 1996 | 104.744 |
| 1997 | 104.313 |
| 1998 | 103.881 |
| 1999 | 103.450 |
| 2000 | 103.019 |
| 2001 | 102.588 |
| 2002 | 102.156 |
| 2003 | 101.725 |
| 2004 | 101.294 |
| 2005 | 100.863 |
| 2006 | 100.431 |
| 2007 and thereafter | 100.000 |

provided, however, that no such optional redemption may be effected prior to March 15, 1997 directly or indirectly from, or in anticipation of, monies borrowed by or for the account of the Company or any Subsidiary at an interest cost (calculated in accordance with generally accepted financial practice) of less than 8.75% per annum.

The 8⅝% Sinking Fund Debentures will be subject to the following mandatory sinking fund obligations:

(i) The mandatory sinking fund payment per annum will be $25,000,000 (which will be applied to the payment of the 8⅝% Sinking Fund Debentures at 100% of the principal amount thereof) together with accrued interest to the date fixed for payment. The mandatory sinking fund payment will be made on each March 15 from March 15, 1998 to March 15, 2016 inclusive.

(ii) The Company will have the non-cumulative right to make optional sinking fund payments in each year set forth above of up to an additional $25,000,000.

(iii) The Company will have the right to deliver 8⅝% Sinking Fund Debentures in lieu of cash to satisfy any mandatory sinking fund payment or optional sinking fund payment in accordance with Section 3.5 of the Original Indenture.

The 8⅝% Sinking Fund Debentures will be issued as Registered Securities only and all or a portion of the 8⅝% Sinking Fund Debentures may be issued as one or more Registered Global Securities for which the Depositary will be the Depository Trust Company.

The Company will consummate by December 15, 2002 an offer for all then outstanding 8⅝% Sinking Fund Debentures. Such offer will be made in cash at a price equal to the principal amount of such debentures plus accrued and unpaid interest as of the date of consummation of the offer. The Company will comply in all material respects with all applicable laws in making and consummating such offer.

(c) A series of notes under the Original Indenture designated as the 8% Notes due January 15, 2000 (the "8% Notes"). The series of 8% Notes will be limited to $750,000,000 aggregate principal amount and will mature on January 15, 2000. The 8% Notes will be issuable in denominations of $1,000 or integral multiples thereof. Each 8% Note will bear interest from January 15, 1995 at the rate of 8% per annum, payable semi-annually (to holders of record at the close of business on the January 1 or July 1 immediately preceding the interest payment date) on January 15 and July 15 of each year beginning July 15, 1995. The 8% Notes will not be redeemable at the option of the Company prior to maturity. The 8% Notes will be issued only as Registered Global Securities, without coupons, held by the

Depositary, which will be the Depository Trust Company, and will not be issued in definitive registered form except pursuant to Section 2.7 of the Original Indenture.

(d) A series of notes under the Original Indenture designated as the 6.80% Notes due September 1, 2001 (the "6.80% Notes"). The series of 6.80% Notes will be limited to $100,000,000 aggregate principal amount and will mature on September l, 2001. The 6.80% Notes will be issuable in denominations of $100,000 or any amount in excess thereof which is an integral multiple of $1,000. Each 6.80% Note will bear interest from March 1, 1995 at the rate of 6.80% per annum, payable semi-annually (to holders of record at the close of business on the day 15 calendar days immediately preceding the interest payment date) on March 1 and September 1 of each year beginning September l, 1995.

The 6.80% Notes will not be redeemable at the option of the Company prior to maturity. The holder of any 6.80% Note, at the holder's option, may require the Company to repay such Note in whole or in part in increments of $1,000 on September 2, 1997 at a repayment rate equal to 100% of the principal amount thereof, together with accrued interest to such date. Such holder must exercise its right to repayment on or after June 3, 1997 but not later than August 2, 1997. In order for such a 6.80% Note to be repaid, the Paying Agent must receive, at its principal corporate trust office in the Borough of Manhattan, The City

of New York, at least 15 days but not more than 30 days prior to the repayment date (i) the 6.80% Note with the form entitled "Option to Elect Repayment" on the reverse of the Note duly completed or (ii) a telegram, facsimile transmission or a letter from a member of a national securities exchange, or the National Association of Securities Dealers, Inc. or a commercial bank or trust company in the United States setting forth the name of the holder of the Note, the principal amount of the Note, the principal amount of the Note to be repaid, the certificate number of the Note, a statement that the option to elect repayment is being exercised thereby and a guarantee that the Note to be repaid, together with the duly completed form entitled "Option to Elect Repayment" on the reverse of the Note, will be received by the Paying Agent not later than the fifth Business Day after the date of such telegram, facsimile transmission or letter; provided, however, that such telegram, facsimile transmission or letter shall only be effective if such Note and form duly completed are received by the Paying Agent by such fifth Business Day. Exercise of the repayment option by the holder of a 6.80% Note will be irrevocable. In the event that the repayment option is exercised by the holder of a 6.80% Note for less than the entire principal amount of the Note, a new Note or Notes for the amount of the unpaid portion of such Note shall be issued in the name of the holder of the Note upon its cancellation; provided that the principal amount of such

Note remaining outstanding after repayment must be an authorized denomination. As long as the 6.80% Notes remain Registered Global Securities, the Depositary or its nominee will be the holder of such Note and, therefore, will be the only entity that can exercise or designate a proxy to exercise a right to repayment with respect to a particular Note.

The 6.80% Notes will be issued only as Registered Global Securities, without coupons, held by the Depositary, which will be the Depository Trust Company, and will not be issued in definitive registered form except pursuant to Section 2.7 of the Original Indenture.

(e) A series of notes under the Original Indenture designated as the 6.11% Notes due August 19, 1996 (the "6.11% Notes"). The series of 6.11% Notes will be limited to $5,000,000 aggregate principal amount and will mature on August 19, 1996. The 6.11% Notes will be issuable in denominations of $100,000 or any amount in excess thereof which is an integral multiple of $1,000. Each 6.11% Note will bear interest from February 1, 1995 at the rate of 6.11% per annum, payable semi-annually (to holders of record at the close of business on the day 15 calendar days immediately preceding the interest payment date) on February 1 and August 1 of each year beginning August 1, 1995. The 6.11% Notes will not be redeemable at the option of the Company prior to maturity. The 6.11% Notes will be issued only as Registered Global Securities, without coupons, held

by the Depositary, which will be the Depository Trust Company, and will not be issued in definitive registered form except pursuant to Section 2.7 of the Original Indenture.

(f) A series of notes under the Original Indenture designated as the 6.88% Notes due January 28, 1997 (the "6.88% Notes"). The series of 6.88% Notes will be limited to $5,000,000 aggregate principal amount and will mature on January 28, 1997. The 6.88% Notes will be issuable in denominations of $100,000 or any amount in excess thereof which is an integral multiple of $1,000. Each 6.88% Note will bear interest from February 1, 1995 at the rate of 6.88% per annum, payable semi-annually (to holders of record at the close of business on the day 15 calendar days immediately preceding the interest payment date) on February 1 and August 1 of each year beginning August 1, 1995. The 6.88% Notes will not be redeemable at the option of the Company prior to maturity. The 6.88% Notes will be issued only as Registered Global Securities, without coupons, held by the Depositary, which will be the Depository Trust Company, and will not be issued in definitive registered form except pursuant to Section 2.7 of the Original Indenture.

(g) A series of notes under the Original Indenture designated as the 6.77% Notes due August 11, 1997 (the "6.77% Notes"). The series of 6.77% Notes will be limited to $1,000,000 aggregate principal amount and will

mature on August 11, 1997. The 6.77% Notes will be issuable in denominations of $100,000 or any amount in excess thereof which is an integral multiple of $1,000. Each 6.77% Note will bear interest from February 1, 1995 at the rate of 6.77% per annum, payable semi-annually (to holders of records at the close of business on the day 15 calendar days immediately preceding the interest payment date) on February 1 and August l of each year beginning August l, 1995. The 6.77% Notes will not be redeemable at the option of the Company prior to maturity. The 6.77% Notes will be issued only as Registered Global Securities, without coupons, held by the Depositary, which will be the Depository Trust Company, and will not be issued in definitive registered form except pursuant to Section 2.7 of the Original Indenture.

(h) A series of notes under the Original Indenture designated as the 6.75% Notes due August 11, 1997 (the "6.75% Notes"). The series of 6.75% Notes will be limited to $1,000,000 aggregate principal amount and will mature on August 11, 1997. The 6.75% Notes will be issuable in denominations of $100,000 or any amount in excess thereof which is an integral multiple of $1,000. Each 6.75% Note will bear interest from February 1, 1995 at the rate of 6.75% per annum, payable semi-annually (to holders of record at the close of business on the day 15 calendar days immediately preceding the interest payment date) on February 1 and August 1 of each year beginning August 1, 1995. The

6.75% Notes will not be redeemable at the option of the Company prior to maturity. The 6.75% Notes will be issued only as Registered Global Securities, without coupons, held by the Depositary, which will be the Depository Trust Company, and will not be issued in definitive registered form except pursuant to Section 2.7 of the Original Indenture.

(i) A series of notes under the Original Indenture designated as the 7.20% Notes due January 22, 1998 (the "7.20% Notes"). The series of 7.20% Notes will be limited to $5,000,000 aggregate principal amount and the 7.20% Notes will mature on January 22, 1998. The 7.20% Notes will be issuable in denominations of $100,000 or any amount in excess thereof which is an integral multiple of $1,000. Each 7.20% Note will bear interest from February 1, 1995 at the rate of 7.20% per annum, payable semi-annually (to holders of record at the close of business on the day 15 calendar days immediately preceding the interest payment date) on February 1 and August 1 of each year beginning August 1, 1995. The 7.20% Notes will not be redeemable at the option of the Company prior to maturity. The 7.20% Notes will be issued only as Registered Global Securities, without coupons, held by the Depositary, which will be the Depository Trust Company, and will not be issued in definitive registered form except pursuant to Section 2.7 of the Original Indenture.

(j) A series of notes under the Original Indenture designated as the 7.64% Notes due August 1, 2001 (the "7.64% Notes"). The series of 7.64% Notes will be limited to $1,500,000 aggregate principal amount and the 7.64% Notes will mature on August 1, 2001. The 7.64% Notes will be issuable in denominations of $100,000 or any amount in excess thereof which is an integral multiple of $1,000. Each 7.64% Note will bear interest from February 1, 1995 at the rate of 7.64% per annum, payable semi-annually (to holders of record at the close of business on the day 15 calendar days immediately preceding the interest payment date) on February 1 and August 1 of each year beginning August l, 1995. The 7.64% Notes will not be redeemable at the option of the Company prior to maturity. The 7.64% Notes will be issued only as Registered Global Securities, without coupons, held by the Depositary, which will be the Depository Trust Company, and will not be issued in definitive registered form except pursuant to Section 2.7 of the Original Indenture.

(k) A series of notes under the Original Indenture designated as the 7.375% Notes due August 1, 2001 (the "7.375% Notes"). The series of 7.375% Notes will be limited to $2,500,000 aggregate principal amount and will mature on August 1, 2001. The 7.375% Notes will be issuable in denominations of $100,000 or any amount in excess thereof which is an integral multiple of $1,000. Each 7.375% Note will bear interest from February 1, 1995 at the rate of

7.375% per annum, payable semi-annually (to holders of record at the close of business on the day 15 calendar days immediately preceding the interest payment date) on February 1 and August 1 of each year beginning August 1, 1995. The 7.375% Notes will not be redeemable at the option of the company prior to maturity. The 7.375% Notes will be issued only as Registered Global Securities, without coupons, held by the Depositary, which will be the Depository Trust Company, and will not be issued in definitive registered form except pursuant to Section 2.7 of the Original Indenture.

(l) A series of notes under the Original Indenture designated as the 7.63% Notes due August 13, 2001 (the "7.63% Notes"). The series of 7.63% Notes will be limited to $1,000,000 aggregate principal amount and will mature on August 13, 2001. The 7.63% Notes will be issuable in denominations of $100,000 or any amount in excess thereof which is an integral multiple of $1,000. Each 7.63% Note will bear interest from February 1, 1995 at the rate of 7.63% per annum, payable semi-annually (to holders of record at the close of business on the day 15 calendar days immediately preceding the interest payment date) on February 1 and August 1 of each year beginning August 1, 1995. The 7.63% Notes will not be redeemable at the option of the Company prior to maturity. The 7.63% Notes will be issued only as Registered Global Securities, without coupons, held by the Depositary, which will be the Depository Trust

Company, and will not be issued in definitive registered form except pursuant to Section 2.7 of the Original Indenture.

(m) A series of notes under the Original Indenture designated as the 7.86% Notes due September 4, 2001 (the "7.86% Notes"). The series of 7.86% Notes will be limited to $5,000,000 aggregate principal amount and will mature on September 4, 2001. The 7.86% Notes will be issuable in denominations of $100,000 or any amount in excess thereof which is an integral multiple of $1,000. Each 7.86% Note will bear interest from February 1, 1995 at the rate of 7.86% per annum, payable semi-annually (to holders of record at the close of business on the day 15 calendar days immediately preceding the interest payment date) on February 1 and August 1 of each year beginning August 1, 1995. The 7.86% Notes will not be redeemable at the option of the Company prior to maturity. The 7.63% Notes will be issued only as Registered Global Securities, without coupons, held by the Depositary, which will be the Depository Trust Company, and will not be issued in definitive registered form except pursuant to Section 2.7 of the Original Indenture.

SECTION 3. Nothing in this First Supplemental Indenture, expressed or implied, is intended or shall be construed to confer upon or give to any person or corporation, other than the parties hereto and the holders of the Securities any right, remedy or claim under or by

reason of this First Supplemental Indenture or any covenant, stipulation, promise or agreement contained herein; all the covenants, stipulations, promises and agreements contained herein being for the sole and exclusive benefit of the parties hereto and their successors, and the holders from time to time of the Securities.

SECTION 4. This First Supplemental Indenture shall form a part of the Original Indenture for all purposes and every holder of Securities heretofore or hereafter authenticated and delivered under the Original Indenture shall be bound hereby. The Original Indenture as supplemented by this First Supplemental Indenture is hereby in all respects ratified and confirmed.

SECTION 5. The Trustee, for itself and its successor or successors, accepts the trust of the Original Indenture as amended by this First Supplemental Indenture, and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee, which terms and provisions shall in like manner define and limit its liabilities and responsibilities in the performance of the trust created by the Original Indenture, and, without limiting the generality of the foregoing, the recitals contained herein shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the

validity or sufficiency of this First Supplemental Indenture other than as to the validity of its execution and delivery by the Trustee.

SECTION 6. This First Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

(SEAL)
Attest:

/s/ Suzanne P. Jenney
Name: Suzanne P. Jenney
Title: Assistant Secretary

NABISCO, INC.
as the Company

By: /s/ Francis X. Suozzi
Name: Francis X. Suozzi
Title: Vice President and Treasurer

(SEAL)
Attest:

/s/ Wafaa Orfy
Name: Wafaa Orfy
Title: Senior Trust Officer

CITIBANK, N.A.
as Trustee

By: /s/ Robert T. Kirchner
Name: Robert T. Kirchner
Title: Vice President

STATE OF NEW YORK )
)
COUNTY OF NEW YORK )

BEFORE ME, the undersigned authority, on this 2nd day of June, 1995, personally appeared Francis X. Suozzi, Vice President and Treasurer of Nabisco, Inc., a New Jersey corporation, known to me (or proved to me by introduction upon the oath of a person known to me) to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same as the act of such corporation for the purposes and consideration herein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL THIS 2ND DAY OF JUNE, 1995.

(SEAL)

/s/ So-Ok Kim
NOTARY PUBLIC, STATE OF NEW YORK
Print Name: So-Ok Kim
Commission Expires: January 18, 1996

STATE OF NEW YORK )
)
COUNTY OF NEW YORK )

BEFORE ME, the undersigned authority, on this 1st day of June, 1995, personally appeared Robert T. Kirchner, Vice President of Citibank, N.A., a national association, known to me (or proved to me by introduction upon the oath of a person known to me) to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same as the act of such trust for the purposes and consideration herein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL THIS 1ST DAY OF JUNE, 1995.

(SEAL)

/s/ Jeffrey Berger
NOTARY PUBLIC, STATE OF NEW YORK
Print Name: Jeffrey Berger
Commission Expires: July 26, 1995

**EXHIBIT 4.2**

**GENERAL FOODS CORPORATION**

**AND**

**CITIBANK, N.A.,**

***Trustee***

---

***Indenture***

***Dated as of June 15, 1981***

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**7% Debentures due June 15, 2011**

**GENERAL FOODS CORPORATION**

**7% Debentures due June 15, 2011**

**Cross Reference Sheet**

[This Cross Reference Sheet shows the location in the Indenture of the provisions inserted pursuant to Sections 310-318 (a), inclusive, of the Trust Indenture Act of 1939.]

| Trust Indenture Act | Sections of Indenture |
|---|---|
| 310 (a) (1) (2) | 7.09 |
| (3) (4) | Inapplicable |
| 310 (b) | 7.08 and 7.10 |
| (b) (1) (A) (C) | Inapplicable |
| 310 (c) | Inapplicable |
| 311 (a) (b) | 7.13 |
| (c) | Inapplicable |
| 312 (a) | 5.01 and 5.02 |
| (b) (c) | 5.02 |
| 313 (A) (1) (2) (3) (4) (6) (7) | 5.04 |
| (5) | Inapplicable |
| (b) (1) | Inapplicable |
| (2) | 5.04 |
| (c) (d) | 5.04 |
| 314 (a) | 5.03 |
| (b) | Inapplicable |
| (c) (1) (2) | 14.05 |
| (3) | Inapplicable |
| (d) | Inapplicable |
| (e) | 14.05 |
| (f) | Inapplicable |
| 315 (a) (c) (d) | 7.01 |
| (b) | 6.07 |
| (e) | 6.08 |
| 316 (a) (1) | 6.06 and 8.04 |
| (2) | Inapplicable |
| (b) | 6.04 |
| 317 (a) | 6.02 |
| (b) | 4.04 |
| 318 (a) | 14.07 |

* The Cross Reference Sheet is not part of the Indenture.

**TABLE OF CONTENTS***



*The Table of Contents comprising pages i to ix is not part of the Indenture.

INDENTURE, dated as of the fifteenth day of June, 1981, between General Foods Corporation, a corporation duly organized and existing under the laws of the State of Delaware (hereinafter sometimes referred to as the "Company"), party of the first part, and Citibank, N.A., a national banking association incorporated and existing under the laws of the United States of America (hereinafter sometimes referred to as the "Trustee"), party of the second part.

Whereas, for its lawful corporate purposes the Company has duly authorized an issue of its 7% Debentures due June 15, 2011 (hereinafter referred to as the "Debentures"), for an aggregate principal amount of Two Hundred Million Dollars ($200,000,000), to be issued as registered Debentures without coupons, to be authenticated by the certificate of the Trustee, to be payable June 15, 2011, and to be redeemable as hereinafter provided; and, to provide the terms and conditions upon which the Debentures are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture.

Whereas, the text of the Debentures and of the certificates of authentication to be borne by the Debentures are to be substantially in the following form (certain of the provisions of the Debentures may be printed on the reverse side):

[form of face of Debenture]

For purposes of Section 1232 of the Internal Revenue Code the issue price of this Security is 51.6240% of its principal amount and the issue date is June 30, 1981.

$_____ No. _____

## GENERAL FOODS CORPORATION

7% Debenture due June 15, 2011

General Foods Corporation, a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company"), for value received, hereby promises to pay to

, or registered assigns, the principal sum of

Dollars on June 15, 2011, at the office or agency of the Company in the Borough of Manhattan, The City and State of New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest on said principal sum at the rate of 7% per annum, at said office or agency, in like coin or currency, from the June 15 or December 15, as the case may be, next preceding the date of this Debenture to which interest has been paid, or, if the date of this Debenture is a June 15 or December 15 to which interest has been paid or duly provided for, from the date hereof, or, if no interest has been paid on

the Debentures, from June 15, 1981, or, if the date of this Debenture is after any June 1 or December 1 and prior to the next succeeding June 15 or December 15, from such June 15 or December 15*, provided, however*, that if and to the extent the Company shall default in payment of the interest due on such June 15 or December 15, then from the next preceding June 15 or December 15 to which interest has been paid, or if no interest has been paid on the Debentures, from June 15, 1981. Interest will be payable on December 15, 1981 and semi-annually on each June 15 and December 15 thereafter, until payment of said principal sum has been made or duly provided for. The interest so payable on any June 15 or December 15 will, subject to certain exceptions provided in the Indenture referred to on the reverse hereof, be paid to the person in whose name this Debenture is registered at the close of business on the June 1 or December 1, as the case may be, next preceding such June 15 or December 15 and may, at the option of the Company, be paid by check mailed to the registered address of such person.

The provisions of this Debenture are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

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

In Witness Whereof, General Foods Corporation has caused this Instrument to be signed by its Chairman, or its President, or its Executive Vice President-Finance and Administration, or its Senior Vice President-Finance, manually or in facsimile, and a facsimile of its corporate seal to be imprinted hereon and attested by a manual or facsimile signature of its Secretary or one of its Assistant Secretaries.

Dated: _____

General Foods Corporation

[Corporate Seal]

By _____

Attest:

_____
Secretary

[FORM OF REVERSE OF DEBENTURE]

# GENERAL FOODS CORPORATION

7% DEBENTURE DUE JUNE 15, 2011

This Debenture is one of a duly authorized issue of Debentures of the Company, designated as its 7% Debentures due June 15, 2011 (herein referred to as the "Debentures"), limited to the aggregate principal amount of Two Hundred Million Dollars ($200,000,000), all issued under and pursuant to an indenture, dated as of June 15, 1981 (herein referred to as the "Indenture"), duly executed and delivered by the Company and Citibank, N. A. (hereinafter called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debentures.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, an amount of principal which is equal to (i) the initial public offering price of this Debenture plus (ii) that portion of the original issue discount (the excess of the principal or face amount of this Debenture over the initial public offering price) attributable on a ratable basis to the period from the date of issue to the date of acceleration, and any accrued interest to the date of acceleration may be declared, and upon such declaration shall become due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be waived by the holders of a majority in aggregate principal amount of the Debentures then outstanding. Any such waiver by the holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and of any Debenture issued upon the transfer hereof or in exchange or substitution herefor, irrespective of whether or not any notation of such waiver is made upon this Debenture or such other Debentures.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than $66^{2}/_{3}\%$ in aggregate principal amount of the Debentures at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the holders of the Debentures; *provided, however,* that no such supplemental indenture shall (i) extend the fixed maturity of any Debenture, or reduce the principal amount therof,

or reduce the rate or extend the time of payment of interest thereon, without the consent of the holder of each Debenture so affected, or (ii) reduce the aforesaid percentage of Debentures, the consent of the holders of which is required for any such supplemental indenture, without the consent of the holders of all Debentures then outstanding. It is also provided in the Indenture that, prior to the declaration of maturity of the Debentures upon the occurrence of an Event of Default as permitted by the Indenture, the holders of a majority in aggregate principal amount of the Debentures at the time outstanding may on behalf of the holders of all of the Debentures waive any past default under the Indenture and its consequences, except a default in the payment of the principal of or interest on any of the Debentures. Any such consent or waiver by the holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and of any Debenture issued upon transfer hereof or in exchange or substitution herefor, irrespective of whether or not any notation of such consent or waiver is made upon this Debenture or such other Debentures.

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

The Debentures are issuable as registered Debentures without coupons in denominations of $1,000 and any integral multiple of $1,000, at the office or agency to be maintained by the Company in the Borough of Manhattan, the City and State of New York, and in the manner and subject to the limitations provided in the Indenture. Debentures may be exchanged, without charge except for any tax or other governmental charge imposed in relation thereto, for a like aggregrate principal amount of Debentures of other authorized denominations.

As provided in the Indenture, the Debentures may be redeemed, at the option of the Company, upon not less than 30 nor more than 60 days' notice by mail in the manner provided in the Indenture, as a whole or from time to time in part (selected in such manner as the Trustee may deem appropriate and fair), at any time, at the redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

If this Debenture (or a portion hereof) is duly called for redemption and funds for payment duly provided, this Debenture (or such portion) shall cease to bear interest from and after the date fixed for redemption.

This Debenture is transferable by the registered holder hereof or by his attorney duly authorized in writing upon due presentment for registration of transfer at the office or agency of the Company, in the Borough of Manhattan. The City and State of New York, but only in the manner and subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in relation thereto. Upon any such transfer a new Debenture or Debentures, of authorized denominations, for a like aggregate principal amount, will be issued to the transferee in exchange therefor.

Prior to due presentment for registration of transfer of this Debenture, the Company, the Trustee, any paying agent and any Debenture Registrar may deem and treat the registered holder hereof as the absolute owner hereof (whether or not this Debenture shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Company, the Trustee or any Debenture Registrar), for the purpose of receiving payment as herein provided and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Debenture Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Debenture, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, stockholder, officer, director or employee, as such, past, present or future, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

WHEREAS, the form of the Trustee's certificate of authentication to be endorsed on said Debentures shall be substantially as follows:

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Debentures described in the within-mentioned Indenture.

CITIBANK , N. A.,
*As Trustee,*

By: _____
*Authorized Officer*

WHEREAS, all acts and things necessary to make the Debentures, when executed by the Company and authenticated and delivered by the Trustee as in this Indenture provided and issued by the Company, the valid, binding and legal obligations of the Company, and to constitute these presents a valid indenture and agreement according to its terms, have been done and performed by the Company, and the execution of this Indenture and the issue hereunder of the Debentures have in all respects been duly authorized by the Company, and the Company, in the exercise of legal right and power in it vested, executes this Indenture and proposes to make, execute, issue and deliver the Debentures.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Debentures are authenticated, issued and delivered, and in consideration of the premises, of the purchase and acceptance of the Debentures by the holders thereof, the Company and the Trustee covenant and agree with each other, for the equal and proportionate benefit of the respective holders from time to time of the Debentures, as follows:

## ARTICLE ONE.

## DEFINITIONS.

SECTION 1.01. *Certain Terms Defined*. The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. All other terms used in this Indenture which are defined in the Trust Indenture Act of 1939 or which are by reference therein defined in the Securities Act of 1933, as amended (except as herein otherwise expressly provided or unless the context otherwise requires), shall have the meanings assigned to such terms in said Trust Indenture Act and in said Securities Act as in force at the date of this Indenture as originally executed.

*Attributable Debt:*

The term "Attributable Debt" shall mean, 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, discounted from the respective due dates thereof to such date at a rate of 13.80% compounded semi-annually. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of maintenance and

repairs, insurance, taxes, assessments, water rates and similar charges. In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

*Authorized Newspaper:*

The term "authorized newspaper" shall mean a newspaper printed in the English language and customarily published at least once a day on each business day in each calendar week and of general circulation in the Borough of Manhattan. The City and State of New York, whether or not such newspaper is published on Saturdays, Sundays and legal holidays.

*Board of Directors:*

The term "Board of Directors," when used with reference to the Company, shall mean the Board of Directors of the Company, or the Executive Committee of such Board or any other committee of such Board to which the powers of such Board have lawfully been delegated.

*Business Day:*

The term "business day" shall mean any day other than a day on which banking institutions in The City of New York are authorized or obligated by law or executive order to close.

*Company:*

The term "Company" shall mean General Foods Corporation, a Delaware corporation, and, subject to the provisions of Article Eleven, shall mean its successors and assigns from time to time hereafter.

*Consolidated Net Tangible Assets:*

The term "Consolidated Net Tangible Assets" shall mean the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (a) all current liabilities (excluding any constituting Funded Debt by reason of their being renewable or extendible), and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent balance sheet of the Company and its consolidated subsidiaries and computed in accordance with generally accepted accounting principles.

*Corporate Trust Office of the Trustee:*

The term "corporate trust office of the Trustee," or other similar term, shall mean the office of the Trustee in the Borough of Manhattan. The City of New York, at which at any particular time its corporate trust business shall be administered which office at the date hereof is located at 111 Wall Street, New York, New York 10043.

*Debenture:*

The term "Debenture" or "Debentures" shall mean any Debenture or Debentures, as the case may be, authenticated and delivered under this Indenture.

*Debentureholder:*

The term "debentureholder," "holder of Debentures," or other similar term shall mean any person in whose name a particular Debenture shall be registered on the Debenture register kept for that purpose in accordance with the terms hereof.

*Event of Default:*

The term "Event of Default" shall mean any event specified in Section 6.01, continued for the period of time, if any, and after the giving of the notice, if any, therein designated.

*Funded Debt:*

The term "Funded Debt" shall mean all indebtedness for money borrowed having a maturity of more than 12 months from the date of the most recent balance sheet of the Company and its consolidated subsidiaries or having a maturity of less than 12 months but by its terms being renewable or extendible beyond 12 months from the date of such balance sheet at the option of the borrower.

*Indenture:*

The term "Indenture" shall mean this instrument as originally executed, or, if amended or supplemented as herein provided, as so amended or supplemented.

*Officers' Certificate:*

The term "Officers' Certificate" shall mean a certificate signed by the Chairman or the President or the Executive Vice President-Finance and Administration or the Senior Vice President-Finance or the Vice President and Treasurer and the Secretary or any Assistant Treasurer or any Assistant Secretary of the Company. Each such certificate shall include (except as otherwise provided in this Indenture) the statements provided for in Section 14.05, if and to the extent required by the provisions thereof.

*Opinion of Counsel:*

The term "Opinion of Counsel" shall mean an opinion in writing signed by legal counsel, who may be an employee of or of counsel to the Company. Each such opinion shall include the statements provided for in Section 14.05, if and to the extent required by the provisions thereof.

*Outstanding:*

The term "outstanding", when used with reference to Debentures, shall, subject to the provisions of Section 8.04, mean, as of any particular time, all Debentures authenticated and delivered by the Trustee under this Indenture, except

(a) Debentures theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Debentures or portions thereof for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent), *provided* that, if such Debentures or portions thereof are to be redeemed, notice of such redemption shall have been given as in Article Three provided or provision satisfactory to the Trustee shall have been made for giving such notice; and

(c) Debentures in lieu of or in substitution for which other Debentures shall have been authenticated and delivered pursuant to the terms of Section 2.07.

*Principal Property:*

The term "Principal Property" shall mean any single manufacturing plant or warehouse owned or leased by the Company or any Domestic Subsidiary which is located within the United States and the gross book value (without deduction of any depreciation reserves) of which 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 portion thereof which, in the opinion of the Board of Directors, is not of material importance to the total business conducted by the Company and its subsidiaries as an entirety.

*Record Date:*

The term "record date" as used with respect to any semi-annual interest payment date shall have the meaning set forth in Section 2.03.

*Registrar:*

The term "Registrar" shall have the meaning set forth in Section 2.05.

*Responsible Officer:*

The term "responsible officer" when used with respect to the Trustee shall mean the Chairman or Vice Chairman of the Board of Directors, the Chairman or Vice Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, any Second or Assistant Vice President, the Cashier, any Assistant Cashier, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, any Senior Trust Officer, any Trust Officer, any Assistant Trust Officer, or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

*Subsidiary of the Company; Domestic Subsidiary:*

The term "subsidiary of the Company" shall mean a corporation a majority of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more subsidiaries of the Company, or by the Company and one or more subsidiaries of the Company.

The term "Domestic Subsidiary" shall mean a subsidiary of the Company except a subsidiary (a) which neither transacts any substantial portion of its business nor regularly maintains any substantial portion of its fixed assets within the States of the United States, or (b) which is engaged primarily in financing the operations of the Company or its subsidiaries, or both, outside the States of the United States.

As used under this heading, the term "voting stock" means stock having ordinary voting power for the election of directors irrespective of whether or not stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency.

*Trustee:*

The term "Trustee" shall mean Citibank. N.A., and, subject to the provisions of Article Seven, shall also include its successors and assigns.

*Trust Indenture Act of 1939:*

The term "Trust Indenture Act of 1939" (except as herein otherwise expressly provided) shall mean the Trust Indenture Act of 1939 as in force at the date of this Indenture as originally executed.

## ARTICLE TWO.

### Issue, Description, Execution, Registration, Transfer and Exchange of Debentures

Section 2.01. *Designation, Amount, Authentication and Delivery of Debentures*. The Debentures shall be designated as 7% Debentures due June 15, 2011. Debentures for the aggregate principal amount of Two Hundred Million Dollars ($200,000,000), forthwith upon or at any time after the execution of this Indenture, may be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Debentures to or upon the written order of the Company, signed by its Chairman or its President or its Executive Vice President-Finance and Administration or its Senior Vice President-Finance and by its Vice President and Treasurer or its Secretary or an Assistant Treasurer or an Assistant Secretary, without any further action by the Company.

Except as provided in Section 2.07, the aggregate principal amount of Debentures authorized by this Indenture to be outstanding is limited to $200,000,000.

Section 2.02. *Form of Debentures and Trustee's Certificate*. The Debentures and the Trustee's certificate of authentication to be borne by the Debentures shall be substantially of the tenor and purport as in this Indenture above recited, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Debentures may be listed, or to conform to usage.

Section 2.03. *Date and Denominations*. The Debentures shall be issuable as registered Debentures without coupons in denominations of $1,000 and any integral multiple of $1,000, Every Debenture shall be dated the date of its authentication. The Debentures shall bear interest from the June 15 or December 15, as the case may be, next preceding the date thereof to which interest has been paid, or, if the date thereof is a June 15 or December 15 to which interest has been paid or duly provided for, from the date thereof, or if no interest has been paid on the Debentures, from June 15, 1981. However, so long as there is no existing default in the payment of interest on the Debentures, all Debentures authenticated by the Trustee after the close of business on the record date (as hereinafter in this Section defined) for any interest payment date and prior to such interest payment date shall be dated the date of authentication but shall bear interest from such interest payment date*; provided, however*, that if and to the extent that the Company shall

default in the interest due on such interest payment date, then any such Debenture shall bear interest from the June 15 or December 15, as the case may be, next preceding the date of such Debenture to which interest has been paid, or if no interest has been paid on the Debentures, from June 15, 1981.

The person in whose name any Debenture is registered at the close of business on any record date (as hereinafter defined) with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such Debenture upon any registration of transfer or exchange thereof subsequent to the record date and prior to such interest payment date, except if and to the extent the Company shall default in the payment of the interest due on such interest payment date, in which case such defaulted interest shall be paid to the persons in whose names outstanding Debentures are registered at the close of business on a subsequent record date, which shall not be less than five business days preceding the date of payment of such defaulted interest, established for such purpose by notice given by mail by or on behalf of the Company to holders of such Debentures not less than 15 days preceding such subsequent record date. Such notice shall be given to the persons in whose names such outstanding Debentures are registered at the close of business on the third business day preceding the date of the mailing of such notice. The term "record date" with respect to any semi-annual interest payment date shall mean the June 1 or December 1, as the case may be next preceding such interest payment date, whether or not a business day.

SECTION 2.04. *Execution of Debentures*. The Debentures shall be signed on behalf of the Company by its Chairman or its President or its Executive Vice President-Finance and Administration or its Senior Vice President-Finance under its corporate seal attested by the signature of its Secretary or one of its Assistant Secretaries. Such signatures upon the Debentures may be the manual or facsimile signatures of the present or any future such authorized officers and may be imprinted or otherwise reproduced on the Debentures. The seal of the Company may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Debentures.

Only such Debentures as shall bear thereon a certificate of authentication substantially in the form hereinbefore recited, signed manually by the Trustee, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Debenture executed by the Company shall be conclusive evidence that the Debenture so authenticated has been duly authenticated and delivered hereunder.

In case any officer of the Company who shall have signed any of the Debentures shall cease to be such officer before the Debentures so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such Debentures nevertheless may be authenticated and delivered or disposed of as though the person who signed such Debentures had not ceased to be such officer of the Company; and any Debenture may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Debenture, shall be the proper officers of the Company, although at the date of such Debenture or of the execution of this Indenture any such person was not such officer.

SECTION 2.05. *Registration of Transfer and Exchange*. The Company shall keep, at the office or agency to be maintained by the Company in accordance with the provisions of Section 4.02, a register, in which, subject to such reasonable regulations as it may prescribe, the Company shall register Debentures and shall register the transfer of Debentures as in this Article Two provided. At all reasonable times such register shall be open for inspection by the Trustee. Upon due presentment for registration of transfer of any Debenture at such office or agency, the Company shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Debenture or Debentures of authorized denominations for a like aggregate principal amount.

Unless and until otherwise determined by the Company by resolution of its Board of Directors, the register of the Company in the Borough of Manhattan. The City and State of New York, for the purpose of registration, exchange or registration of transfer of the Debentures shall be kept at the corporate trust office of the Trustee and, for this purpose, the Trustee shall be designated "Registrar."

Debentures may be exchanged for a like aggregate principal amount of Debentures of other authorized denominations. Debentures to be exchanged shall be surrendered at the office or agency to be maintained by the Company as provided in Section 4.02, and the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor the Debenture or Debentures which the debentureholder making the exchange shall be entitled to receive.

All Debentures presented or surrendered for registration of transfer, exchange, redemption or payment shall (if so required by the Company or the Trustee) be duly endorsed or be accompanied by a written instrument or instruments of transfer, in form satisfactory to the Company and the Trustee, duly executed by the registered holder or his attorney duly authorized in writing.

No service charge shall be made for any exchange or registration of transfer of Debentures, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

The Company shall not be required (a) to issue, register the transfer of or exchange any Debentures for a period of 15 days next preceding any selection of Debentures to be redeemed, or (b) to register the transfer of or exchange any Debentures selected, called or being called for redemption in whole or in part.

SECTION 2.06. *Temporary Debentures*. Pending the preparation of definitive Debentures the Company may execute and the Trustee shall authenticate and deliver temporary Debentures (printed, lithographed or typewritten), of any authorized denomination, and substantially in the form of the definitive Debentures but with such omissions, insertions and variations as may be appropriate for temporary Debentures, all as may be determined by the Company. Temporary Debentures may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Debenture shall be executed by the Company and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Debentures. The Company shall execute and furnish definitive Debentures as soon as practicable and thereupon any or all temporary Debentures may be surrendered in exchange therefor at the corporate trust office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Debentures a like aggregate principal amount of definitive Debentures. Until so exchanged, the temporary Debentures shall be entitled to the same benefits under this Indenture as definitive Debentures authenticated and delivered hereunder.

SECTION 2.07. *Mutilated, Destroyed, Lost or Stolen Debentures*. In case any temporary or definitive Debenture shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon its request the Trustee shall authenticate and deliver, a new Debenture bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Debenture, or in lieu of and substitution for the Debenture so destroyed, lost or stolen. In every case the applicant for a substituted Debenture shall furnish to the Company and to the Trustee and any paying agent such security or indemnity as may be required by them to save each of them harmless from all risk, however remote, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and to the Trustee and any paying agent evidence to their satisfaction of the destruction, loss or theft of such Debenture and of the ownership thereof. The Trustee may authenticate any such substituted Debenture and deliver the same upon the written request or authorization of any officer of the Company. Upon the issuance of any substituted Debenture, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. In case any Debenture which has matured or is about to mature or which has been called

for redemption shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substituted Debenture, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Debenture) if the applicant for such payment shall furnish the Company and any paying agent with such security or indemnity as either may require to save it harmless from all risk, however remote, and, in case of destruction, loss or theft, evidence to the satisfaction of the Company of the destruction, loss or theft of such Debenture and of the ownership thereof.

Every substituted Debenture issued pursuant to the provisions of this Section 2.07 by virtue of the fact that any Debenture is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Debenture shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Debentures duly issued hereunder. All Debentures shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debentures, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.08. *Cancellation of Surrendered Debentures.* All Debentures surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to the Company or any paying agent or a Registrar, be delivered to the Trustee for cancellation by it, or, if surrendered to the Trustee, shall be cancelled by it, and no Debentures shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall destroy cancelled Debentures and deliver a certificate of destruction to the Company. If the Company shall acquire any of the Debentures, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Debentures unless and until the same are delivered or surrendered to the Trustee for cancellation.

SECTION 2.09. *Provisions of the Indenture and Debentures for the Sole Benefit of the Parties and the Debentureholders.* Nothing in this Indenture or in the Debentures, expressed or implied, shall give or be construed to give to any person, firm or corporation, other than the parties hereto and the holders of the Debentures, any legal or equitable right, remedy or claim under or in respect of this Indenture, or under any covenant, condition or provision herein contained; all its covenants, conditions and provisions being for the sole benefit of the parties hereto and of the holders of the Debentures.

ARTICLE THREE.

REDEMPTION OF DEBENTURES.

SECTION 3.01. *Redemption of Debentures*. The Company may, at its option, redeem all, or from time to time any part, of the Debentures, at the redemption price of 100% of the principal amount thereof, together with interest accrued to the date fixed for redemption. The Company covenants that it will pay to the Trustee or to a paying agent (or, if the Company is acting as its own paying agent, segregate and hold in trust, as provided in Section 4.04) cash, on or before the date fixed for each redemption of Debentures, in an amount sufficient to pay the principal of and accrued interest on the Debentures to be redeemed on such date.

SECTION 3.02. *Mailing of Notice of Redemption: Selection of Debentures*. In case the Company shall desire to exercise such right to redeem all, or, as the case may be, any part of the Debentures in accordance with the right reserved so to do, it shall fix a date for redemption and it, or, at its request, the Trustee in the name of and at the expense of the Company, shall give notice of such redemption to the holders of the Debentures to be redeemed as a whole or in part by mailing a notice of such redemption not less than 30 nor more than 60 days prior to the date fixed for redemption to their last addresses as they shall appear upon the Debenture register. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives the notice. In any case, failure duly to give notice by mail, or any defect in the notice, to the holder of any Debenture designated for redemption as a whole or in part shall not effect the validity of the proceedings for the redemption of any other Debenture.

Each such notice of redemption shall specify the date fixed for redemption and redemption price at which Debentures are to be redeemed, and shall state that payment of the redemption price of the Debentures or portions thereof to be redeemed will be made at the office or agency to be maintained by the Company in accordance with the provisions of Section 4.02, upon presentation and surrender of such Debentures, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. If less than all the Debentures are to be redeemed, the notice to the holders of Debentures to be redeemed shall specify the Debentures to be redeemed. In case any Debenture is to be redeemed in part only, the notice which relates to such Debenture shall state the portion of the principal amount thereof to be redeemed, and shall state that on

and after the redemption date, upon surrender of such Debenture, a new Debenture or Debentures, in principal amount equal to the unredeemed portion thereof, will be issued.

If less than all the Debentures are to be redeemed, the Company shall give the Trustee notice, at least 60 days (or such shorter period acceptable to the Trustee) in advance of the date fixed for redemption, as to the aggregate principal amount of Debentures to be redeemed, which shall be an integral multiple of $1,000, and thereupon the Trustee shall select, in such manner as it shall deem appropriate and fair, the Debentures to be redeemed, in whole or in part, and shall thereafter promptly notify the Company in writing of the numbers of the Debentures so to be redeemed and, in the case of Debentures to be redeemed in part only, the principal amount thereof so to be redeemed.

SECTION 3.03. *When Debentures Called for Redemption Become Due and Payable*. If the giving of notice of redemption shall have been completed as above provided, the Debentures or portions of Debentures specified in such notice shall become due and payable on the date and at the place stated in such notice at the redemption price, together with interest accrued to the date fixed for redemption, and on and after such date fixed for redemption (unless the Company shall default in the payment of such Debentures at the redemption price, together with interest accrued to the date fixed for redemption) interest on the Debentures or portions of Debentures so called for redemption shall cease to accrue. On presentation and surrender of such Debentures at the place of payment in said notice specified, the said Debentures shall be paid and redeemed by the Company at the redemption price, together with interest accrued to the date fixed for redemption; *provided, however*, that semi-annual instalments of interest becoming due on the date fixed for redemption shall be payable to the holders of such Debentures, or one or more previous Debentures evidencing all or a portion of the same debt as that evidenced by such particular Debentures, registered as such on the relevant record dates according to their terms and the provisions of Section 2.03.

Upon presentation of any Debenture which is redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the holder of the Debenture, at the expense of the Company, a new Debenture or Debentures in principal amount equal to the unredeemed portion of the Debenture so presented.

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ARTICLE FOUR.

PARTICULAR COVENANTS OF THE COMPANY.

SECTION 4.01. *Payment of Principal of and Interest on Debentures.* The Company will duly and punctually pay or cause to be paid the principal of and interest on each of the Debentures at the place, at the respective times and in the manner provided herein and in the Debentures. The interest on the Debentures shall be payable (subject to the provisions of Section 2.03) only to or upon the written order of the holders thereof. Each installment of interest on the Debentures may at the Company's option be paid by mailing checks for such interest payable to or upon the written order of the person entitled thereto pursuant to Section 2.03 hereof to the address of such person as it appears on the Debenture register.

SECTION 4.02. *Maintenance of Offices or Agencies for Registration of Transfer, Exchange and Payment of Debentures.* As long as any of the Debentures remain outstanding, the Company shall maintain in the Borough of Manhattan, The City of New York, one or more offices or agencies where the Debentures may be presented for payment, where the Debentures may be presented for registration of transfer and exchange and where notices and demands to or upon the Company in respect of the Debentures and this Indenture may be served. The Corporate Trust Office of the Trustee shall be such office of the Company in The City of New York for purposes of presentation for payment and presentation for registration of transfer and exchange and the office of the Trustee located at 5 Hanover Square, New York, New York 10043 (or located at any other address furnished in writing to the Company by the Trustee) shall be such office of the Company in The City of New York for purpose of service of such notices and demands, and the Trustee shall be the agent of the Company for all of the foregoing purposes, unless the Company shall designate and maintain some other office or agency for such purposes and give the Trustee written notice of the location thereof. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency in the Borough of Manhattan, The City of New York, the Corporate Trust Office of the Trustee shall be conclusively deemed to be the agency of the Company for purposes of presentation for payment and presentation for registration of transfer and exchange and the office of the Trustee located at 5 Hanover Square, New York, New York 10043 (or located at any other address previously furnished in writing to the Company by the Trustee) shall be conclusively deemed to be the agency of the Company for purpose of service of such notices and demands.

SECTION 4.03. *Appointment to Fill a Vacancy in the Office of Trustee.* The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.10, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 4.04. *Duties of Paying Agents, etc.* (a) The Company shall cause each paying agent, if any, other than the Trustee, to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 4.04:

(1) that it will hold all sums held by it as such agent for the payment of the principal of or interest on the Debentures (whether such sums have been paid to it by the Company or by any other obligor on the Debentures) in trust for the benefit of the holders of the Debentures;

(2) that it will give the Trustee notice of any failure by the Company (or by any other obligor on the Debentures) to make any payment of the principal of or interest on the Debentures when the same shall be due and payable; and

(3) that it will at any time during the continuance of an Event of Default upon the written request of the Trustee, forthwith pay to the Trustee all sums so held by it as such agent.

Whenever the Company shall have one or more paying agents, it will, on or before each due date of the principal of or interest on the Debentures, deposit with such paying agents a sum sufficient to pay such principal or interest so becoming due.

(b) If the Company shall act as its own paying agent, it will, on or before each due date of the principal of or interest on the Debentures, set aside, segregate and hold in trust for the benefit of the holders of the Debentures a sum sufficient to pay such principal or interest so becoming due. The Company will promptly notify the Trustee of any failure by the Company to take such action or the failure by any other obligor on the Debentures to make any payment of the principal of or interest on the Debentures when the same shall be due and payable.

(c) Anything in this Section 4.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by it or any paying agent hereunder, as required by this Section 4.04, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such paying agent.

(d) Anything in this Section 4.04 to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section 4.04 is subject to the provisions of Sections 12.03 and 12.04.

SECTION 4.05. *Limitation on Secured Debt*. The Company will not itself, and will not permit any Domestic Subsidiary to, incur, issue, assume, guarantee or suffer to exist any notes, bonds, debentures or other similar evidences of indebtedness for money borrowed (notes, bonds, debentures or other similar evidences of indebtedness for money borrowed being hereinafter called "Debt"), secured by pledge of, or mortgage or lien on, any Principal Property of the Company or any Domestic Subsidiary, or any shares of stock of or Debt of any Domestic Subsidiary (mortgages, pledges and liens being hereinafter in this Article called "Mortgage" or "Mortgages"), without effectively providing that the Debentures (together with, if the Company shall so determine, any other Debt of the Company or such Domestic Subsidiary then existing or thereafter created which is not subordinate to the Debentures) shall be secured equally and ratably with (or prior to) such secured Debt, so long as such secured Debt shall be so secured, unless, after giving effect thereto, the aggregate amount of all such secured Debt plus all Attributable Debt of the Company and its Domestic Subsidiaries in respect of sale and leaseback transactions (as defined in Section 4.06) would not exceed 5% of the Consolidated Net Tangible Assets; *provided, however,* that this Section, shall not apply to, and there shall be excluded from secured Debt in any computation under this Section. Debt secured by:

(1) Mortgages on property of, or on any shares of stock of or Debt of, any corporation existing at the time such corporation becomes a Domestic Subsidiary;

(2) Mortgages in favor of the Company or any Domestic Subsidiary;

(3) Mortgages on property of the Company or a Domestic Subsidiary in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any State thereof, or in favor of any other country, or any political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute (including Debt of the industrial development or pollution control revenue bond type) or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to such Mortgages;

(4) Mortgages on property shares of stock or Debt existing at the time acquisition thereof (including acquisition through merger or consolidation) or

to secure the payment of all or any part of the purchase price thereof or to secure any Debt incurred prior to, at the time of, or within 120 days after (a) the later of the acquisition, the completion of construction (including any improvements on an existing property) or the commencement of commercial operation of such property, which Debt is incurred for the purpose of financing all or any part of the purchase price thereof or construction or improvements thereon; provided, however, that in the case of any such acquisition, construction or improvement, the mortgage shall not apply to any property theretofore owned by the Company or a Domestic Subsidiary, other than, in the case of any such construction or improvement, any theretofore unimproved real property on which the property so constructed, or the improvement, is located, or (b) the acquisition of such shares or Debt for the purpose of financing all or any part of the purchase price thereof; and

(5) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Mortgage referred to in the foregoing clauses (1) to (4), inclusive, *provided*, that such extension, renewal or replacement Mortgage shall be limited to all or a part of the same property, shares of stock or Debt that secured the Mortgage extended, renewed or replaced (plus improvements on such property).

SECTION 4.06. *Limitation on Sales and Lesebacks.* The Company will not itself, and it will not permit any Domestic Subsidiary to, enter into any arrangement with any bank, insurance company or other lender or investor (not including the Company or any Domestic Subsidiary) or to which any such lender or investor is a party, providing for the leasing by the Company or a Domestic Subsidiary for a period, including renewals, in excess of three years of any Principal Property which has been or is to be sold or transferred, more than 120 days after the completion of construction and commencement of full operation thereof, by the Company or such Domestic Subsidiary to such lender or investor or to any person to whom funds have been or are to be advanced by such lender or investor on the security of such Principal Property (herein referred to as a "sale and leaseback transaction") unless either:

(1) the Company or such Domestic Subsidiary could create Debt secured by a Mortgage pursuant to Section 4.05 on the Principal Property to be leased in an amount equal to the Attributable Debt with respect to such sale and leaseback transaction without equally and ratably securing the Debentures, or

(2) the Company within 120 days after the sale or transfer shall have been made by the Company or by a Domestic Subsidiary, applies an amount

equal to the greater of (i) the net proceeds of the sale of the Principal Property leased pursuant to such arrangement or (ii) the fair market value of the Principal Property so leased at the time of entering into such arrangement (as determined by any two of the following: the Chairman of the Company, its President, any Executive Vice President of the Company, any Senior Vice President-Finance, any Vice President of the Company and its Treasurer) to the retirement of Funded Debt of the Company; *provided*, that the amount to be applied to the retirement of Funded Debt of the Company shall be reduced by (a) the principal amount of any Debentures delivered within 120 days after such sale to the Trustee for retirement and cancellation, and (b) the principal amount of Funded Debt, other than Debentures, voluntarily retired by the Company within 120 days after such sale and *provided further,* that no retirement referred to in this clause (2) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision.

SECTION 4.07. *Statement by Officers as to Default.* The Company will deliver to the Trustee, on or before a date not more than four months after the end of each fiscal year of the Company ending after the date hereof, a statement (which shall not be deemed an Officers' Certificate within the meaning of this Indenture and need not conform with any of the provisions of Section 14.05) signed by the Chairman of the Company, its President, any Executive Vice President of the Company, any Senior Vice President-Finance or any Vice President of the Company and by its Treasurer or any Assistant Treasurer or its Secretary or any Assistant Secretary stating that in the course of the performance by the signers of their duties as officers of the Company they would normally obtain knowledge of any default by the Company in the performance of any covenant or agreement contained to Sections 4.05, 4.06, 11.01 and 11.03, stating whether or not they have obtained knowledge of any such default, and if so, specifying each such default of which the signers have knowledge and the nature thereof.

SECTION 4.08. *Further Instruments and Acts.* The Company will, upon request of the Trustee, execute and deliver such further instruments and do such further acts as may reasonably be necessary or proper to carry out more effectually the purposes of the Indenture.

## ARTICLE FIVE

### DEBENTUREHOLDERS' LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE.

SECTION 5.01. *Company to Furnish Trustee Information as to Names and Addresses of Debentureholders.* The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee:

(a) semi-annually, not more than 15 days after each record date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the debentureholders as of such record date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the lime such list is furnished,

excluding from any such list names and addresses received by the Trustee in its capacity as Registrar.

SECTION 5.02. *Preservation of Information, Communications to Debentureholders.* (a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the holders of Debentures (1) contained in the most recent list furnished to it as provided in Section 5.01 and (2) received by it in the capacity of paying agent or Registrar (if so acting) hereunder.

The Trustee may destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished.

(b) In case three or more holders of Debentures (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Debenture for a period of at least six months preceding the date of such application and such application states that the applicants desire to communicate with other holders of Debentures with respect to their rights under this Indenture or under the Debentures, and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five business days after the receipt of such application, at its election, either

(1) afford such applicants access to the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 5.02, or

(2) inform such applicants as to the approximate number of holders of Debentures whose names and addresses appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 5.02, and as to the approximate cost of mailing to such debentureholders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each debentureholder whose name and address appears in the information preserved at

the time by the Trustee in accordance with the provisions of subsection (a) of this Section 5.02, a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender the Trustee shall mail to such applicants and file with the Securities and Exchange Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the holders of Debentures or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If said Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, said Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such debentureholders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Each and every holder of the Debentures, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any Registrar nor any paying agent shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the holders of Debentures in accordance with the provisions of subsection (b) of this Section 5.02, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under said subsection (b).

SECTION 5.03. *Reports by Company.* (a) The Company covenants and agrees to file with the Trustee, within 15 days after the Company is required to file the same with the Securities and Exchange Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as said Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with said Commission pursuant to Section 13 or Section 15 (d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of such Sections, then to file with the Trustee and said Commission, in accordance with rules and regulations prescribed from time to time by said Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities

Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations.

(b) The Company covenants and agrees to file with the Trustee and the Securities and Exchange Commission, in accordance with the rules and regulations prescribed from time to time by said Commission, such additional information, documents, and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations.

(c) The Company covenants and agrees to transmit to the holders of Debentures within thirty days after the filing thereof with the Trustee, in the manner and to the extent provided in subsection (c) of Section 5.04, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section 5.03 as may be required by rules and regulations prescribed from time to time by the Securities and Exchange Commission.

SECTION 5.04. *Reports by Trustee.* (a) On or before August 15, 1982 and on or before August 15 in every year thereafter, so long as any Debentures are outstanding hereunder, the Trustee shall transmit to the debentureholders as hereinafter in this Section 5.04 provided and to the Company a brief report dated as of the preceding June 15, with respect to:

(1) its eligibility under Section 7.09, and its qualifications under Section7.08, or in lieu thereof, if to the best of its knowledge it has continued to be eligible and qualified under such Sections, a written statement to such effect;

(2) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by theTrustee (as such) which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Debentures, on any property or funds held or collected by it as Trustee, except that the Trustee shall not be required (but may elect) to report such advances if such advances so remaining unpaid aggregate not more than one-half of one percent of the principal amount of the Debentures outstanding on the date of such report;

(3) the amount, interest rate, and maturity date of all other indebtedness owing by the Company (or by any other obligor on the Debentures) to theTrustee in its individual capacity, on the date of such report, with a brief description of any property held as collateral security therefor, except an indebtedness based upon a creditor relationship arising in any manner described in paragraph (2), (3), (4) or (6) of subsection (b) of Section 7.13;

(4) the property and funds, if any, physically in the possession of the Trustee (as such) on the date of such report;

(5) any additional issue of Debentures which the Trustee has not previously reported; and

(6) any action taken by the Trustee in the performance of its duties under this Indenture which it has not previously reported and which in its opinion materially affects the Debentures, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 6.07.

(b) The Trustee shall transmit to the debentureholders, as hereinafter provided, and to the Company a brief report with respect to the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee (as such) since the date of the last report transmitted pursuant to the provisions of subsection (a) of this Section 5.04 (or if no such report has yet been so transmitted, since the date of execution of this Indenture), for the reimbursement of which it claims or may claim a lien or charge prior to that of the Debentures on property or funds held or collected by it as Trustee, and which it has not previously reported pursuant to this subsection, except that the Trustee shall not be required (but may elect) to report such advances if such advances remaining unpaid at any time aggregate ten per cent or less of the principal amount of Debentures outstanding at such time, such report to be transmitted within 90 days after such time.

(c) Reports pursuant to this Section 5.04 shall be transmitted by mail to all holders of Debentures, as the names and addresses of such holders appear upon the Debenture register.

(d) A copy of each such report shall, at the time of such transmission to debentureholders, be filed by the Trustee with each stock exchange upon which the Debentures are listed and also with the Securities and Exchange Commission. The Company agrees to notify the Trustee when and as the Debentures become listed on any stock exchange.

## ARTICLE SIX.

### Remedies of the Trustee and Debentureholders In Event of Default.

Section 6.01. *Events of Default.* In case one or more of the following Events of Default shall have occurred and be continuing, that is to say:

(a) default in the payment of any instalment of interest upon any of the Debentures as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(b) default in the payment of the principal of any of the Debentures as and when the same shall become due and payable, either at maturity, upon redemption, by declaration or otherwise; or

(c) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company in the Debentures or in this Indenture contained for a period of 60 days after the date on which written notice specifying such failure and requiring the Company to remedy the same and stating that such notice is a "Notice of Default" hereunder shall have been given to the Company by the Trustee, or to the Company and the Trustee by the holders of at least twenty-five per cent in aggregate principal amount of the Debentures at the time outstanding; or

(d) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar Federal or state law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(e) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar Federal or state law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Company or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall admit in writing its inability generally to pay its debts as they become due or shall take any corporate action in furtherance of any of the foregoing;

then and in each and every such case, unless the principal of all the Debentures shall have already become due and payable, either the Trustee or the holders of not less than twenty-five per cent in aggregate principal amount of the Debentures then outstanding hereunder, by notice in writing to the Company (and to the Trustee if given by debentureholders), may declare an amount of principal which is equal to (i) the initial public offering price of the Debentures plus (ii) that portion of the original issue discount (the excess of the principal or face amount of the Debentures over the initial public offering price) attributable on a ratable basis to the period from the date of issue to the date of acceleration, and any accrued interest to the date of acceleration to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable.

anything in this Indenture or in the Debentures contained to the contrary notwithstanding. This provision, however, is subject to the condition that if at any time after the principal of the Debentures shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay all matured instalments of interest upon all the Debentures and the principal of any and all Debentures which shall have become due otherwise than by such acceleration with interest, to the extent that payment of such interest is enforceable under applicable law, upon such principal and overdue instalments of interest, at the rate borne by the Debentures to the date of such payment or deposit and such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith, and any and all defaults under the Indenture, other than the nonpayment of the principal of Debentures which shall have become due by such acceleration, shall have been remedied—then and in every such case the holders of a majority in aggregate principal amount of the Debentures then outstanding, by written notice to the Company and to the Trustee, may waive all defaults and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

In case the Trustee or any debentureholders shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee or such debentureholders, then and in every such case the Company, the Trustee and the holders of the Debentures shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company and the Trustee shall continue as though no such proceedings had been taken.

SECTION 6.02. *Collection of Indebtedness by Trustee, etc.* The Company covenants that (1) in case default shall be made in the payment of any instalment of interest on any of the Debentures, as and when the same shall become due and payable, and such default shall have continued for a period of 30 days, or (2) in case default shall be made in the payment of the principal of any of the Debentures when the same shall have become payable, whether upon maturity of the Debentures or upon redemption or upon declaration or otherwise—then upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Debentures, the whole amount that then shall have become due and payable on all such Debentures for principal or interest, or both, as the case may be, with

interest, to the extent that payment of such interest is enforceable under applicable law, upon the overdue principal and overdue instalments of interest at the rate borne by the Debentures; and, in addition thereto, such further amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Company or other obligor upon the Debentures and collect in the manner provided by law out of the property of the Company or other obligor upon the Debentures wherever situated the moneys adjudged at decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor upon the Debentures under any applicable bankruptcy, insolvency or any other similar Federal or state law now or hereinafter in effect, or in case a receiver, custodian or trustee shall have been appointed for its property, or in case of any other judicial proceedings relative to the Company or other obligor upon the Debentures, its creditors or its property, the Trustee, irrespective of whether the principal of the Debentures shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 6.02, shall be entitled and empowered, by intervention in such proceeding or otherwise, to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Debentures, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith) and of the debentureholders allowed in any judicial proceedings relative to the Company, or other obligor upon the Debentures, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the debentureholders and of the Trustee on their behalf; and any receiver, custodian, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the debentureholders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the debentureholders, to pay to the Trustee such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred and all advances made, by the Trustee except as a result of its negligence or bad faith.

All rights of action and of asserting claims under this Indenture, or under any of the Debentures, may be enforced by the Trustee without the possession of any of the Debentures, or the production thereof on any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment (except for any amounts payable to the Trustee pursuant to Section 7.06) shall be for the ratable benefit of the holders of the Debentures.

In case of an Event of Default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 6.03. *Application of Moneys Collected by Trustee.* Any moneys collected by the Trustee, pursuant to Section 6.02, shall be applied in the order following at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal or interest, upon presentation of the several Debentures, and the notation thereon of the payment, if only partially paid, and upon surrender thereof if fully paid:

FIRST: To the payment of costs and expenses of collection, and reasonable compensation to the Trustee, its agents, attorneys and counsel, and of all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith;

SECOND: In case the principal of the Debentures shall not have become due, to the payment of interest on the Debentures, in the order of the maturity of the instalments of such interest, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue instalments of interest at the rate borne by the Debentures, such payments to be made ratably to the persons entitled thereto, without discrimination or preference;

THIRD: In case the principal of the Debentures shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Debentures for principal and interest, with interest, to the extent that payment of such interest is enforceable under applicable law, on the overdue principal and overdue instalments of interest at the rate borne by the Debentures; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Debentures, then to the payment of such principal and interest, without preference or priority of principal over

interest, or of interest over principal, or of any instalment of interest over any other instalment of interest, or of any Debenture over any other Debenture, ratably to the aggregate of such principal and accrued and unpaid interest; and

FOURTH: The remainder, if any, shall be paid to the Company, its successors, or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

SECTION 6.04. *Limitation on Suits by Holders of Debentures.* No holder of any Debenture shall have any right by virtue or by availing of any provision of this Indenture to institute any action or proceedings at law or in equity or in bankruptcy or otherwise, upon or under or with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such holder previously shall have given to the Trustee written notice of an Event of Default and unless the holders of not less than twenty-five percent in aggregate principal amount of the Debentures then outstanding shall have made written request upon the Trustee to institute such action or proceedings in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the cost, expenses and liabilities to be incurred therein or thereby, and the Trustee, for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 6.06; it being understood and intended, and being expressly covenanted by the taker and holder of every Debenture with every other taker and holder and the Trustee, that no one or more holders of Debentures shall have any right in any manner whatever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of the holders of any other Debentures, or to obtain or seek to obtain priority over or preference to any other such holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all holders of Debentures. For the protection and enforcement of the provisions of this Section 6.04, each and every debentureholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision in this Indenture, however, the right of any holder of any Debenture to receive payment of the principal of and interest on such Debenture, on or after the respective due dates expressed it such Debenture, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder.

SECTION 6.05. *Remedies Cumulative; Delay or Omission in Exercise of Rights Not a Waiver of Default.* All powers and remedies given by this Article Six to the Trustee or to the debentureholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the debentureholders, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any holder of any of the Debentures to exercise any right or power accruing upon any default occurring and continuing as aforesaid, shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 6.04, every power and remedy given by this Article Six or by law to the Trustee or to the debentureholders may be exercised from time to time and as often as shall be deemed expedient, by the Trustee or by the debentureholders.

SECTION 6.06. *Rights of Holders of Majority in Principal Amount of Debentures to Direct Trustee and to Waive Default.* The holders of a majority in aggregate principal amount of the Debentures at the time outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee; *provided, however,* that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that subject to the provisions of Section 7.01 hereof, the Trustee shall have the right to decline to follow any such direction if the Trustee being advised by counsel shall determine that the action so directed may not lawfully be taken, or if the Trustee shall by a responsible officer or officers determine that the action so directed would involve it in personal liability or would be unjustly prejudicial to holders of Debentures not taking part in such direction; and *provided, further,* that nothing in this Indenture contained shall impair the right of the Trustee in its discretion to take any action deemed proper by the Trustee and which is not inconsistent with such direction by the debentureholders. Prior to the declaration of the maturity of the Debentures as provided in Section 6.01, the holders of a majority in aggregate principal amount of the Debentures at the time outstanding may on behalf of the holders of all of the Debentures waive any past default hereunder and its consequences, except a default in the payment of the principal of or interest on any of the Debentures. In case of any such waiver, the Company, the Trustee and the holders of the Debentures shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 6.07. *Trustee to Give Notice of Defaults Known to It, but May Withhold such Notice in Certain Circumstances.* The Trustee shall, within 90 days after the occurrence of a default, give to the debentureholders, in the manner and to the extent provided in subsection (c) of Section 5.04, notice of all defaults known to the Trustee, unless such defaults shall have been cured before the giving of such notice (the term "default" or "defaults" for the purposes of this Section 6.07 being hereby defined to be any event or events, as the case may be, specified in clauses (a), (b), (c), (d), and (e) of Section 6.01, not including periods of grace, if any, provided for therein and irrespective of the giving of the written notice specified in clause (c) of Section 6.01); *provided* that, except in the case of default in the payment of the principal of or interest on any of the Debentures, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and or responsible officers, of the Trustee in good faith determine that the withholding of such notice is in the interest of the debentureholders.

SECTION 6.08. *Requirement of an Undertaking to Pay Costs in Certain Suits Under the Indenture or Against the Trustee.* All parties to this Indenture agree, and each holder of any Debenture by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 6.08 shall not apply to any suit instituted by the Trustee, to any suit instituted by any debentureholders or group of debentureholders, holding in the aggregate more than ten percent in principal amount of the Debentures outstanding, or to any suit instituted by any debentureholders for the enforcement of the payment of the principal of or interest on any Debenture, on or after the due date expressed in such Debenture.

## ARTICLE SEVEN.

### CONCERNING THE TRUSTEE.

SECTION 7.01. *Certain Duties and Responsibilities.* The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of

Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that

(a) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred;

(1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for an error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Debentures at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

None of the provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any personal financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 7.02. *Certain Rights of Trustee.* Except as otherwise provided in Section 7.01:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Company by the Chairman or the President or an Executive Vice President or the Senior Vice President-Finance or a Vice President and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors of the Company may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(c) The Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the debentureholders, pursuant to the provisions of this Indenture, unless such debentureholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby;

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

(f) Prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval or other paper or document, unless requested in writing to do so by the holders of a majority in aggregate principal amount of the Debentures then outstanding; *provided, however,* that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is not, in the opinion of the Trustee, reasonably assured to the Trustee by the security

afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such costs, expenses or liabilities as a condition to so proceeding; the reasonable expense of every such investigation shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand; and

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care hereunder.

SECTION 7.03. *Trustee Not Liable for Recitals in Indenture or in Debentures.* The recitals contained herein and in the Debentures except the Trustee's certificate of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Debentures. The Trustee represents that it is duly authorized to execute and deliver this Indenture and perform its obligations hereunder. The Trustee shall not be accountable for the use or application by the Company of any of the Debentures or of the proceeds thereof.

SECTION 7.04. *Trustee, Paying Agent or Registrar May Own Debentures.* The Trustee or any paying agent or Registrar, in its individual or any other capacity, may become the owner or pledgee of Debentures with the same rights it would have if it were not Trustee, paying agent or Registrar.

SECTION 7.05. *Moneys Received by Trustee to be Held in Trust.* Subject to the provisions of Section 12.04 hereof, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company. So long as no Event of Default shall have occurred and be continuing, all interest allowed on any such moneys shall be paid from time to time upon the written order of the Company, signed by the Chairman or the President or an Executive Vice President or Senior Vice President-Finance or Vice President or its Treasurer or an Assistant Treasurer.

SECTION 7.06. *Compensation and Reimbursement.* The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it hereunder

(which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and, except as otherwise expressly provided, the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents, attorneys and counsel and of all persons not regularly in its employ) except any such expense disbursement or advance as may arise from its negligence or bad faith. If any property other than cash shall at any time be subject to a lien in favor of the debentureholders, the Trustee, if and to the extent authorized by a receivership or bankruptcy court of competent jurisdiction or by the supplemental instrument subjecting such property to such lien, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The Company also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim of liability in the premises. The obligations of the Company under this Section 7.06 to compensate and indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. Such additional indebtedness shall be secured by a lien prior to that of the Debentures upon all property and funds held or collected by the Trustee, as such, except funds held in trust for the payment of principal of or interest on the Debentures.

SECTION 7.07. *Right of Trustee to Rely on an Officers' Certificate Where No Other Evidence Specifically Prescribed.* Except as otherwise provided in Section 7.01, whenever in the administration of the provisions of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee and such Certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 7.08. *Disqualification; Conflicting Interests.* (a) If the Trustee has or shall acquire any conflicting interest, as defined in the Section 7.08. it shall,

within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in Section 7.10.

(b) In the event that the Trustee shall fail to comply with the provisions of subsection (a) of this Section 7.08, the Trustee shall, within 10 days after the expiration of such 90-day period, transmit notice of such failure to the debenture-holders in the manner and to the extent provided in subsection (c) of Section 5.04.

(c) For the purposes of this Section 7.08 the Trustee shall be deemed to have a conflicting interest if

(1) the Trustee is trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the Company, are outstanding, unless such other indenture is a collateral trust indenture under which the only collateral consists of Debentures issued under this Indenture, *provided* that there shall be excluded from the operation of this paragraph any other indenture or indentures under which other securities, or certificates of interest or participation in other securities of the Company are outstanding if (i) this Indenture and such other indenture or indentures are wholly unsecured and such other indenture or indentures are hereafter qualified under the Trust Indenture Act of 1939, unless the Securities and Exchange Commission shall have found and declared by order pursuant to subsection (b) of Section 305 or subsection (c) of Section 307 of the Trust Indenture Act of 1939 that differences exist between the provisions of this Indenture and the provisions of such other indenture or indentures which are so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture or such other indenture or indentures or (ii) the Company shall have sustained the burden of proving, on application to the Securities and Exchange Commission and after opportunity for hearing thereon, that the trusteeship under this Indenture and such other indenture or indentures is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under one of such indentures; and *provided further,* that there shall be exclude from operation of this paragraph, so long as the Debentures or any of them shall not have become secured pursuant to Section 4.05 or 11.03 of this Indenture, (i) the indenture, dated as of October 1, 1967, between General Foods Overseas Development

Corporation and the Company, as Guarantor, and the Trustee under which the 4 3/8% Guaranteed Debentures due October 1, 1982 of General Foods Overseas Development Corporation are outstanding, (ii) the indenture, dated as of July 1, 1970, between the Company and the Trustee under which the 8 1/4% Sinking Fund Debentures due July 1, 1990 of the Company arc outstanding, (iii) the indenture, dated as of March 1, 1974, between the Company and the Trustee under which the 7 ½% Notes due March 1, 1984 of the Company are outstanding, and (iv) the indenture, dated as of June 15, 1981, between the Company and the Trustee under which 5 ½% Debentures due June 15, 2001 of the Company are outstanding;

(2) the Trustee or any of its directors or executive officers is an obligor upon the Debentures or an underwriter for the Company:

(3) the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common control with the Company or an underwriter for the Company;

(4) the Trustee or any of its directors or executive officers is a director officer, partner, employee, appointee, or representative of the Company, or of an underwriter (other than the Trustee itself) for the Company who is currently engaged in the business of underwriting, except that (A) one individual may be a director and/or an executive officer of the Trustee and a director and/or an executive officer of the Company, but may not be at the same time an executive officer of both the Trustee and the Company; (B) if and so long as the number of directors of the Trustee in office is more than nine, one additional individual may be a director and/or an executive officer of the Trustee and a director of the Company; and (C) the Trustee may be designated by the Company or by any underwriter for the Company to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent. or depositary, or in any other similar capacity, or subject to the provisions of paragraph (1) of this subsection (c), to act as trustee whether under an indenture or otherwise;

(5) ten percent or more of the voting securities of the Trustee is beneficially owned either by the Company or by any director, partner, or executive officer thereof, or twenty percent or more of such voting securities is beneficially owned, collectively, by any two or more of such persons; or ten percent or more of the voting securities of the Trustee is beneficially owned either by an underwriter for the Company or by any director, partner, or executive officer thereof, or is beneficially owned, collectively, by any two or more such persons;

(6) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, (A) five percent or more of the voting securities, or ten percent or more of any other class of security, of the Company, not including the Debentures issued under this Indenture and securities issued under any other indenture under which the Trustee is also trustee, or (B) ten percent or more of any class of security of an underwriter for the Company;

(7) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, five percent or more of the voting securities of any person who, to the knowledge of the Trustee, owns ten percent or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control with, the Company;

(8) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default, ten percent or more of any class of security of any person who, to the knowledge of the Trustee, owns fifty percent or more of the voting securities of the Company; or

(9) the Trustee owns on May 15, in any calendar year, in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of twenty-five percent or more of the voting securities, or of any class of security, of any person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under paragraph (6), (7) or (8) of this subsection (c). As to any such securities of which the Trustee acquired ownership through becoming executor, administrator, of testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply, for a period of two years from the date of such acquisition, to the extent that such securities included in such estate do not exceed twenty-five percent of such voting securities or twenty-five percent of any such class of security. Promptly after May 15, in each calendar year, the Trustee shall make a check of its holdings of such securities in any of the above-mentioned capacities as of May 15. If the Company fails to make payment in full of principal of or interest on any of the Debentures when and as the same becomes due and payable, and such failure continues for 30 days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such 30-day period, and after such date, notwithstanding the foregoing provisions of this paragraph (9), all such securities so held by the Trustee, with sole or joint control over such securities vested in it, shall, but

only so long as such failure shall continue, be considered as though beneficially owned by the Trustee for the purposes of paragraphs (6), (7) and (8) of this subsection (c).

The specifications of percentages in paragraphs (5) to (9) inclusive, of this subsection (c) shall not be construed as indicating that the ownership of such percentages of the securities of a person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of paragraph (3) or (7) of this subsection (c).

For the purposes of paragraphs (6), (7), (8) and (9) of this subsection (c) only. (A) the terms "security" and "securities" shall include only such securities as are generally known as corporate securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a person by one or more banks, trust companies or banking firms, or any certificate of interest or participation in any such note or evidence of indebtedness; (B) an obligation shall be deemed to be in default when a default in payment of principal shall have continued for 30 days or more and shall not have been cured; and (C) the Trustee shall not be deemed to be the owner or holder of (i) any security which it holds as collateral security (as trustee or otherwise) for an obligation which is not in default as defined in clause (B) above, or (ii) any security which it holds as collateral security under this indenture, irrespective of any default hereunder, or (iii) any security which it holds as agent for collection, or as custodian, escrow agent, or depositary, or in any similar representative capacity.

Except as provided in the next preceding paragraph, the word "security" or "securities" as used in this Indenture shall mean any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, pre-organization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas or other mineral rights, or, in general, any interest or instrument commonly known as a "security", or any certificate of interest or participation in temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

(d) For the purposes of this Section 7.08:

(1) The term "underwriter" when used with reference to the Company shall mean every person, who, within three years prior to the time as of which the determination is made, has purchased from the Company with a view to, or has offered of sold for the Company in connection with, the distribution of any security of the Company outstanding at such time, or has participated or

has had a direct or indirect participation in any such undertaking, or has participated or has had a participation in the direct or indirect underwriting of any such undertaking, but such term shall not include a person whose interest was limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission.

(2) The term "director" shall mean any director of a corporation or any individual performing similar functions with respect to any organization whether incorporated or unincorporated.

(3) The term "person" shall mean an individual, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization, or a government or political subdivision thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

(4) The term "voting security" shall mean any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a person, or any security issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or agent or agents for the owner or holder of such security are presently entitled to vote in the direction or management of the affairs of a person.

(5) The term "Company" shall mean any obligor upon the Debentures.

(6) The term "executive officer" shall mean the president, every vice president, every trust officer, the cashier, the secretary, and the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization whether incorporated or unincorporated, but shall not include the chairman of the board of directors.

The percentages of voting securities and other securities specified in this Section 7.08 shall be calculated in accordance with the following provisions:

(A) A specified percentage of the voting securities of the Trustee, the Company or any other person referred to in this Section 7.08 (each of whom is referred to as a "person" in this paragraph) means such amount of the outstanding voting securities of such person as entitles the holder or holders thereof to cast such specified percentage of the aggregate votes which the holders of all the outstanding voting securities of such person are entitled to cast in the direction or management of the affairs of such person.

(B) A specified percentage of a class of securities of a person means such percentage of the aggregate amount of securities of the class outstanding.

(C) The term "amount", when used in regard to securities, means the principal amount if relating to evidences of indebtedness, the number of shares if relating to capital shares, and the number of units if relating to any other kind of security.

(D) The term "outstanding" means issued and not held by or for the account of the issuer. The following securities shall not be deemed outstanding within the meaning of this definition:

(i) Securities of an issuer held in a sinking fund relating to securities of the issuer of the same class,

(ii) Securities of an issuer held in a sinking fund relating to another class of securities of the issuer, if the obligation evidenced by such other class of securities is not in default as to principal or interest or otherwise,

(iii) Securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest, or otherwise, and

(iv) Securities held in escrow if placed in escrow by the issuer thereof;

*provided, however*, that any voting securities of an issuer shall be deemed outstanding if any person other than the issuer is entitled to exercise the voting rights thereof.

(E) A security shall be deemed to be of the same class as another security if both securities confer upon the holder or holders thereof substantially the same rights and privileges, *provided, however*, that, in the case of secured evidences of indebtedness, all of which are issued under a single indenture, differences in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series different classes and *provided, further*, that, in the case of unsecured evidences of indebtedness, differences in the interest rates or maturity dates thereof shall not be deemed sufficient to constitute them securities of different classes, whether or not they are issued under a single indenture.

SECTION 7.09. *Requirements for Eligibility of Trustee.* The Trustee hereunder shall at all times be a corporation organized and doing business under the laws of the United States or of any State or of the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least five million dollars, subject to supervision or examination by Federal, State or District of Columbia authority. If such corporation publishes

reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this section 7.09, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 7.09, the Trustee shall resign immediately in the manner and with the effect specified in Section 7.10.

SECTION 7.10. *Resignation and Removal of Trustee.* (a) The Trustee, or any trustee or trustees hereafter appointed, may at any time resign by giving written notice of resignation to the Company and by mailing notice thereof to the holders of the Debentures at their addresses as they shall appear on the Debenture register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors of the Company, one copy of which instrument shall be delivered to the resigning trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee or any debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six months may, subject to the provisions of Section 6.08, on behalf of himself and all others similarly situated, petition any such court for the appoiniment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur

(1) the Trustee shall fail to comply with the provisions of subsection (a) of Section 7.08 after written request therefor by the Company or by any debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six months, or

(2) the Trustee shall cease to be eligible in accordance with the provisions of Section 7.09 and shall fail to resign after written request therefor by the Company or by any such debentureholder, or

(3) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

then, in any such case, the Company may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors of the Company, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 6.08, any debentureholder who has been a bona fide holder of a Debenture or Debentures for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The holders of a majority in aggregate principal amount of the Debentures at the time outstanding may at any time remove the Trustee and appoint a successor trustee by the delivery to the Trustee so removed, to the successor trustee and to the Company of the evidence provided for in Section 8.01 of the action in that regard taken by the debentureholders.

(d) Any resignation or removal of the Trustee and any appointment of successor trustee pursuant to any of the provisions of this Section 7.10 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 7.11.

SECTION 7.11. *Acceptance by Successor to Trustee*. Any successor trustee appointed as provided in Section 7.10 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due it pursuant to the provisions of Section 7.06, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such trustee to secure any amounts then due it pursuant to the provisions of Section 7.06.

No successor trustee shall accept appointment as provided in this Section 7.11 unless at the time of such acceptance such successor trustee shall be qualified under the provisions of Section 7.08 and eligible under the provisions of Section 7.09.

Upon acceptance of appointment by a successor trustee as provided in this Section 7.11, the Company shall mail notice of the succession of such trustee hereunder to the holders of the Debentures at their addresses as they shall appear on the Debenture register. If the Company fails to mail such notice within 10 days after acceptance of appointment by the successor trustee. the successor trustee shall cause such notice to be mailed at the expense of the Company.

SECTION 7.12. *Successor to Trustee by Merger, Consolidation, or Succession to Business*. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be qualified under the provisions of Section 7.08 and eligible under the provisions of Section 7.09, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Debentures shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee, and deliver such Debentures so authenticated; and in case at that time any of the Debentures shall not have been authenticated, any successor to the Trustee may authenticate such Debentures either in the name of any predecessor hereunder or in the name of the successor trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Debentures or in this Indenture provided that the certificate of the Trustee shall have: *provided, however,* that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Debentures in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 7.13. *Preferential Collection of Claims against Company.* (a) Subject to the provisions of subsection (b) of this Section 7.13, if the Trustee in its individual capacity shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company or of any other obligor on the Debentures within four months prior to a default, as defined in subsection (c) of this Section 7.13, or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the holders of the Debentures and the holders of other indenture securities (as defined in subsection (c) of this Section 7.13):

(1) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such four months' period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of this subsection, or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such default; and

(2) all property received by the Trustee in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such four months' period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee

(A) to retain for its own account (i) payments made on account of any such claim by any person (other than the Company) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third person, and (iii) distributions made in cash, securities, or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Bankruptcy Act or applicable State law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such four months' period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such four months' period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default as defined in subsection (c) of this Section 7.13 would occur within four months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C), against the release of any property held as security for such claim as provided in such paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (B), (C), and (D), property substituted after the beginning of such four months' period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned between the Trustee, the debentureholders and the holders of other indenture securities in such manner that the Trustee, the debentureholders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Bankruptcy Act or applicable State law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee, the debentureholders and the holders of other indenture securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Bankruptcy Act or applicable State law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or in proceedings for reorganization pursuant to the Bankruptcy Act or applicable State law, whether such distribution is made in cash, securities or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership, or proceeding for reorganization is pending shall have jurisdiction (i) to apportion among the Trustee, the debentureholders and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and the proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee, the debentureholders and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific

allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee who has resigned or been removed after the beginning of such four months' period shall be subject to the provisions of this subsection (a) as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such four months' period, it shall be subject to the provisions of this subsection (a) if and only if the following conditions exist:

(i) the receipt of property or reduction of claim which would have given rise to the obligation to account, if such Trustee had continued as trustee, occurred after the beginning of such four months' period; and

(ii) such receipt of property or reduction of claim occurred within four months after such resignation or removal.

(b) There shall be excluded from the operation of subsection (a) of this Section 7.13 a creditor relationship arising from

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction, or by this Indenture, for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advance and of the circumstances surrounding the making thereof is given to the debentureholders at the time and in the manner provided in Section 5.04 of this Indenture;

(3) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;

(4) an indebtedness created as a result of services rendered or premises rented; or an indebtedness created as a result of goods or securities sold in a cash transaction as defined in subsection (c) of this Section 7.13;

(5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; or

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper as defined in subsection (c) of this Section 7.13.

(c) As used in this Section 7.13:

(1) The term "default" shall mean any failure to make payment in full of the principal of or interest upon any of the Debentures or upon other indenture securities when and as such principal or interest becomes due and payable.

(2) The term "other indenture securities" shall mean securities upon which the Company is an obligor (as defined in the Trust Indenture Act of 1939) outstanding under any other indenture (A) under which the Trustee is also trustee. (B) which contains provisions substantially similar to the provisions of subsection (a) of this Section 7.13, and (C) under which a default exists at the time of the apportionment of the funds and property held in said special account.

(3) The term "cash transaction" shall mean any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand.

(4) The term "self-liquidating paper" shall mean any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacture, shipment, storage or sale of goods, wares or merchandise and which is secured by documents, evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

(5) The term "Company" shall mean any obligor upon the Debentures.

## ARTICLE EIGHT.

### Concerning the Debentureholders.

Section 8.01. *Evidence of Action by Debentureholders*. Whenever in this Indenture it is provided that the holders of a specified percentage in aggregate

principal amount of the Debentures may take any action (including the making of any demand or request, the giving of any direction, notice, consent or waiver or the taking of any other action) the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by debentureholders in person or by agent or proxy appointed in writing, or (b) by the record of the holders of Debentures voting in favor thereof at any meeting of debentureholders duly called and held in accordance with the provisions of Article Nine, or (c) by a combination of such instrument or instruments and any such record of such a meeting of debentureholders.

SECTION 8.02. *Proof of Execution of Instruments and of Holding of Debentures*. Subject to the provisions of Sections 7.01, 7.02 and 9.05, proof of the execution of any instrument by a debentureholder or his agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee.

The ownership of Debentures shall be proved by the register of such Debentures or by a certificate of the Registrar.

The Trustee may require such additional proof of any matter referred to in this Section 8.02 as it shall deem necessary.

The record of any debentureholders' meeting shall be proved in the manner provided in Section 9.06.

SECTION 8.03. *Who May Be Deemed Owner of Debentures*. Prior to due presentment for registration of transfer of any Debenture, the Company, the Trustee, any paying agent and any Registrar may deem and treat the person in whose name any Debenture shall be registered upon the books of the Company as the absolute owner of such Debenture (whether or not such Debenture shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Company, the Trustee or any Registrar) for the purpose of receiving payment of or on account of the principal of and interest on such Debenture and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Registrar shall be affected by any notice to the contrary; and all such payments so made to any such holder for the time being, or upon his order, shall the valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Debenture.

SECTION 8.04. *Debentures Owned by Company or Controlled or Controlling Companies Disregarded for Certain Purposes*. In determining whether the holders of the requisite aggregate principal amount of Debentures have concurred in any direction, consent or waiver under this Indenture, Debentures which are owned by the Company or any other obligor on the Debentures or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Debentures shall be disregarded and deemed not to be outstanding for the purposes of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver only Debentures which the Trustee knows are so owned shall be so disregarded. Debentures so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 8.04 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Debentures and that the pledgee is not the Company or any other obligor on the Debentures or a person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such obligor. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 8.05. *Instruments Executed by Debentureholders Bind Future Holders*. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the holders of the percentage in aggregate principal amount of the Debentures specified in this Indenture in connection with such action, any holder of a Debenture which is shown by the evidence to be included in the Debentures the holders of which have consented to such action may, by filing written notice with the Trustee at its corporate trust office and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Debenture. Except as aforesaid any such action taken by the holder of any Debenture shall be conclusive and binding upon such holder and upon all future holders and owners of such Debenture, and of any Debenture issued upon transfer thereof or in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon such Debenture or such other Debentures. Any action taken by the holders of the percentage in aggregate principal amount of the Debentures specified in this Indenture in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of all the Debentures.

ARTICLE NINE.

DEBENTUREHOLDERS' MEETINGS AND CONSENTS.

SECTION 9.01. *Purposes for Which Meeting May Be Called*. A meeting of debentureholders may be called at any time and from time to time pursuant to the provisions of this Article Nine for any of the following purposes:

(1) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by debentureholders pursuant to any of the provisions of Article Six;

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

(3) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 10.02; or

(4) to take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of the Debentures under any other provision of this Indenture or under applicable law.

SECTION 9.02. *Manner of Calling Meetings*. The Trustee may at any time call a meeting of debentureholders to take any action specified in Section 9.01. to be held at such time and at such place in the Borough of Manhattan, The City of New York, as the Trustee shall determine. Notice of every meeting of the debentureholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be mailed to the holders of Debentures at their addresses as they shall appear on the Debenture register. Such notice shall be mailed not less than 20 nor more than 120 days prior to the date fixed for the meeting.

SECTION 9.03. *Call of Meetings by Company or Debentureholders*. In case at any time the Company, pursuant to a resolution of its Board of Directors, or the holders of at least ten percent in aggregate principal amount of the Debertures then outstanding, shall have requested the Trustee to call a meeting of debentureholders to take any action authorized in Section 9.01 by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or the holders of Debentures in the amount above specified may determine the time and the place in the Borough of Manhattan, The City of New York, for such meeting and may call such meeting by mailing notice thereof as provided in Section 9.02.

SECTION 9.04. *Who May Attend and Vote at Meetings.* To be entitled to vote at any meeting of debentureholders a person shall (a) be a holder of one or more Debentures; or (b) be a person appointed by an instrument in writing as proxy by a holder of one or more Debentures. The only persons who shall be entitled to be present or to speak at any meeting of debentureholders shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 9.05. *Regulations May Be Made by Trustee*. Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of debentureholders, in regard to proof of the holding of Debentures and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit. Except as otherwise permitted or required by any such regulations, the holding of Debentures shall be proved in the manner specified in Section 8.02 and the appointment of any proxy shall be proved in the manner specified in said Section 8.02.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by debentureholders as provided in Section 9.03, in which case the Company or the debentureholders calling the meeting, as the case may be shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the holders of a majority in principal amount of the Debentures represented at the meeting and entitled to vote.

Subject to the provisions of Section 8.04, at any meeting each debentureholder or proxy shall be entitled to one vote for each $1,000 principal amount of Debentures held or represented by him, *provided, however,* that no vote shall be cast or counted at any meeting in respect to any Debenture challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Debentures held by him or instruments in writing as aforesaid duly designating him as the person to vote on behalf of other debentureholders. At any meeting of debentureholders duly called pursuant to the provisions of Section 9.02 or 9.03 the presence of persons holding or representing Debentures in an aggregate principal amount sufficient to take action on the business for the transaction of which such meeting was called shall constitute a quorum, but, if less than a quorum be present, the meeting may be adjourned from time to time by the holders of a majority in principal amount of the Debentures represented at the meeting and entitled to vote, and the meeting may be held as so adjourned without further notice.

SECTION 9.06. *Manner of Voting at Meetings and Record to be Kept.* The vote upon any resolution submitted to any meeting of debentureholders shall be by written ballots on which shall be subscribed the signatures of the debentureholders or proxies and the identifying number or numbers of the Debentures held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of debentureholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 9.02. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

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

SECTION 9.07. *Written Consent in Lieu of Meetings.* The written authorization or consent of the requisite percentage of debentureholders herein provided, entitled to vote at any such meeting, evidenced as provided in Article Eight and filed with the Trustee shall be effective in lieu of a meeting of debentureholders, with respect to any matter provided for in this Article Nine.

SECTION 9.08. *No Delay of Rights by Meeting.* Nothing in this Article Nine contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of debentureholders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the debentureholders under any of the provisions of this Indenture or of the Debentures.

## ARTICLE TEN.

### SUPPLEMENTAL INDENTURES.

SECTION 10.01. *Purposes for Which Supplemental Indentures May be Entered into Without Consent of Debentureholders.* The Company, when authorized by a resolution of its Board of Directors, and the Trustee may from time to time

and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act of 1939 as in force at the date of the execution thereof) for one or more of the following purposes:

(a) to evidence the succession of another corporation to the Company, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Company pursuant to Article Eleven hereof;

(b) to add to the covenants of the Company such further covenants, restrictions, conditions or provisions for the protection of the holders of the Debentures as its Board of Directors and the Trustee shall consider to be for the protection of the holders of Debentures, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions, conditions or provisions a default or an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; *provided, however,* that in respect of any such additional covenant, restriction, condition or provision such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default or may limit the right of the holders of a majority in aggregate principal amount of the Debentures to waive such default;

(c) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, to convey, transfer, assign, mortgage or pledge any property to or with the Trustee or to make such other provisions in regard to matters or questions arising under this Indenture as shall not adversely affect the interests of the holders of the Debentures;

(d) to modify, amend or supplement this Indenture in such a manner as to permit the qualification of any indenture supplemental hereto under the Trust Indenture Act of 1939 as then in effect, except that nothing herein contained shall permit or authorize the inclusion in any indenture supplemental hereto of the provisions referred to in Section 316(a)(2) of the Trust Indenture Act; and

(e) to provide for the issuance under this Indenture of Debentures in coupon form (including Debentures registrable as to principal only) and to provide for exchangeability of such Debentures with Debentures issued hereunder in fully registered form and to make all appropriate changes for such purpose.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 10.01 may be executed by the Company and the Trustee without the consent of the holders of any of the Debentures at the time outstanding, notwithstanding any of the provisions of Section 10.02.

SECTION 10.02. *Modification of Indenture with Consent of Holders of 66 ⅔% in Principal Amount of Debentures*. With the consent (evidenced as provided in Section 8.01) of the holders of not less than 66 ⅔% in aggregate principal amount of the Debentures at the time outstanding, the Company, when authorized by a resolution of its Board of Directors, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act of 1939 as in force at the date of execution thereof) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Debentures; *provided, however,* that no such supplemental indenture shall (i) extend the fixed maturity of any Debentures, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or alter the method of computing the amount of principal outstanding at any date, as provided in Section 6.01 hereof, without the consent of the holder of each Debenture so affected, or (ii) reduce the aforesaid percentage of Debentures, the consent of the holders of which is required for any such supplemental indenture, without the consent of the holders of all Debentures then outstanding.

Upon the request of the Company, accompanied by a copy of a resolution of its Board of Directors certified by the Secretary or an Assistant Secretary of the Company authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of debentureholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture.

It shall not be necessary for the consent of the debentureholders under this Section 10.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

SECTION 10.03. *Effect of Supplemental Indentures*. Upon the execution of any supplemental indenture pursuant to the provisions of this Article Ten, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the holders of Debentures shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

The Trustee, subject to the provisions of Sections 7.01 and 7.02, may receive an Opinion of Counsel as conclusive evidence that any such supplemental indenture complies with the provisions of this Article Ten.

SECTION 10.04. *Debentures May Bear Notation of Changes by Supplemental Indentures*. Debentures authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article Ten may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. New Debentures so modified as to conform, in the opinion of the Trustee and the Board of Directors of the Company, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Company, authenticated by the Trustee and delivered in exchange for the Debentures then outstanding.

## ARTICLE ELEVEN.

### CONSOLIDATION, MERGER, SALE OR CONVEYANCE.

SECTION 11.01. *Consolidations and Mergers of Company and Conveyances Permitted Subject to Certain Conditions*. The Company may consolidate with, or sell or convey all or substantially all of its assets to, or merge into any other corporation, *provided* that in any such case, (i) the successor corporation shall be a corporation organized and existing under the laws of the United States of America or a State thereof and such corporation shall expressly assume the due and punctual payment of the principal of and interest on all the Debentures, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed by the Company by

supplemental indenture satisfactory to the Trustee, executed and delivered to the Trustee by such corporation, and (ii) such successor corporation shall not, immediately after such merger or consolidation, or such sale or conveyance, be in default in the performance of any such covenant or condition and shall not immediately thereafter have outstanding any secured Debt not expressly permitted by the provisions of Section 4.05.

SECTION 11.02. *Rights and Duties of Successor Corporation*. In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the party of the first part and the predecessor corporation shall be relieved of any further obligation under this Indenture. Such successor corporation thereupon may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Debentures issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor corporation, instead of the Company, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Debentures which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Debentures which such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Debentures so issued shall in all respects have the same legal rank and benefit under this Indenture as the Debentures theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Debentures had been issued at the date of the execution hereof.

In rase of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in the Debentures thereafter to be issued as may be appropriate.

SECTION 11.03. *Debentures to be Secured in Certain Events*. If, upon any such consolidation or merger of the Company with or into any other corporation, or upon any sale or conveyance of the property of the Company as an entirety or substantially as an entirety to any other corporation, any Principal Property would thereupon become subject to any Mortgage (as defined in Section 4.05), unless the Company could create such Mortgage pursuant to Section 4.05 without equally and ratably securing the Debentures, the Company, prior to such consolidation, merger, sale or conveyance, will secure the Debentures outstanding hereunder, equally and ratably with (or prior to) the Debt (as defined in Section 4.05) secured by such Mortgage.

SECTION 11.04. *Officers' Certificate and Opinion of Counsel*. The Trustee, subject to the provisions of Sections 7.01 and 7.02, may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Article Eleven.

## ARTICLE TWELVE.

## SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS.

SECTION 12.01. *Satisfaction and Discharge of Indenture*. If at any time (a) the Company shall have delivered to the Trustee for cancellation all Debentures theretofore authenticated and delivered (other than any Debentures which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.07 or Debentures for whose payment money has theretofore been deposited in trust and thereafter repaid to the Company as provided in Section 12.04), or (b) all such Debentures not theretofore delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Company shall deposit with the Trustee as trust funds the entire amount sufficient to pay at maturity or upon redemption all such Debentures not theretofore delivered to the Trustee for cancellation, including principal and interest due or to become due to such date of maturity or redemption date, as the case may be, and if in either case the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect, and the Trustee, on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel as required by Section 14.05 and at the cost and expense of the Company, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture. The Company agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee in connection with this Indenture or the Debentures.

SECTION 12.02. *Application by Trustee of Funds Deposited for Payment of Debentures*. All moneys deposited with the Trustee pursuant to Section 12.01 shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Company acting as its own paying agent), to the holders of the particular Debentures for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal and interest.

SECTION 12.03. *Repayment of Moneys Held by Paying Agent*. In connection with the satisfaction and discharge of this Indenture all moneys then held by any paying agent (other than the Trustee, if the Trustee be a paying agent) under the provisions of this Indenture shall, upon demand of the Company, be repaid to it or paid to the Trustee and thereupon such paying agent shall be released from all further liability with respect to such moneys.

SECTION 12.04. *Repayment of Moneys Held by Trustee.* Any moneys deposited with the Trustee or any paying agent for the payment of the principal of or interest on any Debentures and not applied but remaining unclaimed by the holders of Debentures for two years after the date upon which the principal of or interest on such Debentures shall have become due and payable, shall be repaid to the Company by the Trustee or such paying agent on demand; and the holder of any of the Debentures entitled to receive such payment shall thereafter look only to the Company for the payment thereof and all liability of the Trustee or such paying agent with respect to such moneys shall thereupon cease; *provided, however,* that the Trustee or such paying agent, before being required to make any such repayment, may at the expense of the Company cause to be published once a week for two successive weeks (in each case on any day of the week) in an authorized newspaper, a notice that said moneys have not been so applied and that after a date named therein any unclaimed balance of said moneys then remaining will be returned to the Company. It shall not be necessary for more than one such publication to be made in the same newspaper.

## ARTICLE THIRTEEN.

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

SECTION 13.01. *Incorporators, Stockholders, Officers, Directors and Employees of Company Exempt from Individual Liability.* No recourse under or upon any obligation, covenant or agreement of this Indenture, or of any Debenture or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, stockholder, officer, director or employee, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company, whether by virtue of any constitution, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the obligations issued hereunder are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, stockholders, officers, directors or employees, as such, of the Company or of any successor corporation,

or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Debentures or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of and any and all such rights and claims against, every such incorporator, stockholder, officer, director or employee, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations covenants or agreements contained in this Indenture or any of the Debentures or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of such Debentures.

## ARTICLE FOURTEEN.

### Miscellaneous Provisions.

Section 14.01. *Successors and Assigns of Company Bound by Indenture.* All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Company shall bind its successors and assigns, whether so expressed or not.

Section 14.02. *Acts of Board, Committee or Officer of Successor Corporation Valid.* Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation that shall at that time be the successor of the Company.

Section 14.03. *Required Notices or Demands.* Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the holders of Debentures to or on the Company shall be in writing and may be given or served by being deposited postage prepaid in a post office letter box in the United States addressed (until another address is filed by the Company with the Trustee), as follows: General Foods Corporation, 250 North Street, White Plains, New York 10625, Attention: Treasurer. Any notice, direction, request or demand by the Company or by any debentureholder to or upon the Trustee shall be in writing and may be given or made, for all purposes, by being deposited postage prepaid in a post office letter box in the United States addressed to the office of the Trustee located at 5 Hanover Square, New York, New York 10043, Attention: Corporate Trust Administration, or at any other address previously furnished in writing to the Company by the Trustee. Any notice required or permitted to be mailed to a debentureholder by the Company or the Trustee pursuant to the provisions of this Indenture shall be in writing and shall be deemed

to be properly mailed by being deposited postage prepaid in a post office letter box in the United States addressed to such debentureholder at the address of such holder as shown on the Debenture register.

SECTION 14.04. *Indenture and Debentures to be Construed in Accordance with the Laws of the State of New York.* This Indenture and each Debenture shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said State. The descriptive headings of the Articles and Sections of this Indenture are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 14.05. *Officers' Certificate and Opinion of Counsel to be Furnished upon Application or Demand by the Company.* Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such document is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (1) a statement that the person making such certificate or opinion has read such covenant or condition; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 14.06. *Payments Due on Sundays and Holidays.* In any case where the date of maturity of interest on or principal of the Debentures or the date fixed for redemption of any Debenture shall not be a business day, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 14.07. *Provisions Required by Trust Indenture Act of 1939 to Control.* If and to the extent that any provision of this Indenture limits, qualifies or conflicts with another provision included in this Indenture which is required to be included in this Indenture by any of Sections 310 to 317, inclusive, of the Trust Indenture Act of 1939, such required provision shall control.

SECTION 14.08. *Indenture may be Executed in Counterparts.* This Indenture may he executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 14.09. *Computation of Interest on Debentures.* Interest on the Debentures shall be computed on the basis of a 360-day year of twelve 30-day months.

Citibank. N.A., the party of the second part, hereby accepts the trusts in this Indenture declared and provided, upon the terms and conditions hereinabove set forth.

IN WITNESS WHEREOF, GENERAL FOODS CORPORATION. the party of the first part, has caused this Indenture to be duly signed and acknowledged by its Chairman or its President or its Executive Vice President Finance and Administration or its Senior Vice President-Finance or its Vice President and Treasurer thereunto duly authorized, and its corporate seal to be affixed hereunto, and the same to be attested by its Secretary or an Assistant Secretary; and CITIBANK, N.A., the party of the second part, has caused this indenture to be duly signed and acknowledged by one of its Senior Trust Officers thereunto duly authorized, and its corporate seal to be affixed hereunto, and the same to be attested by one of its Trust Officers.

[CORPORATE SEAL]

GENERAL FOODS CORPORATION

By /s/ PHILIP L. SMITH
*Executive Vice-President-Finance and Administration*

Attest: /s/ ROBERT P. MULGREW
*Secretary*

[CORPORATE SEAL]

Citibank, N.A.

By /s/ E. J. JAWORSHI
*Senior Trust Officer*

Attest: /s/ E. GIBBONS
*Trust Officer*

**EXHIBIT 12**

KRAFT FOODS INC. AND SUBSIDIARIES
Computation of Ratios of Earnings to Fixed Charges
(in millions of dollars)

| | Three Months Ended March 31, 2007 |
|---|---|
| Earnings before income taxes | $ 1,058 |
| Add (Deduct): | |
| Equity in net earnings of less than 50% owned affiliates | (15) |
| Dividends from less than 50% owned affiliates | 51 |
| Fixed charges | 182 |
| Interest capitalized, net of amortization | (2) |
| Earnings available for fixed charges | $ 1,274 |
| Fixed charges: | |
| Interest incurred: | |
| Interest expense | $ 143 |
| Capitalized interest | 3 |
| | 146 |
| Portion of rent expense deemed to represent interest factor | 36 |
| Fixed charges | $ 182 |
| Ratio of earnings to fixed charges | 7.0 |

KRAFT FOODS INC. AND SUBSIDIARIES
Computation of Ratios of Earnings to Fixed Charges
(in millions of dollars)

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| Earnings from continuing operations before income taxes and minority interest | $ 4,016 | $ 4,116 | $ 3,946 | $ 5,195 | $ 5,114 |
| Add (Deduct): | | | | | |
| Equity in net earnings of less than 50% owned affiliates | (71) | (67) | (7) | (53) | (51) |
| Dividends from less than 50% owned affiliates | 51 | 55 | 46 | 41 | 28 |
| Fixed charges | 733 | 799 | 828 | 831 | 1,003 |
| Interest capitalized, net of amortization | (4) | (1) | (1) | (1) | (1) |
| Earnings available for fixed charges | $ 4,725 | $ 4,902 | $ 4,812 | $ 6,013 | $ 6,093 |
| Fixed charges: | | | | | |
| Interest incurred: | | | | | |
| Interest expense | $ 578 | $ 651 | $ 677 | $ 678 | $ 854 |
| Capitalized interest | 8 | 3 | 2 | 3 | 4 |
| | 586 | 654 | 679 | 681 | 858 |
| Portion of rent expense deemed to represent interest factor | 147 | 145 | 149 | 150 | 145 |
| Fixed charges | $ 733 | $ 799 | $ 828 | $ 831 | $ 1,003 |
| Ratio of earnings to fixed charges | 6.4 | 6.1 | 5.8 | 7.2 | 6.1 |

**EXHIBIT 31.1**

**Certifications**

I, Irene B. Rosenfeld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kraft Foods Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2007

/s/ IRENE B. ROSENFELD

Irene B. Rosenfeld
Chairman and Chief Executive Officer

**EXHIBIT 31.2**

**Certifications**

I, James P. Dollive, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kraft Foods Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2007

/s/ JAMES P. DOLLIVE

James P. Dollive
Executive Vice President and Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kraft Foods Inc. (the "Company") on Form 10-Q for the period ended March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Irene B. Rosenfeld, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ IRENE B. ROSENFELD

Irene B. Rosenfeld

Chairman and Chief Executive Officer
May 9, 2007

*A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Kraft Foods Inc. and will be retained by Kraft Foods Inc. and furnished to the Securities and Exchange Commission or its staff upon request.*

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kraft Foods Inc. (the "Company") on Form 10-Q for the period ended March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James P. Dollive, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAMES P. DOLLIVE
James P. Dollive

Executive Vice President and
Chief Financial Officer
May 9, 2007

*A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Kraft Foods Inc. and will be retained by Kraft Foods Inc. and furnished to the Securities and Exchange Commission or its staff upon request.*